

## On track, mostly

Over FY19, AXSB has demonstrated meaningful improvement in performance metrics. Profitability improved for the retail and wholesale businesses (loss in FY17 & 18). After growing briskly over FY17-18, SA traction slowed for the bank and system. With moderating slippages and LLPs, AXSB changed course over FY19 towards normalised earnings and RoAAs. Improving asset quality (with rising coverage), better risk practices, focus on high yielding retail products and cost consciousness will drive earnings. Maintain BUY with SOTP value of Rs 895 (2.8x FY21E ABV of Rs 309 + Rs 30 for subs).

- Granularity Improves:** While deposits (top 20) remain more concentrated vs. peers, business granularity improved over FY19. With retail deposits constituting ~80.6% of deposits, top 20 deposits contributed ~11.8%. The share of the top 20 advances/exposures dipped further to 8.6/12.4%, with retail loans constituting ~50% of advances (vs. 47% in FY18).
- CASA Loses Steam:** At 6%, the share of SA in incremental deposits hit a multi-year low. Systemic challenges in deposit growth, and the rising focus on retail TD + CASA contributed in part. The renewed focus was visible with Retail TDs forming 36.3% vs. 30.4%. However, avg CASA at ~43% and avg SA growth of ~16% are promising.
- Retail Business Back on Track:** After an unimpressive FY18, retail operating metrics improved with a 26/59% NII/PPOP growth. In spite of elevated provisions (1%), PBT doubled with an RoAA of ~1.72% (still lower vs.

FY16/17). Faster growth in high yielding retail loans and opev will improve performance hereon.

- Asset Quality:** After a severe setback in FY17/18, asset quality improved over FY19. Industry GNPA improved from ~15.2% to ~11.3% led by an improvement in Infra (24% vs. 29% YoY) and Metals (4.9% vs. 17.1% YoY). CRE NPAs are already ~10%+. While agri NPAs increased (5.5% vs. 3.9% YoY), PL NPAs dipped (79bps vs. 1.2% YoY). Moderating slippages and normalization of LLPs will drive earnings hereon.
- Other Highlights:** (1) After two years of losses, the wholesale business turned profitable, (2) 6.5mn options granted, O/S ESOPs equal 1.2% of capital, (3) Avg. tenure of loans was stable at 3.3 years whereas the avg. tenure of liabilities dipped slightly to 2.2 years, (4) Banca fees grew ~14% to contribute ~14% of overall fees, (5) Dividend from subs halved to ~Rs 1.3bn (7bps vs. 160bps of PPOP) and (6) Overall asset growth outpaced RWA growth and RWA/ Assets dipped to ~69% vs. ~75%.

### FINANCIAL SUMMARY

YE Mar (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	180,931	186,177	217,082	254,129	297,044
PPOP	175,845	155,945	190,051	219,530	261,272
PAT	36,793	2,757	46,766	89,168	127,980
EPS (Rs)	15.4	1.1	18.2	34.1	48.9
ROAE (%)	6.8	0.5	7.2	12.4	15.4
ROAA (%)	0.65	0.04	0.63	1.05	1.32
Adj. BVPS (Rs)	196.8	182.6	215.4	261.1	309.2
P/ABV (x)#	3.77	4.06	3.44	2.84	2.40
P/E (x)#	48.3	690.2	40.8	21.8	15.2

Source: Company, HDFC sec Inst Research; # Adj for Subsidiaries

INDUSTRY	BANKS
<b>CMP (as on 21 Jun 2019)</b>	<b>Rs 771</b>
<b>Target Price</b>	<b>Rs 895</b>
Nifty	11,724
Sensex	39,194

### KEY STOCK DATA

Bloomberg	AXSB IN
No. of Shares (mn)	2,619
MCap (Rs bn) / (\$ mn)	2,022/29,069
6m avg traded value (Rs mn)	7,133

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 828/499		
	3M	6M	12M
Absolute (%)	2.1	24.3	50.5
Relative (%)	0.0	14.7	39.8

### SHAREHOLDING PATTERN (%)

	Dec-18	Mar-19
Promoters	23.7	18.7
FIs & Local MFs	17.7	19.6
FPIs	45.9	49.6
Public & Others	12.7	12.6
Pledged Shares	Nil	Nil

Source : BSE

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**AXIS BANK : ANNUAL REPORT HIGHLIGHTS**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>Sectoral GNPA (%)</b>								
Agri & Allied	2.33	2.36	2.83	2.26	2.44	3.25	3.93	5.51
<b>Industry</b>	<b>0.75</b>	<b>1.09</b>	<b>1.25</b>	<b>1.65</b>	<b>2.22</b>	<b>9.61</b>	<b>15.20</b>	<b>11.29</b>
Services	0.96	1.60	1.94	1.70	2.04	4.96	3.85	4.11
PL	0.81	0.64	0.57	0.61	0.69	0.89	1.17	0.79
<b>GNPA : PSL (%)</b>								
Agri & Allied	-	-	2.83	2.26	2.44	3.25	3.93	5.51
Industry (eligible for PSL)	-	-	1.38	1.53	1.75	3.11	3.70	3.36
Services	-	-	0.66	0.62	1.78	2.69	3.39	3.35
PL	-	-	0.36	0.48	0.65	0.76	1.68	0.84
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1.29</b>	<b>1.21</b>	<b>1.59</b>	<b>2.26</b>	<b>3.07</b>	<b>2.92</b>
<b>GNPL : NoN PSL (%)</b>								
Agri & Allied	-	-	-	-	-	-	-	-
<b>Industry</b>	<b>-</b>	<b>-</b>	<b>1.22</b>	<b>1.67</b>	<b>2.29</b>	<b>10.67</b>	<b>17.23</b>	<b>12.76</b>
Services	-	-	2.37	2.03	2.11	5.50	3.93	4.29
PL	-	-	0.64	0.65	0.70	0.93	1.05	0.78
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1.29</b>	<b>1.41</b>	<b>1.75</b>	<b>6.18</b>	<b>7.84</b>	<b>6.05</b>
<b>GNPA (%)</b>								
Substandard	31.07	29.01	34.69	25.75	26.51	27.44	23.13	16.90
Doubtful 1	8.17	18.99	8.28	21.82	21.46	25.64	34.45	21.53
Doubtful 2	8.12	4.43	15.30	14.50	28.26	19.76	28.66	42.36
Doubtful 3	1.14	2.83	2.26	1.10	0.93	2.22	6.72	4.76
Loss	51.49	44.75	39.48	36.84	22.83	24.94	7.04	14.46
<b>GNPA Movement (Rs bn)</b>								
Opening Balance	16.0	18.1	23.9	31.5	41.1	60.9	212.9	342.5
<b>Slippages</b>	<b>18.4</b>	<b>20.2</b>	<b>25.5</b>	<b>28.5</b>	<b>72.4</b>	<b>217.8</b>	<b>334.2</b>	<b>138.7</b>
Slippages Ratio (%)	1.18	1.10	1.19	1.12	2.34	6.12	8.22	2.97
Less Deductions:	16.3	13.8	17.9	18.9	52.6	65.9	204.5	183.3
Upgradation	7.4	3.3	3.3	3.2	3.4	21.8	49.1	50.7
Recoveries	2.2	2.5	5.4	3.6	16.8	21.8	38.5	40.3
W/o	6.7	8.0	9.2	12.2	32.3	22.2	116.9	92.3
<b>Closing Balance</b>	<b>18.1</b>	<b>24.5</b>	<b>31.5</b>	<b>41.1</b>	<b>60.9</b>	<b>212.9</b>	<b>342.5</b>	<b>298.0</b>
Top 4 GNPA (Rs bn)	5.82	9.38	6.51	9.31	11.21	49.84	53.40	45.14
<b>Loan Mix (%)</b>								
SME	13.2	14.4	14.8	15.3	13.2	13.2	13.4	13.3
Agri	9.8	10.3	10.0	10.2	10.2	9.4	8.4	8.5
<b>Retail</b>	<b>26.9</b>	<b>31.4</b>	<b>36.8</b>	<b>39.8</b>	<b>40.9</b>	<b>45.0</b>	<b>47.0</b>	<b>49.7</b>
Corp	50.3	47.1	42.7	38.5	45.9	41.8	39.7	37.1

**Improvement in Industry NPA was led by the Infra (24% vs. 29% YoY) and Metals (4.9% vs. 17.1% YoY)**

**Of which Home loan NPAs are 89bps and Vehicle Loan NPAs are 95bps**

**With lower fresh slippages, the share of substandard and D1 categories reduced**

**Large scale migration from D1 to D2 occurred in FY19 due to ageing**

**~89% of corporate slippages were from the BB and below rated portfolio in FY19**

**As with peers, the share of retail loans continues to rise at the expense of corporate loans**

Source : Company, HDFC sec Inst Research

**AXIS BANK : ANNUAL REPORT HIGHLIGHTS (cont'd)**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>EXPOSURE</b>								
<b>(Fund based + non-fund based, %)</b>								
Infra	7.7	7.7	8.0	7.8	8.3	6.7	5.5	5.3
Power	8.1	6.8	5.5	4.9	5.0	3.6	3.0	2.7
<b>Total Infra</b>	<b>15.8</b>	<b>14.5</b>	<b>13.5</b>	<b>12.7</b>	<b>13.3</b>	<b>10.3</b>	<b>8.4</b>	<b>8.0</b>
Textile	1.6	1.5	1.5	1.5	1.6	1.1	1.0	1.1
Gems/Jewel	0.6	0.8	0.4	0.4	0.4	-	0.3	-
Iron/Steel	4.3	4.1	3.8	4.3	4.7	4.4	3.4	3.8
CRE	2.2	2.1	2.5	2.6	3.5	2.2	2.3	2.2
<b>Total Stressed Sector Exposure</b>	<b>24.4</b>	<b>22.9</b>	<b>21.7</b>	<b>21.5</b>	<b>23.5</b>	<b>18.1</b>	<b>15.6</b>	<b>15.1</b>
<b>LOAN MIX : usage wise (%)</b>								
Working capital	29.9	30.6	31.3	30.5	29.9	29.7	34.3	33.5
Tem loan	70.1	69.4	68.7	69.5	70.1	70.3	65.7	66.5
PSL Loans (%)	33.6	29.1	32.3	29.7	28.3	28.9	25.6	26.0
Unsecured Loans (%)	13.6	17.2	16.6	20.7	23.6	22.1	28.8	27.9
<b>RATING MIX</b>								
<b>Corporate (%)</b>								
AAA	8.0	9.0	11.0	10.0	12.0	12.0	13.0	12.0
AA	19.0	16.0	15.0	20.0	20.0	25.0	34.0	39.0
A	40.0	37.0	35.0	32.0	30.0	29.0	30.0	31.0
<b>Sub-total A and above</b>	<b>67.0</b>	<b>62.0</b>	<b>61.0</b>	<b>62.0</b>	<b>62.0</b>	<b>66.0</b>	<b>77.0</b>	<b>82.0</b>
BBB	30.0	32.0	30.0	29.0	28.0	22.0	18.0	14.0
<BBB or unrated	3.0	6.0	9.0	9.0	10.0	12.0	5.0	4.0
<b>SME (%)</b>								
SME1	5.0	6.0	7.0	8.0	7.0	6.0	6.0	11.0
SME2	18.0	16.0	15.0	15.0	14.0	14.0	16.0	9.0
SME3	57.0	58.0	58.0	61.0	63.0	66.0	66.0	65.0
SME4	12.0	12.0	13.0	9.0	8.0	9.0	6.0	8.0
SME 5-8	9.0	8.0	7.0	7.0	8.0	5.0	6.0	7.0
<b>Concentration (%)</b>								
Top-20 Advances	11.87	10.59	11.00	11.01	10.21	11.13	10.27	8.56
Top-20 Exposures	12.29	11.82	12.49	13.06	12.41	13.06	13.21	12.35

Source : Company, HDFC sec Inst Research

**CRE NPAs are ~10.5% vs. ~9.3% in FY18 and ~4% in FY17**

**Considerable reduction in exposure to stressed sectors over the years**

**The slight uptick in the share of term loans in FY19 after reducing over FY16-FY18 is surprising**

**Increase in A and above rated loans is a result of a conscious change in risk filters with ~95% of incremental loans rated A- and above**

**Sharp rise in the share of loans rated SME 1**

**Sharp dip in the share of top 20 advances and a marginal dip in the share of top 20 exposures indicate possible concentrated investments and/or non-fund based exposures**

**AXIS BANK : ANNUAL REPORT HIGHLIGHTS (cont'd)**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>Maturity Profile of Loans</b>								
Avg Tenure (years)	3.12	3.18	3.39	3.27	3.33	3.31	3.39	3.33
<b>Maturity profile</b>								
Upto 6 months	16%	15%	11%	14%	14%	16%	15%	15%
6-12 months	7%	6%	6%	7%	8%	6%	6%	6%
1-3 years	23%	23%	23%	21%	18%	17%	17%	19%
3-5 years	14%	13%	13%	12%	13%	13%	13%	12%
Above 5 years	40%	42%	47%	46%	47%	47%	49%	48%
<b>CASA Contribution (Rs bn)</b>								
SA Rs bn	517	638	778	883	1,058	1,260	1,482	1,541
% Chg	26.5	23.4	21.9	13.5	19.8	19.1	17.6	4.0
% of Deposits	23.5	25.2	27.7	27.4	29.6	30.4	32.7	28.1
Incremental Contribution (%)	35.0	37.3	49.4	25.3	49.3	35.9	56.5	6.2
CA	398	483	487	561	637	870	956	893
% Chg	7.7	21.6	0.8	15.2	13.4	36.7	9.9	(6.7)
% of Deposits	18.1	19.1	17.3	17.4	17.8	21.0	21.1	16.3
Incremental Contribution (%)	9.2	26.4	1.3	17.9	21.2	41.4	22.0	(6.7)
<b>Per Branch (Rs mn)</b>								
SA	319	328	324	341	364	382	400	381
CA	245	248	203	217	219	263	258	220
CASA	564	576	526	558	583	645	659	601
Deposits	1,357	1,297	1,170	1,245	1,233	1,254	1,225	1,354
Top-20 Deposits (%)	14.14	13.89	13.63	12.61	10.90	11.60	11.44	11.83
<b>Maturity Profile of Deposits</b>								
Avg Tenure (years)	2.04	2.41	2.51	2.68	2.59	2.59	2.62	2.24
<b>Maturity Profile</b>								
Upto 6 months	34%	31%	29%	25%	26%	30%	31%	35%
6-12 months	24%	14%	18%	13%	19%	16%	15%	20%
1-3 years	8%	13%	9%	17%	10%	8%	8%	7%
3-5 years	6%	9%	7%	5%	3%	2%	4%	2%
Above 5 years	28%	32%	37%	40%	41%	44%	43%	36%
<b>Bancassurance fees (Rs bn)</b>								
	3.7	5.1	6.6	8.6	8.9	10.0	10.7	12.2
% of CEB	8.6	10.2	12.3	14.1	13.3	14.2	13.9	13.8
% of other income	6.9	7.8	8.9	10.3	9.5	8.5	9.8	9.3
% of PPOp	5.0	5.5	5.8	6.4	5.5	5.7	6.9	6.4
% of PAT	8.8	9.9	10.6	11.7	10.8	27.1	389.2	26.2

*With the increasing share of unsecured retail loans and focus on working capital loans, the average tenure of advances is likely to fall*

*After brisk growth in FY17&18, SA growth slowed. The 6% share of incremental deposits and 4% YoY growth were at multi-year lows*

*As SA growth has slowed for the system, the bank is now focused on CASA+ Retail TD*

*Retail deposits constituted ~81% of total deposits and retail TDs were ~36% of deposits*

*In spite of sluggish CASA growth, the average tenure of deposits dipped*

Source : Company, HDFC sec Inst Research

**AXIS BANK : ANNUAL REPORT HIGHLIGHTS (cont'd)**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>Fee Income Break-up (Rs bn)</b>								
Large and Mid Corporate	17.1	17.8	17.9	18.2	18.9	18.4	16.0	13.4
Treasury	9.7	11.7	13.4	14.1	8.1	1.3	1.8	2.6
Agri and SME banking	2.9	3.6	3.9	3.7	3.9	4.2	4.3	4.5
Business banking	4.3	4.5	4.9	5.7	13.6	15.3	17.6	19.4
Capital Markets	0.6	0.6	0.3	-	-	-	-	-
Retail Banking	12.8	17.1	19.3	25.9	30.3	39.8	48.9	61.5
<b>Total Fee Income</b>	<b>47.3</b>	<b>55.2</b>	<b>59.6</b>	<b>67.6</b>	<b>74.7</b>	<b>78.8</b>	<b>88.6</b>	<b>101.3</b>
<b>% of total fees</b>								
Large and Mid Corp	36.1	32.2	30.0	26.9	25.2	23.3	18.0	13.2
Treasury	20.4	21.2	22.4	20.9	10.9	1.6	2.1	2.5
Agri and SME banking	6.1	6.5	6.5	5.5	5.2	5.3	4.9	4.5
Business banking	9.2	8.1	8.2	8.4	18.2	19.4	19.9	19.1
Capital Markets	1.2	1.0	0.5	-	-	-	-	-
Retail Banking	27.0	31.0	32.4	38.3	40.5	50.4	55.1	60.7
<b>Dividend from Subsidiaries</b>								
Rs mn	11	15	19	338	1,398	1,765	2,561	1,311
% of total non-interest income	0.0	0.0	0.0	0.4	1.5	1.5	2.3	1.0
% of PPOp	0.0	0.0	0.0	0.3	0.9	1.0	1.6	0.7
% of PAT	0.0	0.0	0.0	0.5	1.7	4.8	92.9	2.8
<b>Contingent Liability (CL)</b>								
Rs bn	4,802	5,481	5,748	5,912	6,174	6,696	7,353	7,558
% Change	7.8	14.1	4.9	2.8	4.4	8.5	9.8	2.8
CL/BS (x)	1.7	1.6	1.5	1.3	1.2	1.1	1.1	0.9
CL/NW (x)	21.1	16.6	15.0	13.2	11.6	12.0	11.6	11.3
<b>ESOP</b>								
Outstanding ESOP (in mn)	-	10.9	41.8	41.8	35.5	29.7	29.6	30.1
% O/s number of shares	-	0.5	1.8	1.8	1.5	1.2	1.2	1.2
<b>Risk Weighted Assets</b>								
Rs bn	2,317	2,584	2,838	3,452	4,039	4,848	5,176	5,520
% Change	17.9	11.5	9.9	21.6	17.0	20.0	6.8	6.6
% Assets	81.1	75.9	74.1	74.7	76.9	80.6	74.9	68.9
PAT % RWA	1.83	2.00	2.19	2.13	2.04	0.76	0.05	0.85

*Large and mid corporate fees continue to fall*

*Sharp rise in retail banking fees*

*The dividend received from subsidiaries halved YoY with nil dividend from Axis Finance vs. Rs 1.2bn in FY18*

*Slow growth in contingent liabilities may be a result of capital consciousness which in turn resulted in a dip in the RWA/Assets Ratio*

Source : Company, HDFC sec Inst Research

**AXIS BANK : ANNUAL REPORT HIGHLIGHTS (cont'd)**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>Segment Performance : RETAIL</b>								
<b>(Rs bn)</b>								
Loans	487	655	880	1,119	1,385	1,680	2,065	2,458
NII	27.6	38.5	46.7	59.5	76.3	96.6	96.3	121.9
Other Income	12.4	16.1	16.2	21.5	27.0	30.9	39.9	52.2
Total Income	40.0	54.6	62.9	81.0	103.3	127.5	136.2	174.1
Opex	37.6	47.1	54.1	64.7	70.7	83.1	97.5	112.7
PPOP	2.4	7.4	8.8	16.3	32.6	44.4	38.6	61.5
Provisions	2.5	2.3	3.3	4.6	5.1	8.4	18.6	22.5
PBT	(0.0)	5.1	5.5	11.8	27.4	36.0	20.0	39.0

**NII and other income growth picked up in FY19, faster than the growth in retail assets indicating an increase in yields**

<b>Growth (%)</b>								
Loans	35.3	34.6	34.4	27.2	23.8	21.3	22.9	19.1
NII	3.5	39.2	21.4	27.5	28.3	26.6	(0.4)	26.6
Other Income	25.1	30.0	0.5	32.9	25.4	14.5	29.2	31.0
Total Income	9.3	36.4	15.2	28.9	27.5	23.4	6.8	27.9
Opex	31.6	25.4	14.7	19.7	9.3	17.5	17.4	15.5
PPOP	(69.9)	208.2	18.4	85.2	99.5	36.4	(13.1)	59.2
Provisions	(40.3)	(6.4)	43.3	37.8	13.0	63.6	121.1	20.9
PBT	(101.2)	NA	7.2	113.6	132.9	31.3	(44.4)	94.9

**Opex growth was contained. With increasing reliance on technology and set up of low cost branches, opex is likely to improve further**

<b>RoAA (%)</b>								
NII	6.53%	6.74%	6.08%	5.95%	6.09%	6.30%	5.14%	5.39%
Other Income	2.93%	2.82%	2.11%	2.15%	2.15%	2.02%	2.13%	2.31%
Total Income	9.45%	9.56%	8.19%	8.10%	8.25%	8.32%	7.27%	7.70%
Opex	8.88%	8.26%	7.04%	6.47%	5.65%	5.42%	5.21%	4.98%
PPOP	0.57%	1.30%	1.15%	1.63%	2.60%	2.90%	2.06%	2.72%
Provisions	0.58%	0.40%	0.43%	0.46%	0.41%	0.55%	0.99%	0.99%
PBT	-0.01%	0.90%	0.72%	1.18%	2.19%	2.35%	1.07%	1.72%

**Retail provisions remained elevated**

**Higher provisions kept RoAAs under check**

Source : Company, HDFC sec Inst Research

**AXIS BANK : ANNUAL REPORT HIGHLIGHTS (cont'd)**

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
<b>Segment Performance : WHOLESALE</b>								
<b>(Rs bn)</b>								
Loans	911	982	1,022	1,082	1,554	1,559	1,744	1,834
NII	48.4	59.4	66.5	70.4	78.4	85.2	68.5	89.2
Other Income	28.0	28.4	30.2	31.0	32.6	29.6	28.1	43.2
Total Income	76.4	87.8	96.7	101.4	110.9	114.8	96.6	132.4
Opex	17.4	16.2	20.1	22.6	25.3	33.2	37.3	38.0
PPOP	59.0	71.6	76.6	78.8	85.7	81.7	59.3	94.4
Provisions	7.4	16.1	17.7	18.6	30.1	100.4	118.5	90.3
PBT	51.7	55.4	58.9	60.2	55.6	(18.8)	(59.3)	4.2
<b>Growth (%)</b>								
Loans	19.9	7.9	4.1	5.9	43.6	0.3	11.9	5.1
NII	28.6	22.8	12.1	5.8	11.3	8.7	(19.7)	30.3
Other Income	22.3	1.5	6.1	2.9	4.9	(9.1)	(5.0)	53.6
Total Income	26.2	15.0	10.1	4.9	9.4	3.5	(15.9)	37.1
Opex	20.5	(6.6)	24.2	12.4	11.8	31.2	12.5	1.8
PPOP	28.0	21.3	7.0	2.9	8.7	(4.7)	(27.4)	59.3
Provisions	1.3	119.4	9.4	5.3	61.7	234.1	18.0	(23.8)
PBT	33.0	7.3	6.3	2.2	(7.7)	(133.7)	215.8	NA
<b>RoAA (%)</b>								
NII	5.79%	6.27%	6.64%	6.69%	5.95%	5.48%	4.15%	4.99%
Other Income	3.35%	3.00%	3.01%	2.95%	2.47%	1.90%	1.70%	2.41%
Total Income	9.15%	9.28%	9.65%	9.64%	8.42%	7.38%	5.85%	7.40%
Opex	2.08%	1.71%	2.01%	2.15%	1.92%	2.13%	2.26%	2.12%
PPOP	7.07%	7.56%	7.64%	7.49%	6.50%	5.25%	3.59%	5.28%
Provisions	0.88%	1.71%	1.76%	1.77%	2.28%	6.45%	7.18%	5.04%
PBT	6.19%	5.86%	5.88%	5.72%	4.22%	-1.21%	-3.59%	0.23%

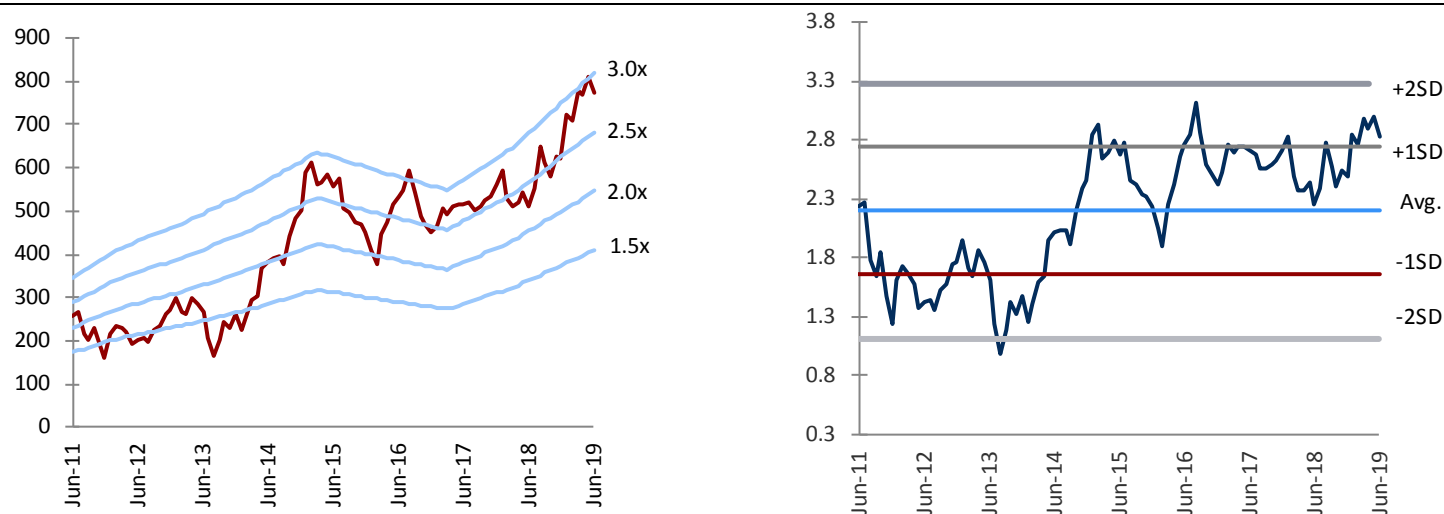
**The wholesale business made a profit (albeit marginal) after 2 years of losses on account of higher provisions**

**The sharp growth in wholesale NII compared to assets indicates a rise in yields; lower interest reversals**

**Provisions dipped in FY19, after peaking in FY18. Provisions will dip further, resulting in normalised profits**

Source : Company, HDFC sec Inst Research

**P/ABV Band Chart**



Source : Company, HDFC sec Inst Research

**SOTP**

	Rs bn	Per Share	Rationale
<b>Axis Bank – Standalone</b>	2,226	866	2.8x FY21E ABV of Rs 309
Axis Finance (NBFC)	57	22	3x FY21E BV
Axis AMC (Asset Management)	17	7	20x FY21E PAT
Axis Capital (IB and Institutional Broking)	12	4	15x FY21E PAT
Axis Securities (Retail Broking and Cross Sell)	10	4	12x FY21E PAT
<b>Total Value of Subsidiaries</b>	<b>95</b>	<b>37</b>	
<i>Less : 20% Holding Discount</i>	19	7	
<b>Total SOTP Value</b>	<b>2,302</b>	<b>895</b>	
Current Value	1,983	771	
<b>Upside (%)</b>	<b>16%</b>	<b>16%</b>	



**PEER VALUATIONS**

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
KMB #	2,844	1,490	BUY	1,481	209	236	272	47.1	37.7	30.8	5.74	5.00	4.28	12.7	13.6	14.3	1.70	1.75	1.76
ICICIBC #	2,778	431	BUY	454	138	153	172	63.5	19.2	13.4	2.41	2.14	1.87	3.3	9.2	12.0	0.36	1.07	1.34
<b>AXSB#</b>	<b>2,022</b>	<b>771</b>	<b>BUY</b>	<b>895</b>	<b>215</b>	<b>261</b>	<b>309</b>	<b>40.8</b>	<b>21.8</b>	<b>15.2</b>	<b>3.44</b>	<b>2.84</b>	<b>2.40</b>	<b>7.2</b>	<b>12.4</b>	<b>15.4</b>	<b>0.63</b>	<b>1.05</b>	<b>1.32</b>
IIB	1,003	1,449	BUY	1,964	400	515	561	26.4	20.5	14.8	3.62	2.81	2.58	13.3	16.1	18.0	1.32	1.56	1.73
RBL	294	612	BUY	803	169	243	268	30.1	24.1	18.2	3.63	2.52	2.29	12.2	12.5	12.7	1.22	1.31	1.34
FB	204	103	NEU	98	59	65	76	16.4	12.8	9.6	1.75	1.57	1.36	9.8	11.5	13.8	0.84	0.93	1.05
CUB	155	212	BUY	240	58	68	80	22.7	19.7	16.7	3.66	3.09	2.65	15.2	15.1	15.4	1.60	1.61	1.61
DCBB	71	230	BUY	228	88	99	114	21.9	16.6	12.5	2.62	2.31	2.01	11.0	13.0	15.2	0.99	1.09	1.20
KVB	58	73	NEU	84	50	52	60	27.6	17.6	10.1	1.45	1.39	1.21	3.3	5.1	8.7	0.31	0.45	0.71
SBIN #	3,119	349	BUY	383	146	188	222	269.0	9.4	6.4	1.78	1.38	1.15	0.4	10.6	13.9	0.02	0.64	0.84
AUBANK	211	698	BUY	680	101	128	151	53.4	37.7	27.0	6.90	5.45	4.62	14.1	15.3	17.2	1.48	1.49	1.61

Source: Company, HDFC sec Inst Research; # Adjusted for Subsidiaries

**Income Statement**

(Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Interest Earned	445,422	457,803	549,858	651,187	761,494
Interest Expended	264,490	271,626	332,776	397,058	464,450
<b>Net Interest Income</b>	<b>180,931</b>	<b>186,177</b>	<b>217,082</b>	<b>254,129</b>	<b>297,044</b>
<b>Other Income</b>	<b>116,913</b>	<b>109,671</b>	<b>131,303</b>	<b>140,481</b>	<b>160,135</b>
Fee Income (CEB)	70,283	77,299	88,537	99,649	115,145
Treasury Income	31,738	13,252	7,581	8,500	9,500
<b>Total Income</b>	<b>297,844</b>	<b>295,848</b>	<b>348,385</b>	<b>394,610</b>	<b>457,179</b>
<b>Total Operating Exp</b>	<b>121,999</b>	<b>139,903</b>	<b>158,334</b>	<b>175,080</b>	<b>195,907</b>
Employee Expense	38,919	43,130	47,473	51,907	57,394
<b>PPOP</b>	<b>175,845</b>	<b>155,945</b>	<b>190,051</b>	<b>219,530</b>	<b>261,272</b>
Provisions & Contingencies	121,170	154,729	120,310	97,382	84,748
Prov. for NPAs (incl. std prov.)	115,055	164,544	110,313	94,382	81,748
<b>PBT</b>	<b>54,676</b>	<b>1,216</b>	<b>69,741</b>	<b>122,148</b>	<b>176,524</b>
Provision for Tax	17,883	-1,541	22,975	32,980	48,544
<b>PAT</b>	<b>36,793</b>	<b>2,757</b>	<b>46,766</b>	<b>89,168</b>	<b>127,980</b>

Source: Bank, HDFC sec Inst Research

**Balance Sheet**

(Rs mn)	FY17	FY18	FY19	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Share Capital	4,790	5,133	5,143	5,234	5,234
Reserves	552,835	629,320	661,620	768,487	881,470
<b>Shareholder's Funds</b>	<b>557,625</b>	<b>634,453</b>	<b>666,763</b>	<b>773,721</b>	<b>886,704</b>
Savings	1,260,483	1,482,020	1,541,288	1,733,949	1,959,362
Current	870,017	956,496	892,653	959,602	1,031,572
Term Deposit	2,013,288	2,097,711	3,050,772	3,551,601	4,292,139
<b>Total Deposits</b>	<b>4,143,788</b>	<b>4,536,227</b>	<b>5,484,713</b>	<b>6,245,153</b>	<b>7,283,074</b>
Borrowings	1,050,309	1,480,161	1,527,758	1,594,877	1,779,012
Other Liabilities & Provisions	262,955	262,455	330,731	380,705	438,440
<b>Total Liabilities</b>	<b>6,014,677</b>	<b>6,913,296</b>	<b>8,009,965</b>	<b>8,994,455</b>	<b>10,387,231</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	502,562	434,549	672,046	550,493	589,591
Investments	1,287,934	1,538,761	1,749,693	1,961,078	2,221,198
G-Secs	905,981	1,013,546	1,168,229	1,298,992	1,493,030
Advances	3,730,693	4,396,503	4,947,980	5,776,766	6,773,259
Fixed Assets	37,469	39,717	40,366	42,385	44,504
Other Assets	456,019	503,766	599,880	663,733	758,679
<b>Total Assets</b>	<b>6,014,677</b>	<b>6,913,296</b>	<b>8,009,965</b>	<b>8,994,455</b>	<b>10,387,231</b>

Source: Bank, HDFC sec Inst Research

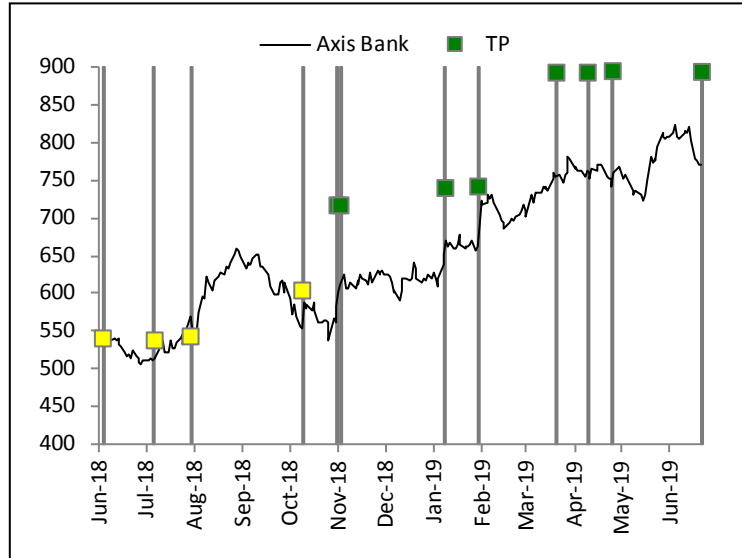
**Key Ratios**

	FY17	FY18	FY19	FY20E	FY21E
<b>Valuation Ratios</b>					
EPS	15.4	1.1	18.2	34.1	48.9
Earnings Growth (%)	(55.3)	(92.5)	1,596.4	90.7	43.5
BVPS (Rs.)	232.8	247.2	259.3	295.7	338.8
Adj. BVPS (Rs; 100% cover)	196.8	182.6	215.4	261.1	309.2
DPS (Rs)	5.0	0.0	1.0	2.6	4.9
ROAA (%)	0.7	0.0	0.6	1.0	1.3
ROAE (%)	6.8	0.5	7.2	12.4	15.4
P/E (x)	48.3	690.2	40.8	21.8	15.2
P/ABV (x)	3.77	4.06	3.44	2.84	2.40
P/PPOP (x)	2.0	2.4	2.0	1.8	1.5
Dividend Yield (%)	0.6	-	0.1	0.3	0.6
<b>Profitability</b>					
Yield on Advances (%)	9.31	8.40	8.84	9.19	9.33
Yield on Investment (%)	7.67	7.06	6.90	7.10	7.10
Cost of Deposits (%)	5.09	4.42	4.73	5.13	5.27
Core Spread (%)	3.89	3.55	3.74	3.85	3.84
NIM (%)	3.64	3.32	3.33	3.38	3.45
<b>Operating Efficiency</b>					
Cost/Avg. Asset Ratio (%)	2.2	2.2	2.1	2.1	2.0
Cost-Income Ratio (Excl Treasury)	45.8	49.5	46.5	45.3	43.8
<b>Balance Sheet Structure Ratios</b>					
Loan Growth (%)	10.1	17.8	12.5	16.8	17.3
Deposit Growth (%)	15.8	9.5	20.9	13.9	16.6
C/D Ratio (%)	90.0	96.9	90.2	92.5	93.0
Equity/Assets (%)	9.3	9.2	8.3	8.6	8.5
Equity/Loans (%)	14.9	14.4	13.5	13.4	13.1
CASA (%)	51.4	53.8	44.4	43.1	41.1
Capital Adequacy Ratio (CAR, %)	15.0	16.6	15.8	15.7	15.3
W/w Tier I (%)	11.9	13.0	12.5	12.7	12.5

	FY17	FY18	FY19	FY20E	FY21E
<b>Asset Quality</b>					
Gross NPLs (Rs mn)	212,862	342,544	297,954	251,457	219,831
Net NPLs (Rs mn)	86,266	165,917	112,756	90,429	77,657
Gross NPLs (%)	5.04	6.77	5.26	4.35	3.25
Net NPLs (%)	2.11	3.40	2.06	1.57	1.15
Slippages (%)	6.12	8.22	2.97	2.05	1.70
Coverage Ratio (%)	59.5	51.6	62.2	64.0	64.7
Provision/Avg. Loans (%)	3.13	4.08	2.19	1.69	1.24
<b>RoAA Tree</b>					
Net Interest Income	3.21%	2.88%	2.91%	2.99%	3.07%
Non Interest Income	2.07%	1.70%	1.76%	1.65%	1.65%
Treasury Income	0.56%	0.21%	0.10%	0.10%	0.10%
Operating Cost	2.17%	2.16%	2.12%	2.06%	2.02%
Provisions	2.15%	2.39%	1.61%	1.15%	0.87%
Provisions for NPAs	1.98%	2.57%	1.37%	1.07%	0.80%
Tax	0.32%	-0.02%	0.31%	0.39%	0.50%
ROAA	0.65%	0.04%	0.63%	1.05%	1.32%
Leverage (x)	10.3	10.8	11.5	11.8	11.7
ROAE	6.76%	0.46%	7.19%	12.38%	15.42%

Source: Bank, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
5-Jun-18	537	NEU	539
6-Jul-18	511	NEU	538
31-Jul-18	570	NEU	542
9-Oct-18	557	NEU	603
1-Nov-18	582	BUY	718
3-Nov-18	610	BUY	718
8-Jan-19	637	BUY	741
30-Jan-19	661	BUY	743
20-Mar-19	756	BUY	894
9-Apr-19	754	BUY	894
26-Apr-19	741	BUY	896
24-Jun-19	771	BUY	895

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- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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