

BSE SENSEX
 37,494

 S&P CNX
 11,320

CMP: INR568 TP: INR670 (+18%)
BUY

Motilal Oswal values your support in the Asiamoney Brokers Poll 2018 for India Research, Sales and Trading team. We [request your ballot](#).



	AXSB IN
Bloomberg	AXSB IN
Equity Shares (m)	2,567
M.Cap.(INRb)/(USD\$b)	1459.8 / 21.3
52-Week Range (INR)	628 / 448
1, 6, 12 Rel. Per (%)	6/-8/-6
12M Avg Val (INR M)	4433
Free float (%)	74.9

Financials & Valuation (INR b)

Y/E March	FY18	FY19E	FY20E
NII	186.2	208.3	243.5
OP	155.9	175.5	216.9
NP	2.8	51.9	93.9
NIM (%)	3.1	3.0	2.9
EPS (INR)	1.1	20.1	35.9
BV/Sh. (INR)	247.2	267.7	299.1
ABV/Sh. (INR)	193.8	222.4	263.1
RoE (%)	0.5	7.8	12.7
RoA (%)	0.04	0.68	1.04

Valuations

P/E(X)	511.5	28.3	15.8
P/BV (X)	2.3	2.1	1.9
P/ABV (X)	2.9	2.6	2.2

Asset quality improvement in sight; earnings outlook getting better

- AXSB reported PAT of INR7.01b (est. of INR7.92b), led by steady revenue growth and controlled opex (+12% YoY). Asset quality improved as fresh slippages subsided; however, rating downgrades resulted in an increase in the vulnerable asset pool to INR122.4b.
- NII grew 12%/9% YoY/QoQ to INR51.7b; in line if adjusted for a recovery on NCLT account. NIM expanded 13bp QoQ to 3.46% (again aided by NCLT recovery), and management guided for stable trends over FY19. Core fee growth stood at modest 5% YoY, affected by a muted trend in corporate fee (-24% YoY), while retail fee growth stood healthy at 18% YoY. AXSB absorbed the entire MTM losses of INR1.35b during the quarter.
- Loan growth stood at 14.4% YoY (flat QoQ), led by 21% YoY retail loan growth and 19% YoY SME loan growth. Deposit base declined 1.4% QoQ, led by a sequential decline in CA/SA deposits, while term deposits grew 13.2% QoQ. CASA growth, thus, moderated to 8% YoY (14.5% YoY in 4QFY18), though the daily average CASA mix stood stable at 46%.
- Fresh slippages moderated to INR43.37b (FY18 quarterly average: INR83.5b), which, coupled with healthy upgrade/recoveries/write-backs, enabled a sequential decline in GNPLs/NNPLs. PCR ratio improved 280bp QoQ to 54.4% (400bp QoQ improvement in technical coverage ratio). 88% of corporate slippages came from the BB and below assets; however, the size of vulnerable pool still increased 34% QoQ to INR122.4b, affected by rating downgrades of INR46b. AXSB highlighted that the rating downgrade cycle will normalize now and that 2HFY19 credit cost should revert toward mean levels.
- **Valuation and view:** AXSB's performance underscores the asset quality recovery that is getting evident across many other corporate banks. With an improving outlook on fresh slippages/credit cost, we expect earnings to start normalizing 2HFY19 onward. AXSB has already increased the PCR to 69% (NCLT-1 provisions of 83%), which will further curb incremental provisioning requirement. We revise our earnings marginally, and value AXSB at INR670 per share (2.5x FY20E ABV for standalone bank). Maintain **Buy**.

Quarterly Snapshot

	FY18				FY19E				FY18	FY19E	1QFY19E	V/S our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				Est
Net Interest Income	46,161	45,396	47,315	47,305	51,668	49,996	55,204	51,449	1,86,177	2,08,316	48,889	5.7
% Change (Y-o-Y)	2.2	0.6	9.2	0.0	11.9	10.1	16.7	8.8	2.9	11.9	5.9	6.0
Other Income	29,998	25,855	25,931	27,887	29,250	30,094	30,708	32,780	1,09,671	1,22,831	29,008	0.8
Total Income	76,160	71,252	73,246	75,191	80,918	80,090	85,912	84,229	2,95,848	3,31,148	77,897	3.9
Operating Expenses	33,248	33,478	34,708	38,469	37,198	37,355	41,246	39,847	1,39,903	1,55,646	37,569	-1.0
Operating Profit	42,912	37,773	38,538	36,722	43,720	42,735	44,666	44,381	1,55,945	1,75,502	40,327	8.4
% Change (Y-o-Y)	-4.0	-7.9	-16.9	-16.1	1.9	13.1	15.9	20.9	-11.3	12.5	-6.0	7.9
Provisions	23,419	31,404	28,110	71,795	33,377	26,345	24,318	17,286	1,54,729	1,01,326	28,824	15.8
Profit before Tax	19,492	6,369	10,428	-35,073	10,343	16,390	20,347	27,095	1,216	74,176	11,503	-10.1
Tax	6,436	2,045	3,163	-13,186	3,333	5,341	5,897	7,683	-1,541	22,253	3,587	-7.1
Net Profit	13,056	4,324	7,264	-21,887	7,011	11,049	14,450	19,413	2,757	51,923	7,916	-11.4
% Change (Y-o-Y)	-16.1	35.5	25.3	-278.7	-46.3	155.5	98.9	-188.7	-92.5	1,783.5	-39.4	-6.9
Operating Parameters												
Deposit (INR b)	3,937	4,164	4,090	4,536	4,471	4,899	5,076	5,307	4,536	5,307	4,670	-4.3
Loan (INR b)	3,855	4,102	4,209	4,397	4,411	4,731	4,930	5,192	4,397	5,192	4,527	-2.6
Deposit Growth (%)	10.0	9.5	10.3	9.5	13.5	17.6	24.1	17.0	9.5	17.0	18.6	-5.1
Loan Growth (%)	11.8	16.1	21.2	17.8	14.4	15.3	17.1	18.1	17.8	18.1	17.4	-3.0
CD Ratio (%)	97.9	98.5	102.9	96.9	98.7	96.6	97.1	97.8	96.9	97.8	96.9	1.7
Asset Quality												
Gross NPA (INR b)	220	274	250	342	327	323	302	295	342	295	357	-8.5
Gross NPA (%)	5.0	5.9	5.3	6.8	6.5	6.6	5.9	5.7	6.8	5.7	7.6	-1.1
Net NPA (INR b)	98	141	118	166	149	158	145	138	166	138	178.4	-16.5
Net NPA (%)	2.3	3.1	2.6	3.4	3.1	3.3	2.9	2.7	3.4	2.7	3.9	-0.9
PCR (%)	55.7	48.7	52.9	51.6	54.4	51.0	52.0	53.3	51.6	53.3	50.0	4.4

Note: The bank reports GNPA/NNPA ratios on gross customer assets

Source: MOSL, Company

Exhibit 1: Quarterly Snapshot

INR m	FY17				FY18				FY19	Change (%)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ	
Profit and Loss												
Net Interest Income	45,169	45,139	43,337	47,286	46,161	45,396	47,315	47,305	51,668	12	9	
Other Income	27,383	25,397	34,002	30,132	29,998	25,855	25,931	27,887	29,250	-2	5	
Total Income	72,552	70,535	77,339	77,418	76,160	71,252	73,246	75,191	80,918	6	8	
Operating Expenses	27,858	29,534	30,937	33,670	33,248	33,478	34,708	38,469	37,198	12	-3	
Employee	9,632	9,888	9,919	9,480	10,883	10,828	10,629	10,789	12,278	13	14	
Others	18,227	19,645	21,018	24,191	22,365	22,650	24,079	27,680	24,920	11	-10	
Operating Profits	44,694	41,002	46,402	43,747	42,912	37,773	38,538	36,722	43,720	2	19	
Core Operating Profits	35,582	35,642	31,148	39,467	34,670	34,003	36,538	34,572	42,690	23	23	
Provisions	21,172	36,227	37,958	25,813	23,419	31,404	28,110	71,795	33,377	43	-54	
PBT	23,522	4,774	8,444	17,935	19,492	6,369	10,428	-35,073	10,343	-47	NM	
Taxes	7,967	1,584	2,649	5,684	6,436	2,045	3,163	-13,186	3,333	-48	NM	
PAT	15,555	3,191	5,796	12,251	13,056	4,324	7,264	-21,887	7,011	-46	NM	
Balance Sheet												
Deposit (INR b)	3,579	3,802	3,708	4,144	3,937	4,164	4,090	4,536	4,471	14	-1	
Loans (INR b)	3,449	3,532	3,472	3,731	3,855	4,102	4,209	4,397	4,411	14	0	
Asset Quality												
GNPA	95,532	1,63,787	2,04,668	2,12,805	2,20,309	2,74,017	2,50,005	3,42,486	3,26,624	48	-5	
NNPA	40,102	77,612	82,948	86,266	97,660	1,40,523	1,17,695	1,65,917	1,49,016	53	-10	
Slippages	36,380	87,720	45,600	48,110	35,190	89,360	44,280	1,65,360	43,370	23	-74	
Other Details												
Branches	3,006	3,106	3,211	3,304	3,385	3,485	3,589	3,703	3,779			
ATM	12,781	13,448	13,726	14,163	14,311	14,332	13,977	13,814	12,834			
Loan Mix (%)												
Large/mid corp.	45.9	44.7	44.5	41.8	42.1	42.2	41.0	39.7	39.1	-300	-58	
SME	12.6	13.0	12.4	13.2	12.4	12.9	13.0	13.4	12.9	49	-44	
Retail Advances	35.3	37.2	43.1	45.0	38.6	40.6	45.9	47.0	48.0	934	102	
Ratios (%)												
		FY17				FY18				FY19	Change (bp)	
Asset Quality Ratios	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ	
GNPA (%)	2.5	4.2	5.2	5.0	5.0	5.9	5.3	6.8	6.5	149	-25	
NNPA (%)	1.1	2.0	2.2	2.1	2.3	3.1	2.6	3.4	3.1	79	-31	
PCR (Calculated, %)	58.0	52.6	59.5	59.5	55.7	48.7	52.9	51.6	54.4	-129	282	
PCR (Reported, %)	69.0	60.0	64.0	65.0	65.0	60.0	66.0	65.0	69.0	400	400	
Slippage Ratio	5.1	11.8	5.8	5.7	4.1	9.4	4.6	16.3	4.2	12	NM	
Credit Cost	2.1	4.2	4.1	2.0	2.2	3.2	2.7	7.6	2.5	24	-515	
Business Ratios												
Fees to Total Income	23.7	27.4	23.3	31.3	26.3	30.5	30.7	32.6	26.2	-14	-639	
Cost to Core Income	44.7	45.8	50.4	47.1	50.2	49.9	49.7	53.6	51.1	84	-252	
Tax Rate	33.9	33.2	31.4	31.7	33.0	32.1	30.3	37.6	32.2	-80	-538	
CASA (Cal.)	43.4	44.7	47.6	51.4	49.2	50.4	49.3	53.8	46.9	-227	-687	
Loan/Deposit	96.4	92.9	93.6	90.0	97.9	98.5	102.9	96.9	98.7	75	174	
Profitability Ratios												
RoA	1.1	0.2	0.4	0.8	0.9	0.3	0.4	-1.3	0.4	-46	NM	
RoE	11.5	2.3	4.3	8.9	9.3	3.3	5.5	-15.3	4.9	-431	NM	
Yield on loans	9.7	9.6	9.3	9.2	8.7	8.5	8.4	8.1	8.7	7	59	
Yield On Investments	7.5	7.5	7.4	7.2	7.1	6.8	7.1	7.0	7.0	-19	0	
Yield on Funds	9.2	9.1	9.0	8.8	8.4	8.3	8.4	8.1	8.5	8	31	
Cost of funds	5.6	5.6	5.5	5.0	4.9	5.2	5.1	5.1	5.2	29	12	
Margins	3.8	3.6	3.4	3.8	3.6	3.5	3.4	3.3	3.5	-17	13	

Source: MOSL, Company

Exhibit 2: Actual vs estimate

Y/E March	1QFY19A	1QFY19E	Var. (%)	Comments
Net Interest Income	51,668	48,889	6	Interest realization from recovery on an IBC List 1 account led to NII beat
% Change (YoY)	12	6		
Other Income	29,250	29,008	1	In line
Net Income	80,918	77,897	4	
Operating Expenses	37,198	37,569	-1	Controlled opex; In line
Operating Profit	43,720	40,327	8	
% Change (YoY)	2	-6		
Other Provisions	33,377	28,824	16	Improved PCR led to increased provisions
Profit before Tax	10,343	11,503	-10	
Tax Provisions	3,333	3,587	-7	
Net Profit	7,011	7,916	-11	PAT miss due to higher provisions slightly offset by NII
% Change (YoY)	-46	-39		

Source: Company, MOSL

In addition to net stressed loans, AXSB has: Non-fund based exposure in BB & below at INR28b and INR34b of NPA in the non-fund category

Pool of net stress loans declines to 6.1% of advances

- Gross slippages moderated to INR43.4b (comprising corporate slippages of INR22.2b) v/s INR165.4b in 4QFY18. 88% of the corporate slippages came from the bank's disclosed BB and below rated book and the bank believes the rating downgrade cycle is now normalized. The BB and below rated book has increased by 34% QoQ to INR122.3b (2.1% of gross customer assets).
- Net slippages in retail/SME book came in at INR5.4b/INR3.6b.
- Total pool of net stressed loans stood at INR268.6b (6.1% of advances) v/s INR283.5b (6.4% of advances) in 4QFY18.

Exhibit 3: Net stressed loans (%) declined

INR b	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
GNPA	96	164	205	213	220	274	250	342	327
OSRL	77	69	62	55	54	39	35	11	28
Watchlist	203	138	111	94	79	61	53	4	-
SDR (Includes 5:25)	53	52	44	46	50	53	53	11	-
05:25	-	-	-	-	-	-	-	-	-
S4A	-	-	-	-	-	-	-	-	-
Security Receipts	8	14	14	29	29	-	-	29	-
BB and below	274	219	208	197	195	158	161	90	104
Stress loans	710	655	643	634	628	584	552	487	459
Less: Overlap	272	209	189	185	162	136	128	25	10
Gross stress loans	438	446	454	450	465	448	425	463	449
Specific Provisions	64	95	129	137	133	145	141	179	180
Net Stress loans	374	352	325	312	333	304	284	284	269
Gross stress loans (% of advances)	12.7	12.6	13.1	12.1	12.1	10.9	10.1	10.5	10.2
Net Stress Loans (% of advances)	10.8	10.0	9.4	8.4	8.6	7.4	6.7	6.4	6.1

Source: Company, MOSL

Broad-based loan growth mainly driven by retail loans

- Loan book grew 14.4% YoY (flattish QoQ), driven by retail growth of 20.7%/2.5% QoQ/YoY. Retail loans now comprises of 48% of the total loans (vs 38.6% in 1QFY18)
- Growth in retail was driven largely by vehicle loans (+32.8% YoY), personal loans (+34.2% YoY) and credit cards (+20.7% YoY).



- Growth in the SME loan book was 18.9% YoY (-3% QoQ), while the mid and large corporate book growth was muted at 6.3% YoY.
- Deposits growth picked up at 13.5% YoY. CASA registered a modest growth of 8.3% YoY, aided by 15.9% YoY SA growth. CASA ratio declined to 47%.
- Total branch and extension counter count stood at 3,779 at the end of 1QFY19.

1QFY19 conference call highlights

Asset quality

- INR46.09b of downgrades during the quarter into the BB and below pool, taking the stock of BB and below pool to INR103.9b.
 - Non fund exposure in BB & Below: INR28b.
 - INR13b of upgrades from BB & below to BBB and above during the quarter.
 - Bank guided that rating downgrade into BB and below has almost ended and further downgrades would be definitely below the usual run rate of INR25b per quarter.
- NPA in the non fund based is INR34b.
- If the accounts are settled outside NCLT (Samadhan), then all lenders are required to make 100% provisions.
- Slippages outside the corporate book were INR22b; net slippages in the retail were INR8b.
- Exposure to the NCLT lists: Fund based (INR46b) and Non- fund based (INR44b)
 - Bank has also filed many cases outside NCLT.
- Break up of NPA: Corporate: INR270b ; Retail : INR27b ; SME: INR25b.
- PCR on fund based exposure: 83%.
- SMA-2: 0.5% of the advances.

P&L and Balance sheet related

- NIMs during the quarter were boosted by one offs (recovery from NCLT 1 accounts). INR2.5b of interest reversal during the quarter.
- Business mix shift toward retail is almost coming to end as per the banks strategy.
- Recoveries from w/o account were INR7.03b over the last four quarters, 13% (on four quarter basis) of the written off accounts were recovered.
 - Previously written off book now stands at INR148.32b.
- Re classified international card business from transaction banking to retail banking.
- As per the new practices in retail book: Accounts are classified as GNPA immediately on completion of 90day period.

Valuation and view

- With the base effect playing out in 2HFY19, we expect loan growth to revert back to healthy levels. Tier 1 Capitalization is at ~13.2% and should provide enough capital for growth.
- We expect balance sheet cleanup to get over by end of 1HFY19 and earnings to return to normalcy in 2HFY19, as warrant conversion should provide enough capital to support growth thereafter. Bank has made significant investments to

Reiterate **BUY** with a target price of INR670 (2.5x Mar 20E ABV for standalone bank)

ride the next growth cycle (post near term asset quality challenges) with (1) strong capitalization and expanding liability franchise (3,779 branches).

- AXSB's performance underscores the asset quality recovery that is getting evident across many other corporate banks. With an improving outlook on fresh slippages/credit cost, we expect earnings to start normalizing 2HFY19 onward. AXSB has already increased the PCR to 69% (NCLT-1 provisions of 83%), which will further curb incremental provisioning requirement. We revise our earnings marginally, and value AXSB at INR670 per share (2.5x FY20E ABV for standalone bank). Maintain **Buy**.

Exhibit 4: We cut our FY19/20E PAT by ~7%/~2%

INR b	Old Est.		Revised Est.		Estimates Chg	
	FY19	FY20	FY19	FY20	FY19	FY20
Net Interest Income	226.3	269.0	208.3	243.5	-8.0	-9.5
Other Income	126.1	148.8	122.8	144.9	-2.6	-2.6
Total Income	352.5	417.9	331.1	388.4	-6.0	-7.0
Operating Expenses	165.6	194.7	155.6	171.5	-6.0	-11.9
Operating Profits	186.8	223.2	175.5	216.9	-6.1	-2.8
Provisions	102.9	79.5	101.3	78.9	-1.6	-0.8
PBT	83.9	143.7	74.2	138.0	-11.6	-3.9
Tax	27.7	47.4	22.3	44.2	-19.6	-6.9
PAT	56.2	96.3	51.9	93.9	-7.6	-2.5
Loans	5,267	6,415	5,192	6,205	-1.4	-3.3
Deposits	5,375	6,429	5,307	6,210	-1.3	-3.4
Margins (%)	3.24	3.21	2.98	2.93	-26	-29
Credit Cost (%)	2.20	1.40	2.00	1.30	-20	-10
RoA (%)	0.7	1.1	0.7	1.0	-0.1	0.0
RoE (%)	8.4	12.9	7.8	12.7	-0.6	-0.2
EPS	21.7	36.9	20.1	35.9	-7.6	-2.5
BV	269.4	301.6	267.7	299.1	-0.6	-0.8
ABV	223.8	262.4	222.4	263.1	-0.6	0.3

Source: MOSL, Company

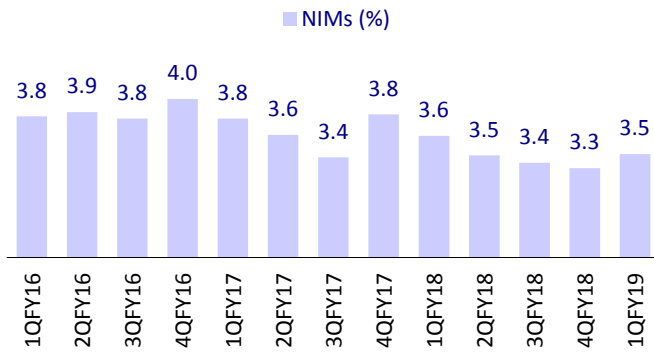
Exhibit 5: DuPont Analysis: RoA/RoE to pick up by FY20

Y/E MARCH	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Interest Income	8.68	8.47	8.40	8.18	7.81	7.08	7.19	7.38
Interest Expense	5.59	5.16	5.03	4.82	4.63	4.20	4.45	4.67
Net Interest Income	3.09	3.30	3.37	3.36	3.17	2.88	2.75	2.71
Fee income	1.76	1.65	1.60	1.50	1.38	1.49	1.50	1.51
Trading and others	0.33	0.39	0.38	0.37	0.67	0.21	0.12	0.10
Non Interest income	2.09	2.05	1.98	1.87	2.05	1.70	1.62	1.61
Total Income	5.18	5.35	5.35	5.23	5.22	4.58	4.37	4.32
Operating Expenses	2.21	2.18	2.18	2.02	2.14	2.16	2.05	1.91
Employee cost	0.76	0.72	0.74	0.67	0.68	0.67	0.61	0.58
Others	1.45	1.46	1.44	1.34	1.46	1.50	1.44	1.33
Operating Profit	2.97	3.17	3.17	3.22	3.08	2.41	2.31	2.41
Core Operating Profit	2.64	2.77	2.79	2.84	2.41	2.21	2.19	2.31
Provisions	0.56	0.58	0.55	0.74	2.12	2.39	1.34	0.88
NPA	0.47	0.49	0.50	0.82	1.96	2.57	1.26	0.82
Others	0.09	0.09	0.05	-0.08	0.16	-0.17	0.07	0.05
PBT	2.41	2.58	2.62	2.47	0.96	0.02	0.98	1.54
Tax	0.76	0.87	0.88	0.83	0.31	-0.02	0.29	0.49
RoA	1.65	1.72	1.74	1.64	0.64	0.04	0.68	1.04
Leverage (x)	11.2	10.1	10.2	10.4	10.8	10.8	11.4	12.1
RoE	18.5	17.4	17.75	17.06	6.93	0.46	7.79	12.68

Source: Company, MOSL

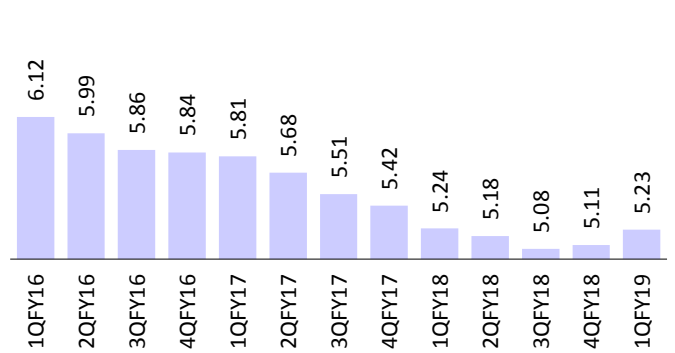
Story in charts

Exhibit 6: NIM improved 13bp QoQ to 3.5%



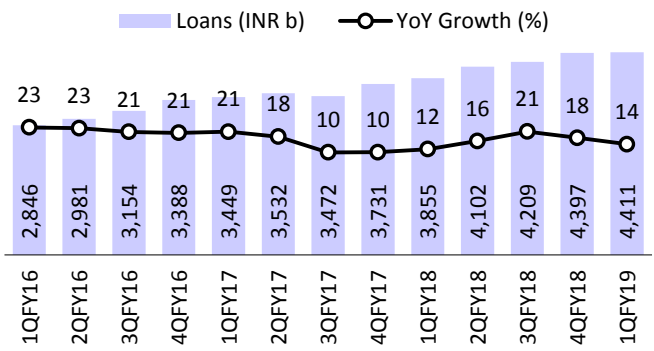
Source: Company, MOSL

Exhibit 7: Cost of funds increased 12bp QoQ (%)



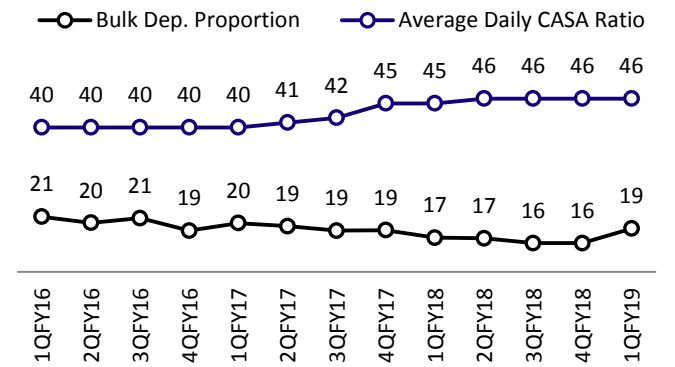
Source: Company, MOSL

Exhibit 8: Loan book grew 14% YoY



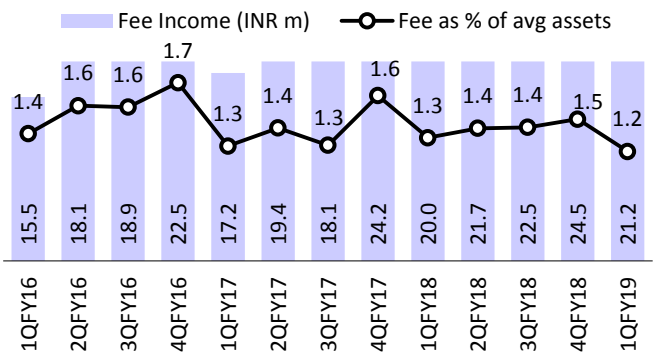
Source: Company, MOSL

Exhibit 9: Average daily CASA ratio stood at 46%



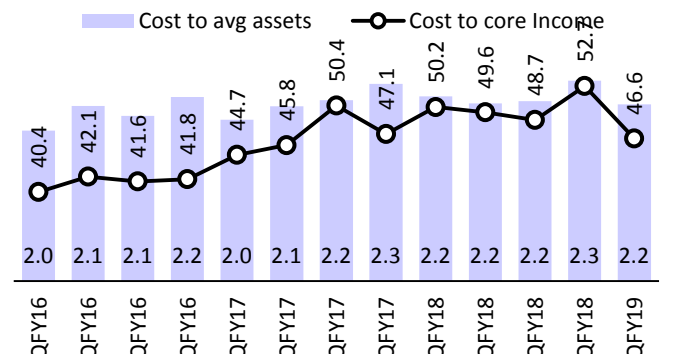
Source: Company, MOSL

Exhibit 10: Fee income to assets declined to 1.2%



Source: Company, MOSL

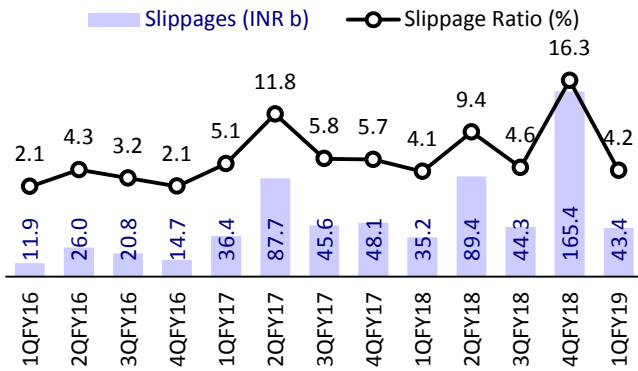
Exhibit 11: Cost to core income declined QoQ to 46.6%



Source: Company, MOSL

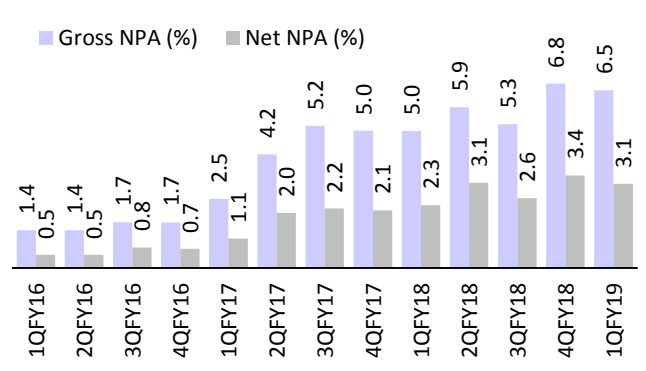
Story in charts

Exhibit 12: Annualized slippage ratio declined to 4.2%



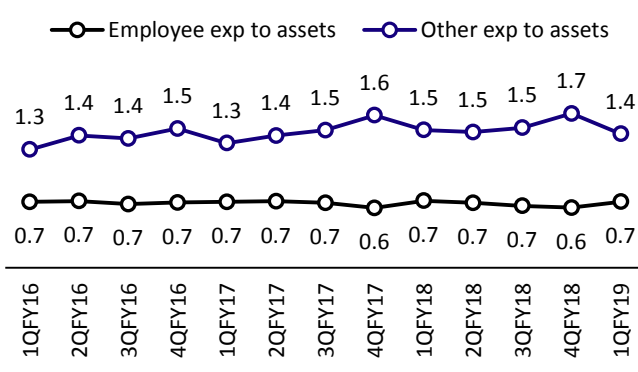
Source: Company, MOSL

Exhibit 13: GNPA/NNPA declined to 6.5%/3.1%



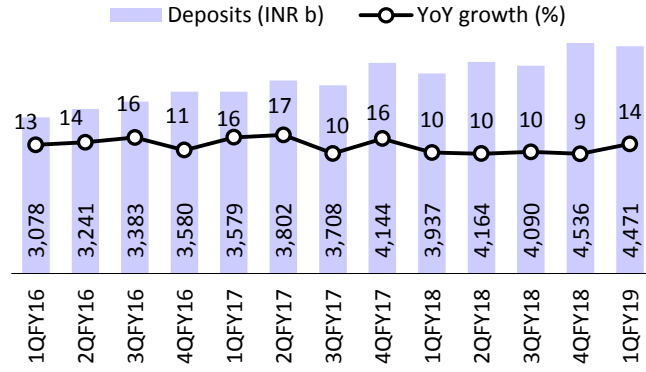
Source: Company, MOSL

Exhibit 14: Other expense declined to 1.4% of avg assets



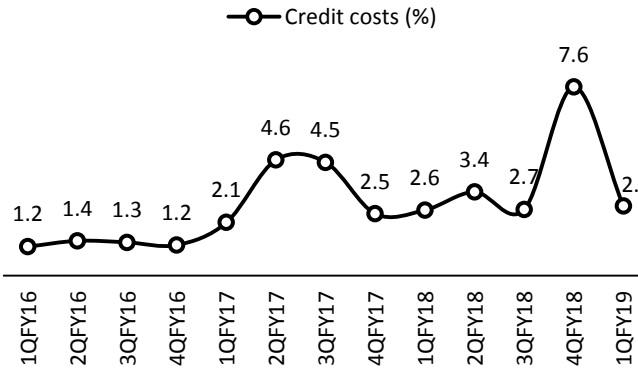
Source: Company, MOSL

Exhibit 15: Deposit growth picked up to ~14% YoY



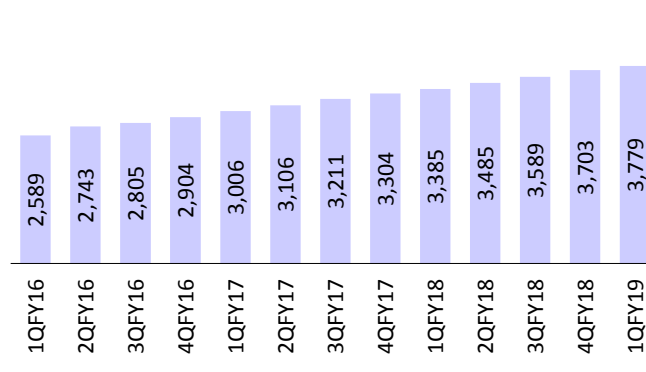
Source: Company, MOSL

Exhibit 16: Credit costs moderated to 2.8%



Source: Company, MOSL

Exhibit 17: Bank added 76 branches during the quarter



Source: Company, MOSL

Financials and Valuation

Income Statement

(INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Interest Income	2,71,826	3,06,412	3,54,786	4,09,880	4,45,422	4,57,803	5,45,608	6,63,827
Interest Expense	1,75,163	1,86,895	2,12,545	2,41,551	2,64,490	2,71,626	3,37,291	4,20,322
Net Interest Income	96,663	1,19,517	1,42,241	1,68,330	1,80,931	1,86,177	2,08,316	2,43,505
Growth (%)	20.6	23.6	19.0	18.3	7.5	2.9	11.9	16.9
Non-Interest Income	65,511	74,052	83,650	93,715	1,16,913	1,09,671	1,22,831	1,44,941
Total Income	1,62,174	1,93,569	2,25,892	2,62,044	2,97,844	2,95,848	3,31,148	3,88,446
Growth (%)	20.7	19.4	16.7	16.0	13.7	-0.7	11.9	17.3
Operating Expenses	69,142	79,008	92,037	1,01,008	1,21,999	1,39,903	1,55,646	1,71,517
Pre Provision Profits	93,031	1,14,561	1,33,854	1,61,036	1,75,845	1,55,945	1,75,502	2,16,929
Growth (%)	25.2	23.1	16.8	20.3	9.2	-11.3	12.5	23.6
Core PPP	84,383	1,09,446	1,22,207	1,49,245	1,42,288	1,42,693	1,66,226	2,08,117
Growth (%)	19.4	29.7	11.7	22.1	-4.7	0.3	16.5	25.2
Provisions (excl tax)	17,504	21,075	23,286	37,099	1,21,170	1,54,729	1,01,326	78,898
PBT	75,527	93,486	1,10,568	1,23,938	54,676	1,216	74,176	1,38,031
Tax	23,733	31,310	36,991	41,701	17,883	-1,541	22,253	44,170
Tax Rate (%)	31.4	33.5	33.5	33.6	32.7	-126.8	30.0	32.0
PAT	51,794	62,177	73,577	82,237	36,793	2,757	51,923	93,861
Growth (%)	22.1	20.0	18.3	11.8	-55.3	-92.5	1,783.5	80.8

Balance Sheet

(INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	4,680	4,698	4,741	4,766	4,790	5,133	5,224	5,224
Reserves & Surplus	3,26,399	3,77,506	4,42,024	5,12,837	5,38,795	6,29,320	6,94,092	7,75,938
Net Worth	3,31,079	3,82,205	4,46,765	5,17,603	5,43,586	6,34,453	6,99,316	7,81,162
Deposits	25,26,136	28,09,446	32,24,419	35,79,676	41,43,788	45,36,227	53,07,386	62,09,641
Growth (%)	14.8	11.2	14.8	11.0	15.8	9.5	17.0	17.0
of which CASA Dep	11,20,998	12,64,623	14,44,003	16,94,450	21,30,500	24,38,516	25,42,238	29,86,838
Growth (%)	22.6	12.8	14.2	17.3	25.7	14.5	4.3	17.5
Borrowings	4,39,511	5,02,909	7,97,583	10,85,804	10,50,309	14,80,161	19,19,500	23,43,863
Other Liabilities & Prov.	1,08,881	1,37,889	1,50,557	2,15,128	2,76,995	2,62,455	3,28,068	3,93,682
Total Liabilities	34,05,607	38,32,449	46,19,324	53,98,210	60,14,677	69,13,296	82,54,270	97,28,349
Current Assets	2,04,350	2,82,387	3,60,990	3,33,254	5,02,562	4,34,549	6,43,193	7,61,262
Investments	11,37,375	11,35,484	11,75,502	13,15,241	12,87,934	15,38,761	18,00,350	20,88,406
Growth (%)	22.0	-0.2	3.5	11.9	-2.1	19.5	17.0	16.0
Loans	19,69,660	23,00,668	28,10,830	33,87,737	37,30,693	43,96,503	51,92,270	62,04,763
Growth (%)	16.0	16.8	22.2	20.5	10.1	17.8	18.1	19.5
Fixed Assets	23,556	24,102	25,143	35,232	37,469	39,717	42,894	46,326
Other Assets	70,666	89,808	2,46,858	3,26,746	4,56,019	5,03,766	5,75,563	6,27,592
Total Assets	34,05,607	38,32,449	46,19,324	53,98,210	60,14,677	69,13,296	82,54,270	97,28,349

Asset Quality

	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
GNPA (INR m)	23,934	31,464	41,102	60,875	2,12,805	3,42,486	2,95,209	2,43,451
NNPA (INR m)	7,041	10,246	13,167	25,221	86,266	1,65,917	1,37,780	1,01,768
GNPA Ratio	1.21	1.36	1.45	1.78	5.52	7.79	5.69	3.92
NNPA Ratio	0.36	0.45	0.47	0.74	2.31	3.77	2.65	1.64
Slippage Ratio	1.2	1.3	1.2	2.6	6.4	8.2	3.3	2.2
Credit Cost	0.7	0.7	0.7	1.2	3.1	4.1	2.0	1.3
PCR (Excl Tech. write off)	70.6	67.4	68.0	58.6	59.5	51.6	53.3	58.2

E: MOSL Estimates

Financials and Valuation

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	9.3	9.1	9.2	9.1	8.9	7.7	7.8	8.0
Avg. Yield on loans	10.5	10.3	10.1	9.7	9.3	8.4	8.8	9.1
Avg. Yield on Investments	7.5	7.3	7.3	7.5	7.4	7.2	7.3	7.3
Avg. Cost-Int. Bear. Liab.	6.4	6.0	5.8	5.6	5.4	4.8	5.1	5.3
Avg. Cost of Deposits	6.4	5.8	5.7	5.4	5.1	4.4	4.6	4.9
Avg. Cost of Borrowings	6.4	6.9	6.3	6.3	6.7	6.3	6.5	6.5
Interest Spread	3.0	3.2	3.4	3.6	3.5	2.9	2.7	2.6
Net Interest Margin	3.3	3.6	3.7	3.8	3.6	3.1	3.0	2.9

Capitalisation Ratios (%)

CAR	17.0	16.1	15.1	15.3	15.0	16.6	15.6	14.7
Tier I	12.2	12.6	12.1	12.5	11.9	13.0	12.3	11.6
Tier II	4.8	3.5	3.0	2.8	3.1	3.5	3.4	3.1

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	78.0	81.9	87.2	94.6	90.0	96.9	97.8	99.9
CASA Ratio	44.4	45.0	44.8	47.3	51.4	53.8	47.9	48.1
Cost/Assets	2.0	2.1	2.0	1.9	2.0	2.0	1.9	1.8
Cost/Core Income	44.2	41.5	42.9	40.1	45.8	49.5	48.4	45.2
Int. Expense/Int.Income	64.4	61.0	59.9	58.9	59.4	59.3	61.8	63.3
Fee Income/Total Income	29.1	28.5	26.5	25.9	25.2	27.8	28.4	29.1
Non Int. Inc./Total Income	40.4	38.3	37.0	35.8	39.3	37.1	37.1	37.3
Empl. Cost/Total Expense	34.4	32.9	33.8	33.4	31.9	30.8	29.9	30.1

Profitability Ratios and Valuation

RoE	18.5	17.4	17.8	17.1	6.9	0.5	7.8	12.7
RoA	1.7	1.7	1.7	1.6	0.6	0.0	0.7	1.0
RoRWA	2.0	2.2	2.1	2.0	0.8	0.1	0.9	1.3
Book Value (INR)	141.5	162.7	188.5	223.1	232.8	247.2	267.7	299.1
Growth (%)	28.2	15.0	15.8	18.4	4.4	6.2	8.3	11.7
Price-BV (x)					2.4	2.3	2.1	1.9
Adjusted BV (INR)	137.5	156.3	180.6	211.2	200.6	193.8	222.4	263.1
Price-ABV (x)	4.1	3.6	3.1	2.7	2.8	2.9	2.6	2.2
EPS (INR)	22.14	26.5	31.0	34.5	15.4	1.11	20.1	35.9
Growth (%)	7.8	19.6	17.3	11.2	-55.5	-92.8	1,704.6	79.2
Price-Earnings (x)	25.7	21.5	18.3	16.5	37.0	511.5	28.3	15.8
Dividend Per Share (INR)	3.6	4.0	4.6	5.0	5.0	5.5	3.9	4.6
Dividend Yield (%)					0.9	1.0	0.7	0.8

E: MOSL Estimates

Corporate profile

Company description

Axis Bank (formerly known as UTI Bank) is one of the largest new generation private sector banks in India. The bank began its operations in 1994. Under the leadership of Shikha Sharma (since 2009), Managing Director & CEO of Axis Bank, the bank has grown into a one stop solution bank with established presence in Equity Broking and Asset Management businesses as well. As on March, 2018, the bank had 3,703 branches and 13,814 ATMs spread across the country.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Jun-18	Mar-18	Jun-17
Promoter	25.1	26.4	28.7
DII	14.1	12.8	8.7
FII	52.3	52.2	52.4
Others	8.5	8.7	10.2

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Oakmark International Fund	3.3
Dodge And Cox International Stock Fund	3.2
Europacific Growth Fund	2.6
Icici Prudential Sensex Etf	2.3
BC Asia Investments Vii Limited - Fdi	2.2

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Sanjiv Misra	Chairman
Shikha Sharma	Managing Director & CEO
V Srinivasan	Deputy Managing Director
Rajesh Dahiya	Executive Director
Rajiv Anand	Executive Director
Girish V Koliyote	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Sanjiv Misra	Usha Sangwan
Shikha Sharma	Ketaki Bhagwati
V Srinivasan	Rajesh Dahiya
Prasad R Menon	Rajiv Anand
Rohit Bhagat	B Babu Rao
Samir K Barua	Rakesh Makhija
Som Mittal	
Srinivasan Vishvanathan	

*Independent

Exhibit 6: Auditors

Name	Type
BNP & Associates	Secretarial Audit
S R Batliboi & Associates LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	20.1	24.1	-16.5
FY20	35.9	39.5	-9.1

Source: Bloomberg

Explanation of Investment Rating

Investment Rating

BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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