

Institutional Equities
 India Research

Axis Bank

RESULT REVIEW

 Bloomberg: AXSB IN
 Reuters: AXBK.BO

BUY

Quality Maintained

Axis Bank number's are above our expectations. Despite slight increase in slippages to 1.2%, GNPA is stable sequentially at 1.1% on account of robust recoveries/ upgradation of Rs1.8bn. Balance sheet growth remained strong with advances by 21% and deposits by 17%. NIMs expanded by 11bps sequentially to 3.6% driven by higher lending yields. In addition to better operating numbers, it booked a treasury gains of Rs1.6bn

- **Retail segment drives credit growth:** Advances have grown by 21% mainly driven by retail segment which has grown by 45% YoY and its proportion in total loans has increased by 440bps YoY to 26.8%. Management has guided retail segment proportion to increase to 29-30% over next few years.
- **Bounce back in NIMs:** NIMs have bounce backed by 11bps sequentially to 3.6% mainly on account of higher sequential growth in high yielding retail and SME segment. CASA has seen a sequential compression of 50bps to 40%. Management has guided stable NIMs ahead.
- **Asset quality better than expectations:** Slippage came in slightly higher at 1.2%; however, it was well compensated with higher recoveries/upgradation of Rs1.8bn. GNPA as well as NNPA remained flat sequentially at 1.1% and 0.3% respectively. Restructured book also remained flattish at 2.4% of loan book. Management has continued its guidance of total stress of ~Rs40bn annually in form of slippages and restructuring.

Outlook & Valuation

At the CMP the stock is trading at 10.3x and 8.9x FY14E and FY15E earnings, and at 1.9x and 1.6x P/ABV FY14E and FY15E respectively. We have increased our estimates by 3.7% and 1.4% for FY13E and FY14E respectively. We continue to maintain a **BUY** rating on the stock, we have increase our price target from earlier Rs1330 to Rs1725 based on P/ABV of 2x FY15E.

Key Financials

Y/E Mar (Rs mn)	FY11	FY12	FY13E	FY14E	FY15E
Net Interest Income	65,630	80,178	96,188	112,905	131,879
Pre-Provision Profit	64,157	74,309	88,560	103,315	119,915
PAT	33885	42422	48483	57245	66579
EPS (Rs)	82.5	102.7	117.3	138.5	161.1
ABV (Rs)	452.8	540.6	631.2	738.2	873.0
P/E (x)	17.3	13.9	12.2	10.3	8.9
P/ABV (x)	3.2	2.6	2.3	1.9	1.6
Gross NPA (%)	1.1	1.1	1.1	1.3	1.3
Net NPA (%)	0.3	0.3	0.3	0.4	0.3
ROE (%)	19.3	20.3	19.6	19.7	19.5
ROA (%)	1.6	1.6	1.6	1.6	1.5

Source: Company, Karvy Institutional Research

Recommendation

CMP:	Rs1,424
Target Price:	Rs1,725
Upside (%)	21%

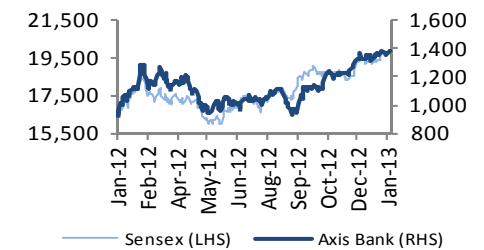
Stock Information

Market Cap. (Rs bn / US\$ mn)	608/11,141
52-week High/Low (Rs)	1,431/917
3m ADV (Rs mn /US\$ mn)	2,280/41.8
Beta	1.2
Sensex/ Nifty	19,987/6,057
Share outstanding (mn)	427

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	5.3	27.3	51.6	5.0
Rel. to Sensex	1.8	19.2	22.5	2.1

Performance



Source: Bloomberg

Earnings Revision

(%)	FY13E	FY14E
NII	↑1.3	↑1.6
Op. Profit	↑1.0	↑1.4
PAT	↑3.7	↑1.4

Source: Karvy Institutional Research

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Exhibit 1: Quarterly Snapshot

Y/E Mar (Rsmn)	Q3FY13	Q3FY12	Q2FY13	YoY (%)	QoQ (%)
Interest Income	69,649	57,770	66,872		
Interest Expenses	44,701	36,367	43,603		
Net Interest Income	24,948	21,403	23,269	16.6	7.2
<i>NIM (%)</i>	<i>3.6</i>	<i>3.8</i>	<i>3.5</i>	<i>-15 bps</i>	<i>14 bps</i>
Non Interest Income	16,154	14,298	15,931		
Operating Income	41,102	35,701	39,200	15.1	4.9
Staff Cost	6,151	5,420	5,779		
Other Op Exp	11,336	9,689	11,638		
Total Operating Expenses	17,487	15,109	17,417		
<i>Cost to Income (%)</i>	<i>42.5</i>	<i>42.3</i>	<i>44.4</i>		
Operating Profit	23,615	20,592	21,783	14.7	8.4
Provisions	3,868	4,223	5,094		
PBT	19,747	16,369	16,689	20.6	18.3
Tax	6,275	5,346	5,453		
<i>-effective tax rate</i>	<i>31.8</i>	<i>32.7</i>	<i>32.7</i>		
PAT	13,472	11,023	11,236	22.2	19.9
EPS (Rs)	31.5	26.7	27.1		
BV (Rs)	632.6	536.5	608.8		
Deposits	2,445,014	2,086,930	2,356,191	17.2	3.8
Advances	1,795,042	1,487,390	1,721,316	20.7	4.3

Source: Company, Karvy Institutional Research

Exhibit 2: Earnings Revision

	Revised Estimate		Earlier Estimate		% Revision	
	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Net Interest Income (Rs mn)	96,188	112,905	94,952	111,133	1.3	1.6
NIMs	3.3	3.3	3.3	3.2	3 bps	4 bps
Operating Profit (Rs mn)	83,652	98,905	82,804	97,583	1.0	1.4
Profit after tax (Rs mn)	48,483	57,245	46,772	56,442	3.7	1.4
EPS (Rs)	117.3	138.5	113.2	136.6	3.7	1.4
ABV (Rs)	631.2	738.2	635.0	737.8	-0.6	0.1

Source: Company, Karvy Institutional Research

Exhibit 3: Annexure I – Income Statement

(Rs bn)	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13
Int Adv	36.9	39.6	42.6	46.2	47.4	49.1
Int Inv	15.5	17.8	17.4	18.1	19.0	20.1
Other	0.4	0.4	0.6	0.5	0.5	0.4
Total Int Inc	52.8	57.8	60.6	64.8	66.9	69.6
Total Int Exp	32.7	36.4	39.1	43.0	43.6	44.7
NII	20.1	21.4	21.5	21.8	23.3	24.9
Large/Mid Corp Credit	3.8	4.7	4.4	4.1	4.4	4.6
Customer Forex Trsn	2.7	2.3	2.5	2.4	3.0	2.8
Agri/SME	0.6	0.7	1.2	0.6	0.8	0.8
Buss Banking/Cash Mgmt	1.0	1.1	1.3	1.1	0.9	1.0
Capital Mkts	0.2	0.1	0.1	0.1	0.1	0.1
Retail	2.9	3.3	3.8	3.2	4.2	4.5
Fee Income	11.2	12.2	13.3	11.5	13.4	14.1
Trading Inc	0.3	1.2	1.5	1.5	2.1	1.6
Misc Inc	0.9	0.9	1.1	0.3	0.4	0.5
Non-Int	12.3	14.3	15.9	13.4	15.9	16.2
Op.Inc	32.4	35.7	37.3	35.2	39.2	41.1
Staff Cost	5.0	5.4	5.3	5.8	5.8	6.2
Other op exp	9.7	9.7	11.7	9.7	11.6	11.3
Op.Exp	14.7	15.1	17.0	15.5	17.4	17.5
Op.Profit	17.8	20.6	20.4	19.6	21.8	23.6
Provisions	4.1	4.2	1.4	2.6	5.1	3.9
PBT	13.7	16.4	19.0	17.0	16.7	19.7
Taxes	4.5	5.3	6.2	5.5	5.5	6.3
PAT	9.2	11.0	12.8	11.5	11.2	13.5

Source: Company, Karvy Institutional Research

Exhibit 4: Annexure II –Balance Sheet

	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13
Deposits (Rs bn)	1,945	2,087	2,201	2,226	2,356	2,445
Growth %	23.9	33.9	16.3	21.3	21.2	17.2
Advances (Rs bn)	1,401	1,487	1,698	1,711	1,721	1,795
Growth %	26.7	20.4	19.2	29.8	22.9	20.7
Deposits Break-up (Rs bn)						
Current	354	395	398	342	393	402
Savings	468	473	517	528	562	575
Term	1,123	1,219	1,287	1,357	1,401	1,467
Advances Break-up (Rs bn)						
Large/Mid Corp	794	841	911	929	921	946
SME	208	207	238	220	236	253
Agri	106	107	173	157	122	116
Retail	293	333	376	406	443	481
Investments (Rs bn)	850	903	932	880	997	1009
SLR	540	559	585	572	628	605
Non-SLR	310	343	347	308	369	404
CD Ratio %	72.0	71.3	77.1	76.9	73.1	73.4
CASA %	42.2	41.6	41.5	39.1	40.5	40.0
CASA (Daily Average) %	38.3	37.4	38.0	36.0	36.2	35.8
Gross NPA (Rs bn)	17.4	19.1	18.1	20.9	21.9	22.8
Gross NPA %	1.1	1.1	0.9	1.1	1.1	1.1
Net NPA (Rs bn)	5.5	6.8	4.7	6.0	6.5	6.8
Net NPA %	0.3	0.4	0.3	0.3	0.3	0.3
PCR %	68.5	64.3	73.8	71.1	70.1	70.2
PCR (Incl Tech W/off) %	77.7	75.3	81.0	79.0	80.0	81.0
Restructuring % of loan book	1.7	1.8	1.8	2.2	2.4	2.4
Spread Analysis %						
Yield On Advance	10.8	11.0	10.7	10.9	11.0	11.2
Yield On Investment	7.7	8.1	7.6	8.0	8.1	8.0
Yield On Asset	9.8	10.0	9.7	9.9	10.1	10.1
Cost of Funds	5.9	6.1	6.1	6.5	6.4	6.3
NIMs (Calculated)	3.7	3.7	3.4	3.3	3.5	3.6
NIMs (Disclosed)	3.8	3.8	3.6	3.4	3.5	3.6
Capital Adequacy %						
Tier I	8.5	8.3	9.5	9.0	9.0	8.8
Tier II	2.9	3.5	4.2	4.0	4.0	4.9
Total CAR	11.4	11.8	13.7	13.0	13.0	13.7
Branches + Extn Counters	1,466	1,493	1,622	1,681	1,741	1,787
ATMs	7,594	8,324	9,924	10,337	10,297	10,363

Source: Company, Karvy Institutional Research

Exhibit 5: Income Statement

Y/E Mar (Rs mn)	FY11	FY12	FY13E	FY14E	FY15E
Interest Income	151,548	219,947	268,475	306,463	351,022
Interest expense	85,918	139,769	172,288	193,558	219,143
Net interest income	65,630	80,178	96,188	112,905	131,879
Fees	33,574	43,417	47,759	57,310	68,773
Other Income	9,154	9,854	9,426	12,113	14,642
Net Revenue	108,358	133,449	153,373	182,329	215,294
Operating Expense	47,794	60,071	69,720	83,424	100,391
-Employee Exp	16,139	20,802	24,561	30,136	36,445
-Other Exp	31,655	39,269	45,159	53,288	63,946
Operating Profit	60,564	73,378	83,652	98,905	114,903
Investment Profit	3,593	931	4,907	4,410	5,012
Pre-provision Profit	64,157	74,309	88,560	103,315	119,915
Provisions	12,800	11,431	16,197	17,874	20,543
-Loan Loss Provisions	11,364	10,996	17,631	18,478	21,377
-Investment Depreciation	993	581	-1,488	-658	-888
-Other Provisions	443	-146	54	54	54
PBT	51,357	62,878	72,362	85,441	99,372
Taxes	17,472	20,456	23,880	28,195	32,793
PAT	33,885	42,422	48,483	57,245	66,579

Source: Company, Karvy Institutional Research

Exhibit 6: Balance Sheet

Y/E Mar (Rs mn)	FY11	FY12	FY13E	FY14E	FY15E
Equity Capital	4,105	4,132	4,132	4,132	4,132
Reserves & Surplus	185,883	223,954	263,493	310,587	365,564
Shareholder's Funds	189,988	228,086	267,625	314,719	369,696
Employee Stock Option	-	-	-	-	-
Deposits	1,892,378	2,201,044	2,597,232	3,168,623	3,802,348
-Current deposits	369,171	397,541	437,160	522,868	617,927
-Saving deposits	408,503	516,680	615,727	787,144	977,262
-Term deposit	1,114,704	1,286,823	1,544,345	1,858,610	2,207,159
Borrowings	262,679	340,717	394,732	449,778	510,828
-Sub ordinate debt	69,932	105,740	121,944	138,458	156,773
Other liabilities	82,089	86,430	86,628	92,377	97,094
Total liabilities	2,427,134	2,856,277	3,346,217	4,025,496	4,779,965
Cash/Equivalent	214,087	139,339	189,392	261,579	341,642
Advances	1,424,078	1,697,595	2,022,469	2,468,154	2,962,459
Investments	719,916	931,921	1,030,968	1,173,816	1,332,247
Fixed Assets	22,732	22,593	25,593	28,593	31,593
Other assets	46,321	64,829	77,795	93,354	112,025
Total assets	2,427,134	2,856,277	3,346,217	4,025,496	4,779,965

Source: Company, Karvy Institutional Research

Exhibit 7: Ratios

	FY11	FY12	FY13E	FY14E	FY15E
<i>Growth (%)</i>					
NII growth	31.1	22.2	20.0	17.4	16.8
Pre-provision profit growth	22.4	15.8	19.2	16.7	16.1
PAT growth	34.8	25.2	14.3	18.1	16.3
<i>Business (%)</i>					
Deposit growth	33.9	16.3	18.0	22.0	20.0
Advance growth	36.5	19.2	19.1	22.0	20.0
Business growth	35.0	17.6	18.5	22.0	20.0
CD	75.3	77.1	77.9	77.9	77.9
CASA	41.1	41.5	40.5	41.3	42.0
<i>Operating efficiency (%)</i>					
Cost-to-income	44.1	45.0	45.5	45.8	46.6
Cost-to-assets	2.4	2.4	2.4	2.4	2.4
<i>Productivity (Rs mn)</i>					
Business per branch	2,386	2,404	2,536	2,788	3,044
Business per employee	125.5	122.8	125.7	135.1	144.7
Profit per branch	24.4	26.2	26.6	28.3	30.0
Profit per employee	1.3	1.3	1.3	1.4	1.4
<i>Spreads (%)</i>					
Yield on advances	8.4	9.9	10.2	9.7	9.3
Yield on investments	7.0	7.8	8.0	8.0	7.8
Cost of deposits	4.5	6.0	6.1	5.8	5.5
Yield on assets	7.7	8.9	9.2	8.9	8.5
Cost of funds	4.4	5.7	6.0	5.7	5.4
NIMs	3.3	3.2	3.3	3.3	3.2
<i>Capital adequacy (%)</i>					
Tier I	9.4	9.5	9.5	9.3	9.2
Tier II	3.2	4.2	4.2	3.9	3.7
Total CAR	12.7	13.7	13.6	13.2	12.9
<i>Asset Quality (%)</i>					
Gross NPA	1.1	1.1	1.1	1.3	1.3
Net NPA	0.3	0.3	0.3	0.4	0.3
Provision coverage	74.3	73.8	70.8	69.6	77.4
Provision coverage (incl w/off)	80.9	80.9	79.0	77.9	83.6
Slippage	1.2	1.2	1.1	1.3	1.2
Credit-cost	0.8	0.6	0.8	0.7	0.7
<i>Return (%)</i>					
ROE	19.3	20.3	19.6	19.7	19.5
ROA	1.6	1.6	1.6	1.6	1.5
<i>Per share</i>					
EPS	82.5	102.7	117.3	138.5	161.1
BV	462.8	552.0	647.7	761.7	894.7
ABV	452.8	540.6	631.2	738.2	873.0
<i>Valuation</i>					
P/E	17.3	13.9	12.2	10.3	8.9
P/BV	3.1	2.6	2.2	1.9	1.6
P/ABV	3.2	2.6	2.3	1.9	1.6

Source: Company, Karvy Institutional Research

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Stock Ratings		Absolute Returns
Buy	:	> 15%
Hold	:	5-15%
Sell	:	< 5%

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Disclosures Appendix

Analyst certification

The following analyst(s), who is (are) primarily responsible for this report, certify (ies) that the views expressed herein accurately reflect his (their) personal view(s) about the subject security (ies) and issuer(s) and that no part of his (their) compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report.

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