

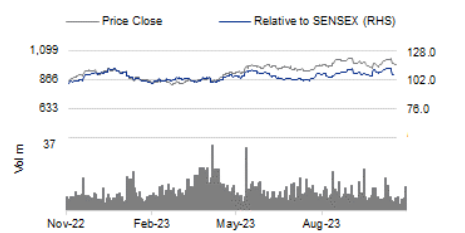
India

**HOLD** (no change)

Consensus ratings*: Buy 45 Hold 5 Sell 0	
Current price:	Rs998
Target price:	Rs1,050
Previous target:	Rs1,050
Up/downside:	5.2%
InCred Research / Consensus:	-11.0%
Reuters:	AXBK.NS
Bloomberg:	AXSB IN
Market cap:	US\$36,926m
	Rs3,076,639m
Average daily turnover:	US\$111.2m
	Rs9266.6m
Current shares o/s:	3,075.7m
Free float:	80.0%
*Source: Bloomberg	

**Key changes in this note**

► We appreciate Axis Bank management's consistent investment in digital infrastructure to bring the entire bank on a single platform, based on customer needs.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	1.8	4.3	14.7
Relative (%)	(0.4)	3.4	6.9

<b>Major shareholders</b>	% held
LIC	8.2
Mutual Funds	22.7
Foreign Portfolio Investors	46.9

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# Axis Bank

## Some hits and some misses

- We attended Axis Bank's Analyst Day where its top management revealed the progress made under 'Open Axis' across assets, liabilities, digital journey, etc.
- We appreciate its management's consistent investment in digital infrastructure to bring the entire bank on a single platform, based on customer needs.
- We remain cautious on the bank's asset-led branch expansion, weak liability growth and elevated operating costs. Retain HOLD rating with a Rs1,050 TP.

**Growth led by unsecured credit; liability growth may remain laggard**

Axis Bank has been reporting a steady growth momentum in unsecured credit including personal loans, credit cards and MSME loans, but secured credit (mortgage) was a laggard. We believe that with a rising focus on rural/semi-urban lending (Bharat Banking), the trend may continue. Management intends to improve the deposit growth through digital platform initiatives, but it may remain a laggard amid tight liquidity and competitive rates offered by smaller private banks. Deposit growth acceleration is mandatory for the bank, which will exert pressure on margins in the coming quarters.

**Citi retail assets business moving on expected lines; attrition normal**

Axis Bank is witnessing a gradual streamlining of customers and employees of Citi Bank after the acquisition of its retail assets last year. As per management discussions, with an 'Open Axis' platform, Axis Bank is offering a relatively wide variety of products and services to existing Citi Bank customers. The bank remains the third-largest wealth manager in India with ~6.5% market share and its management intends to grow gradually through consistent product innovation. On the employee front, the bank is witnessing a normal level of attrition (~6-7%) among existing Citi Bank employees.

**Operating matrices may continue to witness a deterioration in FY24F**

Axis Bank witnessed a decent consolidation in its operating expenses in FY23 but post-acquisition, Citi Bank's retail assets require an elevated cost of maintenance which, along with acquisition-led expenses, have kept the overall operating costs elevated. The bank's management remains committed towards investing further in its digital platform initiatives and intends to set up ~500 branches during the current financial year as well as in FY25F. These initiatives will weigh on the operating efficiency of the bank in the coming quarters.

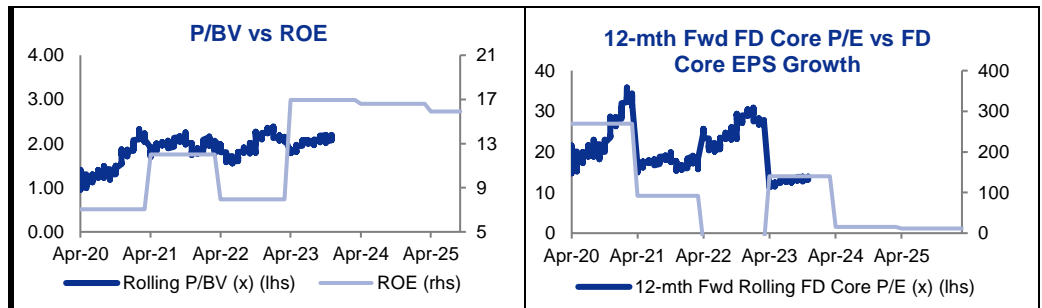
**Outlook & valuation**

We prefer to remain skeptical of the bank's secured asset growth, margin profile amid weak liability growth and elevated operating expenses in the near term. Management has reiterated its commitment towards no capital raising in the near term, but we remain skeptical on the same. We retain our estimates and a HOLD rating on the stock with a target price of Rs1,050, valuing the standalone bank at ~1.8x FY25F BV and adding Rs50/share for subsidiaries. Better-than-expected growth/margins pose an upside risk while lower profits are a downside risk.

<b>Financial Summary</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Net Interest Income (Rsm)	331,323	429,458	497,025	585,051	667,014
Total Non-Interest Income (Rsm)	152,205	165,009	201,457	241,200	288,296
Operating Revenue (Rsm)	483,528	594,466	698,482	826,251	955,309
Total Provision Charges (Rsm)	(73,593)	(28,848)	(38,133)	(55,525)	(78,285)
Net Profit (Rsm)	130,258	95,797	230,821	265,153	295,764
Core EPS (Rs)	42.48	31.16	74.91	86.05	95.99
Core EPS Growth	92%	(27%)	140%	15%	12%
FD Core P/E (x)	23.50	32.03	13.32	11.60	10.40
DPS (Rs)	1.00	2.00	4.00	4.00	5.00
Dividend Yield	0.10%	0.20%	0.40%	0.40%	0.50%
BVPS (Rs)	374.5	402.8	474.5	555.4	645.1
P/BV (x)	2.67	2.48	2.10	1.80	1.55
ROE	12.0%	8.0%	16.9%	16.6%	15.9%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income	331,323	429,458	497,025	585,051	667,014
<b>Total Non-Interest Income</b>	<b>152,205</b>	<b>165,009</b>	<b>201,457</b>	<b>241,200</b>	<b>288,296</b>
Operating Revenue	483,528	594,466	698,482	826,251	955,309
<b>Total Non-Interest Expenses</b>	<b>(226,023)</b>	<b>(265,615)</b>	<b>(336,451)</b>	<b>(396,950)</b>	<b>(461,730)</b>
Pre-provision Operating Profit	247,421	197,906	347,960	411,435	475,283
<b>Total Provision Charges</b>	<b>(73,593)</b>	<b>(28,848)</b>	<b>(38,133)</b>	<b>(55,525)</b>	<b>(78,285)</b>
Operating Profit After Provisions	173,828	169,059	309,827	355,909	396,998
<b>Pretax Income/(Loss) from Assoc.</b>					
Operating EBIT (incl Associates)	173,828	169,059	309,827	355,909	396,998
<b>Non-Operating Income/(Expense)</b>					
Profit Before Tax (pre-EI)	173,828	169,059	309,827	355,909	396,998
<b>Exceptional Items</b>					
Pre-tax Profit	173,828	169,059	309,827	355,909	396,998
Taxation	(43,570)	(73,262)	(79,006)	(90,757)	(101,235)
Consolidation Adjustments & Others					
<b>Exceptional Income - post-tax</b>					
Profit After Tax	130,258	95,797	230,821	265,153	295,764
Minority Interests					
Prof. & Special Div					
<b>FX And Other Adj.</b>					
Net Profit	130,258	95,797	230,821	265,153	295,764
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits	87.0%	87.8%	89.6%	90.2%	91.4%
Avg Liquid Assets/Avg Assets	69.1%	71.0%	72.6%	73.5%	74.5%
<b>Avg Liquid Assets/Avg IEAs</b>	<b>113.1%</b>	<b>114.0%</b>	<b>111.8%</b>	<b>110.9%</b>	<b>109.9%</b>
Net Cust Loans/Assets					
<b>Net Cust Loans/Broad Deposits</b>					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
<b>Provision Charge/Avg Cust Loans</b>					
<b>Provision Charge/Avg Assets</b>					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rsm)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
<b>Total Gross Loans</b>	<b>7,076,960</b>	<b>8,453,030</b>	<b>9,871,243</b>	<b>11,618,549</b>	<b>13,746,873</b>
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets	7,076,960	8,453,030	9,871,243	11,618,549	13,746,873
<b>Total Provisions/Loan Loss Reserve</b>					
Total Net Interest Earning Assets	7,076,960	8,453,030	9,871,243	11,618,549	13,746,873
Intangible Assets					
<b>Other Non-Interest Earning Assets</b>	<b>763,253</b>	<b>720,632</b>	<b>752,650</b>	<b>786,221</b>	<b>821,415</b>
<b>Total Non-Interest Earning Assets</b>	<b>808,977</b>	<b>767,971</b>	<b>792,869</b>	<b>828,582</b>	<b>865,968</b>
Cash And Marketable Securities	1,109,871	1,064,108	1,093,405	1,242,013	1,261,339
<b>Long-term Investments</b>	<b>2,755,971</b>	<b>2,888,148</b>	<b>3,285,997</b>	<b>3,691,333</b>	<b>4,147,397</b>
Total Assets	11,751,778	13,173,257	15,043,513	17,380,476	20,021,578
Customer Interest-Bearing Liabilities	8,217,209	9,469,452	10,981,450	12,831,712	14,934,295
Bank Deposits					
Interest Bearing Liabilities: Others	1,851,338	1,863,000	1,961,617	2,153,405	2,364,234
Total Interest-Bearing Liabilities	10,068,546	11,332,453	12,943,067	14,985,117	17,298,528
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	531,493	586,640	629,839	673,979	723,879
Total Liabilities	10,600,039	11,919,093	13,572,905	15,659,096	18,022,408
Shareholders Equity	1,151,741	1,254,167	1,470,608	1,721,381	1,999,169
<b>Minority Interests</b>					
Total Equity	1,151,741	1,254,167	1,470,608	1,721,381	1,999,169

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Income Growth	13.3%	29.6%	15.7%	17.7%	14.0%
Operating Profit Growth	7.0%	27.7%	10.1%	18.6%	15.0%
Pretax Profit Growth	97%	(3%)	83%	15%	12%
Net Interest To Total Income	68.5%	72.2%	71.2%	70.8%	69.8%
Cost Of Funds	3.71%	3.95%	4.86%	4.57%	4.38%
Return On Interest Earning Assets	10.2%	11.0%	11.9%	11.4%	10.8%
Net Interest Spread	6.49%	7.02%	7.00%	6.81%	6.45%
Net Interest Margin (Avg Deposits)	4.36%	4.86%	4.86%	4.91%	4.80%
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit	30%	15%	11%	13%	16%
Interest Return On Average Assets	3.07%	3.45%	3.52%	3.61%	3.57%
Effective Tax Rate	25.1%	43.3%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio					
Return On Average Assets	1.20%	0.77%	1.64%	1.64%	1.58%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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