

Business Overview

Axis Bank is the third-largest private sector bank in India in terms of asset size, with a balance sheet of ~INR 9tn. The Bank has a large footprint of 4528 domestic branches (including extension counters) spread across the country. The overseas operations of the Bank are spread over eight international offices and focus on corporate lending, trade finance, syndication, investment banking and liability businesses. The bank earns substantial fee income from transaction and merchant banking activities. The Bank offers the entire spectrum of financial services to customer segments covering Large and Mid-Corporates, MSME, Agriculture and Retail Businesses.

Key highlights

- We see banks disclosure to be a step to be in right direction as it aligns perception to reality and will clear smog around asset quality. We believe these are challenging times for banks manifested in temporary lull in earnings, however one must not ignore the sheer franchise strength created which enables bank to deliver healthy normalized returns post this.
- FY20 has been volatile given asset quality deterioration amidst a challenging environment. However, revamped strategy, sustained investments and strengthening franchise, not to mention de-risking initiatives, along with focus on transparency and conservatism augur well for the future beyond COVID-19.
- All incremental disbursements in corporate book in FY20 have come from A or above rated clients. Corporate loan growth has come 66% from working capital, 14% from refinance and 9% for capex.
- Axis bank has received its RBI's risk assessment report for FY19 and divergence is below the reporting threshold.
- Loan growth sustained momentum with ~17% YoY growth driven by strong 24% jump in retail and 11% in corporate, while cautious stance on SME continues, reflected in the 6% YoY decline. Deposits grew a robust 17% YoY and retail TD continues to be the bank's calling card (up 27% YoY). Strong business momentum along with sustained NIMs helped improve revenue traction (NII grew >19% YoY).

Risks

- Deterioration in macro environment
- Higher slippages
- Softer growth in CASA

QUICK DATA

| | |
|------------------------|----------|
| Face Value (Rs.) | 2.0 |
| Div. Yield (%) | 0% |
| No of shares (cr) | 282 |
| 52-week High/Low (Rs.) | 819/286 |
| NSE Symbol | AXISBANK |
| BSE Code | 532215 |
| Market cap (Rs. bn) | 1144 |

SHAREHOLDING PATTERN (%)

| | |
|------------------|------|
| Promoters | 15.7 |
| MFs, FIs & Banks | 24.5 |
| FIs | 44.6 |
| Others | 15.2 |

EDELWEISS CLASSIFICATION

| | |
|---------------|------------|
| Market Cap | Large Cap |
| Relative Risk | Medium |
| Relative Reco | Outperform |
| Sector Rating | Overweight |

Edelweiss Ratios

| Company | Axis Bank |
|----------------------------|-----------|
| 1 Wk Price performance (%) | 4% |
| 3 M Price performance (%) | 35% |
| P/BV (x) | 1.5x |
| Return on Equity (%) | 9% |

Financial Snapshot

| Year to March | FY19 | FY20 | FY21E | FY22E |
|---------------------|--------|--------|--------|--------|
| Net revenues | 34,838 | 41,774 | 49,024 | 58,151 |
| Preprovision profit | 19,005 | 24,993 | 30,521 | 36,833 |
| Profit After Tax | 4,677 | 6,731 | 14,817 | 18,288 |
| Diluted EPS (INR) | 18.2 | 23.9 | 52.6 | 64.9 |
| P/E (x) | 23.5 | 17.9 | 8.1 | 6.6 |
| Adjusted Book Value | 228.6 | 282.0 | 328.5 | 388 |
| P/ABV | 1.9 | 1.5 | 1.3 | 1.1 |
| RoAE (%) | 7.2 | 8.7 | 15.8 | 16.8 |

Technical View

| | S1 | S2 | R1 | R2 |
|-----------|-----|-----|-----|-----|
| Axis Bank | 390 | 375 | 423 | 438 |

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