

Industry
Bloomberg
BSE CODE

Financial
AXSB IN
532215

Strong Advance/Deposit Growth/ Profitability Impacted due to Higher Credit Cost

RATING	BUY
CMP	456
Price Target	586
Potential Upside	29%
Rating Change	↔
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	826.55/285
Mkt Capital (Rs Cr)	128,542
Free float (%)	78%
Avg. Vol 1M (,000)	39,692
No. of Shares (Crs)	282
Promoters Pledged %	

Fig in Rs Cr

FINANCIAL	FY18	FY19	FY20
NII	18618	21708	25206
PPP	15594	19005	23438
PAT	276	4677	1627
NIM %	3.2	3.2	3.3
EPS (Rs)	1	18	6
EPS growth (%)	-93	1593	-68
ROE (%)	0	7	2
ROA (%)	0.0	0.6	0.2
BV	247	259	301
P/B (X)	2.1	3.0	1.5
P/E (x)	474	43	79

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4QFY20 Result Update

- Net Interest Income grew 19%/5% on YOY/QoQ basis to Rs 6,808 Cr on account of advances growth of 15%/4% YoY/QoQ. NIM was 3.55% up by 11bps YoY Driven by lower cost of fund. Other income increased by 13% YoY in 4QFY20. The bank incurred loss of Rs 1388 Cr owing to additional provisions of Rs 3000 Cr relating to COVID19.
- GNPA and NNPA ratios were 4.86% and 1.59%, compared to 5.00% and 2.09% in Q3FY20. Slippages were Rs 3920 Cr v/s Rs 6214 Cr in Q3FY20.
- Advance grew by 15%/4% on YoY/QoQ basis with domestic advances growing by 15% YoY. Retail book grew by 24% YoY. Deposits grew by 17% YoY.

Healthy NII growth/ Higher credit cost drags profitability

Net Interest Income grew 19%/5% on YOY/QoQ basis to Rs 6,808 Cr on account of advances growth of 15%/4% YoY/QoQ. NIM was 3.55% up by 11bps YoY Driven by lower cost of fund. The pre provisioning profit grew by 17% YoY. The provisions increased by 185% YoY on account of The cumulative covid provision of Rs 3000 Cr in addition to Rs 475 Cr provision was on account of not taking RBI dispensation. The bank incurred the loss of Rs 1388 Cr owing to the heavy provisions. During the quarter, the Bank has made provisions of 7,730 Cr including `3,000 Cr related to COVID; taking the overall additional provisions held by the Bank to 5,983 Cr.

Strong Advance/Deposit Growth

Advance grew by 15%/4% on YoY/QoQ basis with domestic advance growing by 15% YoY. Corporate loan book grew by 11% YoY while the retail advances grew by 24% led by SBB Loans which grew by 66% YoY, Auto loan grew 47% YoY and LAP book which grew by 24% YoY. Management has said going into FY21 they would focus on Capital conservation rather than chasing growth. The Deposit growth during the quarter was healthy at 17%/8% on YoY/QoQ basis. The CASA ratio was 41.2%.

Asset quality improved

Asset quality during the quarter improved to 4.86% and 1.59%, compared to 5.00% and 2.09% in Q3FY20. Due to the RBI relaxation on asset quality standstill slippages were Rs 691 Cr lower, GNPA/NNPA were lower by 11bps/6bps respectively. The slippages during the quarter were Rs 3920 Cr v/s Rs Rs 6214 Cr in Q3FY20. The upgradation and recovery were Rs 2489 Cr v/s 2422 Cr in Q3FY20 while the writeoff were Rs 1270 Cr v/s Rs 2790 Cr in Q3FY20. Bank expects further downgrades in BB&Below book during FY21 which might put pressure on asset quality.

View and Valuation

Loan book Growth for the bank was resilient among the tough time for the industry, Liability franchise also grew strong. The NII growth was strong backed by improving NIM. The asset quality improved with lower slippages. Profitability was impacted on account of the additional provisions worth Rs 3000 Cr made towards the COVID19. The PCR of the banks stands at 69% up from 62% in FY19. Bank has healthy Tier 1 of around 17.5% which can be used for growth however management has guided amid the uncertain circumstances they would look for capital conservation rather than chasing the growth. Going forward into FY21 the profitability of the bank is expected to be impacted on account of Higher provisioning requirements and lower fee income. The stock is currently trading at 1.51XFY20BV. We maintain BUY with TP of 586.

Key Risks to our rating and target

- Slower uptick in credit growth
- Higher Credit cost

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4QFY20 Results

PAT Below estimates

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Interest Inc.	14,798	15,255	15,438	15,708	16,234	9.7%	3.3%	54,986	62,635	13.9%
Interest Exp.	9,092	9,411	9,336	9,255	9,426	3.7%	1.8%	33,278	37,429	12.5%
NII	5,706	5,844	6,102	6,453	6,808	19.3%	5.5%	21,708	25,206	16.1%
Other Income	3,526	3,869	3,896	3,787	3,985	13.0%	5.3%	13,130	15,537	18.3%
Total Income	9,232	9,713	9,998	10,240	10,793	16.9%	5.4%	34,839	40,743	16.9%
Ope Exp.	4,217	3,820	4,046	4,497	4,942	17.2%	9.9%	15,833	17,305	9.3%
PPP	5,014	5,893	5,952	5,743	5,851	16.7%	1.9%	19,005	23,438	23.3%
Provisions	2,711	3,815	3,518	3,471	7,730	185.1%	122.7%	12,031	18,534	54.1%
PBT	2,303	2,078	2,433	2,272	(1,879)	NA	NA	6,974	4,904	-30%
Tax	798	708	2,545	518	(491)	-162%	-195%	2,297	3,277	43%
Net Profit	1,505	1,370	(112)	1,754	(1,388)	NA	NA	4,677	1,627	-65%

Concall Highlights

- Management believes given the scale and longevity of the crisis almost every industry is expected to be impacted. Bank will continue to focus on the having adequate surplus liquidity, being prudent in management credit and operation risk, conserve capital and even sacrifice growth if required.
- Almost 75% of the colleagues handling operations are working from home on distributed location. Over 96% of the ATM have remain operational and 99% of the branches are operational. In retail banking The team of relationship manager and customer service officer, liability sales executives, retail lending team are interacting daily with 3 lakhs clients.
- Currently the LCR stands well at 120% and bank is carrying excess SLR of over Rs 48000 Cr
- PCR of bank has improved to 69% as at end of Q4FY20, compared to 60% for Q3FY20 and 62% for Q4FY19.
- In respect of the retail side of the business book continues to remain largely secured and stands at 80% of the book dominated by vanilla homeloans at 35%. Retail unsecured portfolio stands at 20% of the retail book out of which 82% is from salaried segment which has very low default rate and 80% of the borrowers are existing customers of the bank. 67% of the salaried customers are from premium Multinational companies, corporates.
- All of the incremental wholesale book growth in FY20 has come from the AAA and AA rated clients and book has also been diversified with loans to outside top 10 sectors. 80% of the wholesale book now has rating of A- and better, the 95% of the incremental advances last year were in the A- and above category. Exposure to top 20 borrower as percentage of tier 1 capital has come down to below 90%.
- In respect to commercial banking portfolio 85% of the portfolio is secured and majority of the balance is supply chain finance to well rated corporate. Book is spread across 120 locations and 35 broad sectors.
- During the quarter 74% of the saving account opened were through tap banking, 66% of the fixed deposits and 53% of new mutual fund were acquired digitally.
- Customers opting for moratorium currently are around 10-12% in number and by value approximately 25-28%. The 2/3 of customers have enough money to pay but they are conserving liquidity.
- Bank has reviewed its international book and has identified some stressed assets there, but all the exposure are part of bb and book. Bank over last one year has either shutdown or is in process of shutting down the honkong, shanghai, Colombo and now in process of shutting UK office.
- In calculation of moratorium provision bank has taken all the assets that would have been classified as NPA if there was no moratorium, all the assets which were more than 0 days overdue. If the moratorium was taken only on NPA the provision on moratorium required would only be 73 Cr, if taken at all greater than 0 days overdues requirement would be Rs 560 Cr. The cumulative covid provision was Rs 3000 Cr in additional to that Rs 475 Cr provision was on account of not taking RBI dispensation.
- On the SME side 85% of the book was SME 3 or better.

Profitability Matrix

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
C/I Ratio %	48.2	42.5	45.7	39.3	40.5	43.9	45.8	0.11	1.87
Empl. Cost/ Tot. Exp. %	30.8	29.5	27.1	34.2	31.5	30.4	27.8	0.72	-2.56
Other Exp/Tot. Exp.%	69.2	70.5	72.9	65.8	68.5	69.6	72.2	-0.72	2.56
Provision/PPP %	71.5	55.3	54.1	64.7	59.1	60.4	132.1	78.04	71.67
Tax Rate %	34.0	34.0	35.0	34.1	104.6	22.8	26.1	-8.86	3.35
Int Exp./Int Inc. (%)	60.6	60.3	61.4	61.7	60.5	58.9	58.1	-3.38	-0.85
Other Inc./Net Inc. %	33.9	41.7	38.2	39.8	39.0	37.0	36.9	-1.27	-0.05
PAT/ Net Income %	10.4	20.5	17.2	16.1	(1.3)	19.0	(14.7)	-31.98	-33.74
PAT Growth %	82.6	131.4	(168.8)	95.5	(114.2)	4.4	(192.2)	-23.44	-196.56
NII Growth % (YoY)	15.3	18.4	20.6	13.1	16.6	15.2	19.3	-1.30	4.16
Op. Profit Growth YoY %	8.4	43.4	36.6	34.8	45.4	3.9	16.7	-19.87	12.74
RoE %	5.2	11.3	10.3	9.2	(0.7)	8.8	(7.1)	-17.38	-15.91
RoA %	0.4	0.9	0.8	0.7	(0.1)	0.9	(0.6)	-1.40	-1.48

Margin Performance

MARGIN %	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
Yield on advances	9.1	9.4	9.5	9.5	9.6	9.5	9.4	-0.09	-0.08
Avg Yield on Earning Assets	8.2	8.5	8.5	8.6	8.5	8.4	9.0	0.51	0.61
Cost of Funds	5.3	5.4	5.7	5.7	5.6	5.4	5.2	-0.49	-0.22
NIM	3.4	3.5	3.4	3.4	3.5	3.6	3.6	0.11	-0.02

Exhibit: Yield and Cost

cost of fund decreased

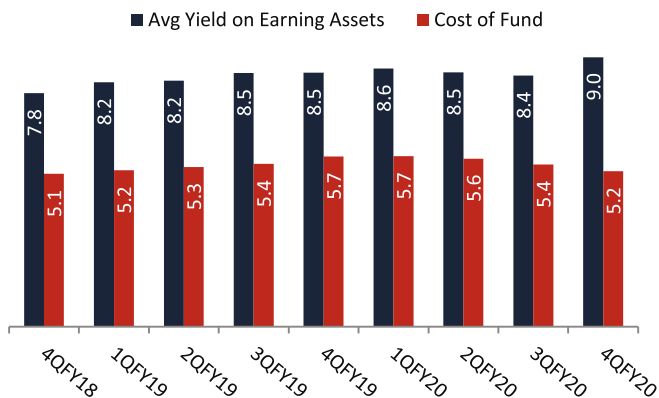
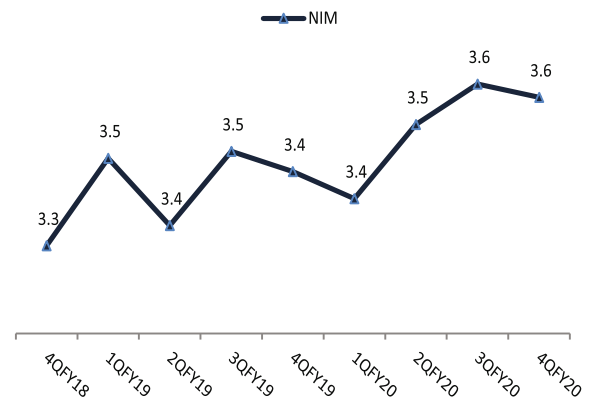


Exhibit: Net Interest Margin

NIM fell sequentially



Other Income Break: Fee income growth affected

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	3QFY20
Retail Business	1336	1291	1476	1549	1829	1651	1704	1861	1869
1)Card	495	557	579	603	694	711	701	760	729
2)Noncard	841	734	897	946	1135	940	1003	1101	1141
Wholesale	1112	826	900	1066	1191	1012	945	914	1062
Total Fee-Based Income	2448	2117	2376	2615	3020	2663	2649	2775	2931
Growth YoY %	1%	6%	9%	16%	23%	26%	11%	6%	-3%
Trading Income	216	103	136	379	354	832	809	515	264
Miscellaneous Income	125	705	166	1007	152	373	397	497	790
Total Other Income	2789	2925	2678	4001	3526	3868	3855	3787	3985
Growth YoY %	-7%	-2%	4%	54%	26%	32%	44%	-5%	13%

Exhibit: Fee Income/Advances %

Fee income as a % of total advance increased.

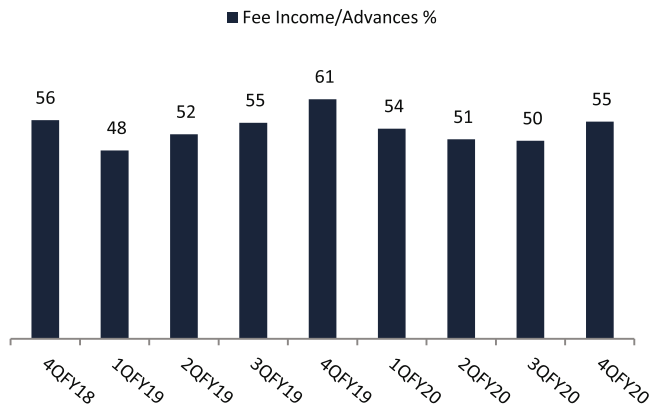
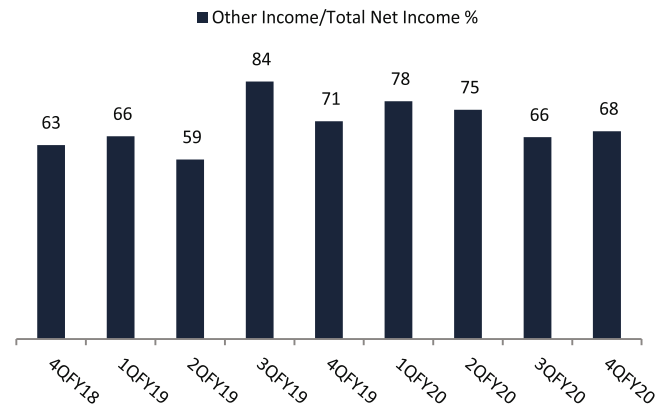


Exhibit: Other Income/ Total Income %

Other income as % of Total income increased



Asset Quality

Fig in Rs Cr

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	34,249	30,855	29,790	29,406	29,072	30,074	30,234	1%	1%
GNPA %	6.0	5.8	5.3	5.3	5.0	5.0	4.9	-0.4	-0.14
NNPA (Rs in Cr)	16,592	12,233	11,276	11,037	11,138	12,160	9,360	-17%	-23%
NNPA %	2.5	2.4	2.1	2.4	2.0	2.1	1.6	-0.50	-0.53
Slippages (Rs in Cr)	16,536	3,746	3,012	4,798	4,983	6,214	3,920	30%	-37%
Specific PCR %	58.9	60.4	62.1	62.5	61.7	59.6	69.0	62.15	9.48

Exhibit: Asset Quality

Assets quality improved

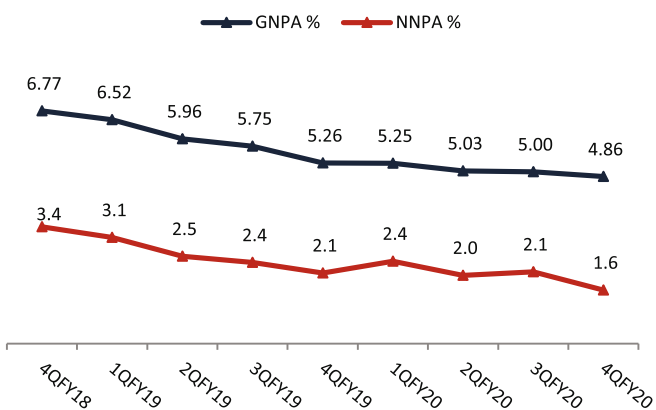


Exhibit: Provisions

PCR decreased

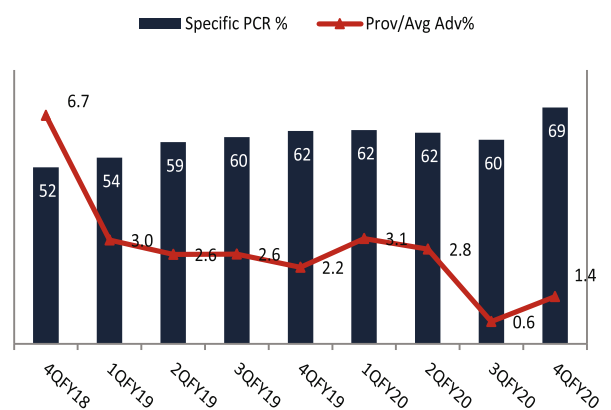


Exhibit: Advances Performance

Steady Advances growth

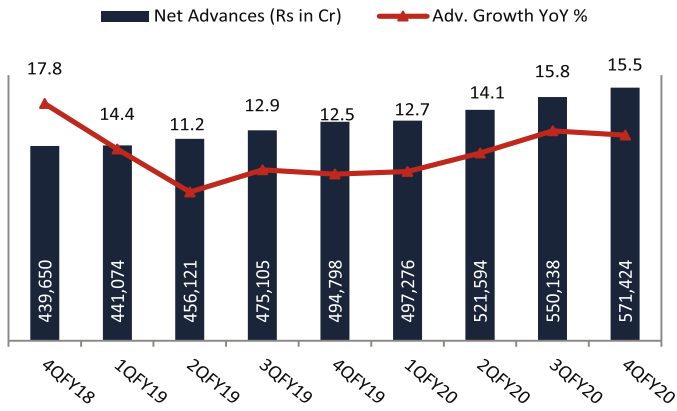


Exhibit: Advances Breakup%

Portfolio has tilted towards retail profile

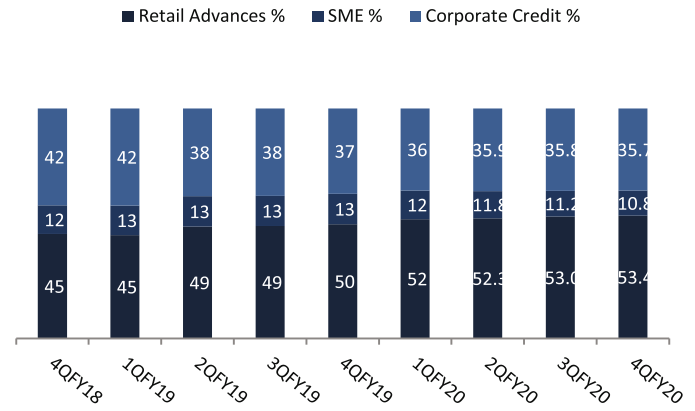


Exhibit: Deposits Performance

Deposit growth picked up

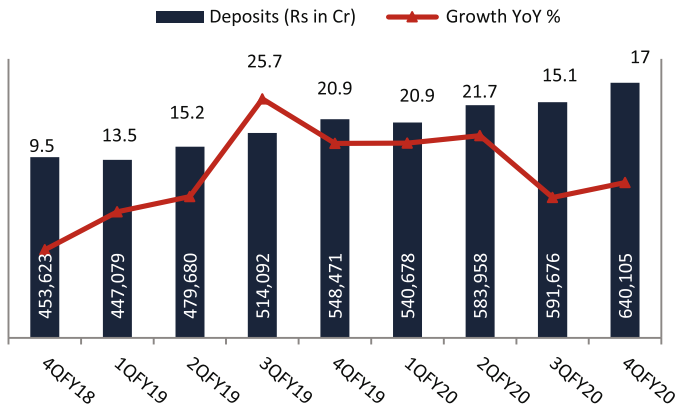


Exhibit: CASA Performance

CASA growth Improved

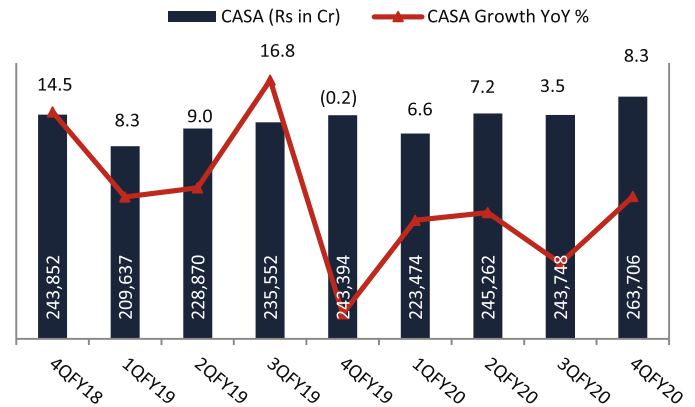


Exhibit: Credit Deposit Ratio

CD ratio declined.

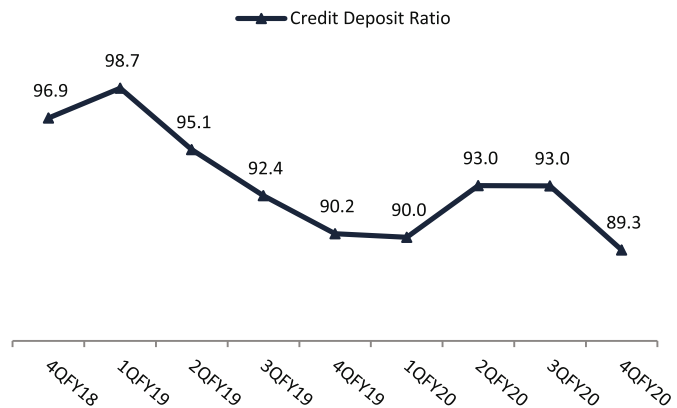
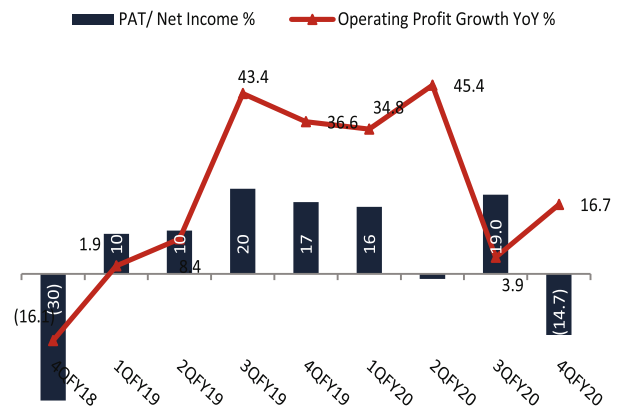


Exhibit: Operating Profit.

Strong operating profit declined.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Share Capital	468	470	474	477	479	513	514	564
Equity Capital	468	470	474	477	479	513	514	564
Preference Capital	0	0	0	0	0	0	0	0
Reserves & Surplus	32640	37751	44202	52688	55284	62932	66162	84384
Networth	33108	38220	44677	53165	55763	63445	66676	84948
Deposits	252614	280945	322442	357968	414379	453623	548471	640105
Change (%)	15	11	15	11	16	9	21	17
CASA Deposits	112100	126462	144400	169445	213050	243852	243394	263706
Change (%)	23	13	14	17	26	14	0	8
Borrowings	43951	50291	79758	99226	105031	148016	152776	147954
Other Liabilities & Prov.	10888	13789	15056	15109	26295	26245	33073	42158
Total Liabilities	340561	383245	461932	525468	601468	691330	800997	915165
Cash & Bank	20435	28239	36099	33325	50256	43455	67205	97268
Investments	113738	113548	117550	122006	128793	153876	174969	156734
Change (%)	22	0	4	4	6	19	14	-10
Advances	196966	230067	281083	338774	373069	439650	494798	571424
Change (%)	16	17	22	21	10	18	13	15
Fixed Assets	2356	2410	2514	3523	3747	3972	4037	4313
Other Assets	7067	8981	24686	27839	45602	50377	59988	85425
Total Assets	340561	383245	461932	525468	601468	691330	800997	915165

Income Statement

Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Interest income	27,183	30,641	35,479	40,988	44,542	45,780	54,986	62,635
Interest expended	17,516	18,690	21,254	24,155	26,449	27,163	33,278	37,429
Net Interest Income	9,666	11,952	14,224	16,833	18,093	18,618	21,708	25,206
Change (%)	21	24	19	18	7	3	17	16
Other Income	6,551	7,405	8,365	9,371	11,691	10,967	13,130	15,537
Change (%)	21	13	13	12	25	-6	20	18
Core Fee Income	5,520	5,985	6,779	7,503	7,882	8,867	10,128	11,179
Treasury Income	755	696	1,135	1,247	3,401	1,617	972	2,516
Others	277	724	451	622	408	483	2,030	1,842
Total Net Income	16,217	19,357	22,589	26,204	29,784	29,585	34,839	40,743
Operating Expenses	6,914	7,901	9,204	10,101	12,200	13,990	15,833	17,305
Change (%)	15	14	16	10	21	15	13	9
Employee Expenses	2,377	2,601	3,115	3,376	3,892	4,313	4,747	5,321
Pre-provisioning Profit	9,303	11,456	13,385	16,104	17,585	15,594	19,005	23,438
Change (%)	25	23	17	20	9	-11	22	23
Provisions	1,750	2,107	2,329	3,710	12,117	15,473	12,031	18,534
Change (%)	53	20	10	59	227	28	-22	54
PBT	7,553	9,349	11,057	12,394	5,468	122	6,974	4,904
Tax	2,373	3,131	3,699	4,170	1,788	(154)	2,297	3,277
Profit After Tax	5,179	6,218	7,358	8,224	3,679	276	4,677	1,627
Change (%)	22	20	18	12	-55	-93	1596	-65

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Balance Sheet Metrics								
Loan Growth (%)	16	17	22	21	10	18	13	15
Deposit Growth (%)	15	11	15	11	16	9	21	17
C/D Ratio (%)	78	82	87	95	90	97	90	89
CASA (%)	44	45	45	47	51	54	44	41
Investment/Deposit (%)	45	40	36	34	31	34	32	24
CRAR (%)	17.0	16.1	15.1	15.3	15.0	16.6	15.8	17.5
Tier 1 (%)	12.2	12.6	12.1	12.5	11.9	13.0	12.5	14.3
Tier 2 (%)	4.8	3.5	3.0	2.8	3.1	3.5	3.3	3.2

Assets Quality Metrics								
Gross NPA (Rs)	2,393	3,146	4,110	6,088	21,281	34,249	29,790	30,234
Gross NPA (%)	1.1	1.2	1.3	1.7	5.0	6.8	5.3	4.9
Net NPA(Rs)	704	1,025	1,317	2,522	8,627	16,592	11,276	9,360
Net NPA (%)	0.3	0.4	0.4	0.7	2.1	3.4	2.1	1.6
Slippages (%)	1.8	1.3	1.2	2.6	6.5	9.2	3.3	4.1
Provision Coverage (%)	79	78	78	72	65	65	77	81
Provision/Average Advances (%)	1.0	1.0	0.9	1.2	3.4	3.8	2.6	3.5

Margin Metrics								
Yield On Advances (%)	10.5	10.3	10.1	9.7	9.3	8.4	8.8	9.1
Yield On Investment (%)	7.5	7.3	7.9	7.8	7.7	7.1	6.9	6.8
Yield on Earning Assets (%)	9.2	9.0	9.0	8.8	8.6	7.8	8.0	8.3
Cost Of Deposits (%)	6.4	5.8	5.7	5.4	5.1	4.4	4.7	4.9
Cost Of Funds (%)	6.4	6.0	5.8	5.6	5.4	4.8	5.1	5.0
Spread (%)	2.9	3.1	3.2	3.2	3.2	3.0	2.9	3.3
NIM (%)	3.3	3.5	3.6	3.6	3.5	3.2	3.2	3.3

Profitability & Efficiency Metrics								
Int. Expense/Int.Income (%)	64.4	61.0	59.9	58.9	59.4	59.3	60.5	59.8
Fee Income/NII (%)	57.1	50.1	47.7	44.6	43.6	47.6	46.7	44.4
Cost to Income (%)	42.6	40.8	40.7	38.5	41.0	47.3	45.4	42.5
Cost on Average Assets (%)	2.2	2.2	2.2	2.0	2.2	2.2	2.1	2.0
Tax Rate (%)	31.4	33.5	33.5	33.6	32.7	(126.8)	32.9	66.8

Valuation Ratio Metrics								
EPS (Rs)	22.1	26.5	31.0	34.5	15.4	1.1	18.2	5.8
Change (%)	7.8	19.6	17.3	11.2	(55.5)	(93)	1,593	(68.3)
ROAE (%)	18.5	17.4	17.8	16.8	6.8	0.5	7.2	2.2
ROAA (%)	1.7	1.7	1.7	1.7	0.7	0.0	0.6	0.2
Dividend Payout (%)	16.3	15.1	14.8	14.5	32.5	-	5.5	-
Dividend yield (%)	0.3	0.3	0.8	1.1	1.0	-	0.1	-
Book Value (Rs)	142	163	188	223	233	247	259	301
Change (%)	28	15	16	18	4	6	5	16
P/B (X)	2	2	3	2	2	2	3	2
P/E (X)	11.8	11.0	18.1	12.9	31.9	473.9	42.7	79.1

Financial Details

Exhibit: DuPont Analysis

	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Interest Income	8.5	8.4	8.3	7.9	7.1	7.4	7.3
Interest expended	5.2	5.0	4.9	4.7	4.2	4.5	4.4
Net Interest Income	3.3	3.4	3.4	3.2	2.9	2.9	2.9
Non-Fund Based Income	2.0	2.0	1.9	2.1	1.7	1.8	1.8
Core Fee Income	1.7	1.6	1.5	1.4	1.4	1.4	1.3
Trading and Other Income	0.4	0.4	0.4	0.7	0.3	0.4	0.5
Core Operating Income	5.0	5.0	4.9	4.6	4.3	4.3	4.2
Total Income	5.3	5.3	5.3	5.3	4.6	4.7	4.7
Total Operating Expenses	2.2	2.2	2.0	2.2	2.2	2.1	2.0
Employee Expenses	0.7	0.7	0.7	0.7	0.7	0.6	0.6
Other Expenses	1.5	1.4	1.4	1.5	1.5	1.5	1.4
Operating Profit	3.2	3.2	3.3	3.1	2.4	2.5	2.7
Provisions	0.6	0.6	0.8	2.2	2.4	1.6	2.2
Others	-	-	-	-	-	-	-
PBT	2.6	2.6	2.5	1.0	0.0	0.9	0.6
Tax	0.9	0.9	0.8	0.3	(0.0)	0.3	0.4
PAT/RoAA	1.7	1.7	1.7	0.7	0.0	0.6	0.2
Equity Multiplier (x)	10.1	10.2	10.1	10.3	10.8	11.5	11.3
ROAE	17.4	17.8	16.8	6.8	0.5	7.2	2.2

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Analyst's ownership of the stocks mentioned in the Report	NIL
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