

Industry
Bloomberg
BSE CODE

Financial
AXSB IN
532215

RATING	BUY
CMP	446
Price Target	586
Potential Upside	31%
Rating Change	↔
Estimate Change	↑
Target Change	↔

STOCK INFO	
52wk Range H/L	765/285
Mkt Capital (Rs Cr)	125,919
Free float (%)	78%
Avg. Vol 1M (,000)	39,705
No. of Shares (Crs)	282
Promoters Pledged %	

Fig in Rs Cr

FINANCIAL	FY19	FY20	FY21E
NII	21708	25206	27978
PPP	19005	23438	24248
PAT	4677	1627	6364
NIM %	3.2	3.3	3.4
EPS (Rs)	18	6	23
EPS growth (%)	1593	-68	291
ROE (%)	7	2	7
ROA (%)	0.6	0.2	0.7
BV	259	301	324
P/B (X)	3.0	1.5	1.4
P/E (x)	43	77	20

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Healthy NII growth, Asset quality continues to improve but sequential advance and deposit growth moderate

1QFY21 Result Update

- Net Interest Income grew 20%/3% on YOY/QoQ basis to Rs 6,985 Cr on account of advances growth of 13%/-2% YoY/QoQ. NIM was 3.40% stable YoY Driven by lower cost of fund. Profit during the quarter fell by 19% YoY on account on lower fee income and higher provisioning.
- GNPA and NNPA ratios were 4.72% and 1.23%, compared to 4.86% and 1.56% in Q4FY20. Slippages were Rs 2218 Cr v/s Rs 3920 Cr in Q4FY20.
- Advance grew by 13%/-2% on YoY/QoQ basis with domestic advances growing by 12% YoY .Retail book grew by 16% YoY. Deposits grew by 16% YoY.

Healthy NII growth

Net Interest Income grew 20%/3% on YOY/QoQ basis to Rs 6,985 Cr on account of advances growth of 13%/-2% YoY/QoQ. NIM was 3.40% stable YoY Driven by lower cost of fund. The pre-provisioning profit degrew by 1% YoY on account of 33% YoY fall in the other income. The provision was up by 16% YoY however they were down by 43% YoY. PAT during the quarter was down by 19% YoY led by increase in the provisions and fall in the fee income. Specific loan loss provisions were Rs 3512 Cr and incremental covid provisions worth Rs 733 Cr .Bank has increased its PCR to 75% from 62% in Q1FY20. Bank currently holds aggregate additional provisions worth Rs 6898 Cr.The overall additional provisions held by the Bank towards various contingencies together with the standard asset provisions, translate to a standard asset coverage of 1.56% at June 30, 2020.

Advance/Deposit Growth Declined Sequentially

Advance grew by 13%/-2% on YoY/QoQ basis with domestic advances growing by 12% YoY .Retail book grew by 16% YoY/-2% QoQ. The housing loan grew by 10%/1% on YoY/QoQ basis while the Auto loan increased by 25%/-2% ON YoY/QoQ basis and LAP book grew by 30%/-2% on YoY/QoQ basis.Deposits grew by 16% YoY. CASA grew by 14%/-2% on YoY/QoQ basis while the term deposit grew by 17%/-1% on the YoY/QoQ basis. Deposit grew by 19% YoY on the QAB basis.

Asset quality improved

Asset quality improved during the quarter with GNPA and NNPA ratios were 4.72% and 1.23%, compared to 4.86% and 1.56% in Q4FY20. Slippages were Rs 2218 Cr v/s Rs 3920 Cr in Q4FY20. Corporate slippages stood at Rs 1355 Cr Recovery and upgrades were Rs 608 Cr while the write off were Rs 2284 Cr. Net slippages (before write-offs) in Retail and SME stood at Rs 229 Cr and 234 Cr respectively. 82% of the corporate book is A or above rated while the 96% incremental sanctions were rated A or above. Slippages from the BB and below book were Rs 1041 Cr.

View and Valuation

NII during the quarter grew healthy led by reduction in cost of funds however the operating profit was down by 1% YoY due to lower fee income. The asset quality improvement for the bank continued with slippages moderating on account of moratorium. The moratorium book has declined from around 25% in March to 10% in June BB and below book was largely stable Sequentially. 82% of the corporate book is A or above rated while the 96% incremental sanctions were rated A or above Advance and deposit registered sequential De-growth impacted on account of lockdown. Bank has made the accounting policy change which has impacted its profitability. The PCR of the bank is strong at 75% while the Tier 1 capital stood at 17.5% which puts it in strong position to face situation ahead. Bank also has an enabling resolution to raise capital worth Rs 15000 Cr which can be raised as the situation required. Going forward trend in Moratorium book will be a key trackable. We maintain Buy with TP of Rs 586 at 1.8XBVFY21E.

Key Risks to our rating and target

- Slower uptick in credit growth.
- Increase in moratorium levels.

1QFY21 Results

PAT above estimates

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Interest Inc.	15,255	15,438	15,708	16,234	16,539	8.4%	1.9%	54,986	62,635	13.9%
Interest Exp.	9,411	9,336	9,255	9,426	9,554	1.5%	1.3%	33,278	37,429	12.5%
NII	5,844	6,102	6,453	6,808	6,985	19.5%	2.6%	21,708	25,206	16.1%
Other Income	3,869	3,896	3,787	3,985	2,587	-33.1%	-35.1%	13,130	15,537	18.3%
Total Income	9,713	9,998	10,240	10,793	9,572	-1.4%	-11.3%	34,839	40,743	16.9%
Ope Exp.	3,820	4,046	4,497	4,942	3,728	-2.4%	-24.6%	15,833	17,305	9.3%
PPP	5,893	5,952	5,743	5,851	5,844	-0.8%	-0.1%	19,005	23,438	23.3%
Provisions	3,815	3,518	3,471	7,730	4,416	15.8%	-42.9%	12,031	18,534	54.1%
PBT	2,078	2,433	2,272	(1,879)	1,428	NA	NA	6,974	4,904	-30%
Tax	708	2,545	518	(491)	316	-55%	-164%	2,297	3,277	43%
Net Profit	1,370	(112)	1,754	(1,388)	1,112	NA	NA	4,677	1,627	-65%

Concall Highlights

- NII reserving has been done on standard assets and is not related to specific asset and bank will continue to evaluate situation and make future reserves by assessing the situation. NII reserving is done as prudent provisions to cover the reversal that may happen in future.
- Moratorium book during the end of quarter stands at 9.7% in terms of value and this 9.7% includes Retail MFI portion which is 0.5% of the book and out of them 67% paid in June .large part of Moratorium is retail out of which 78% are secured and large part of them are existing customers and historical default rate is low and 70% of the customers are bureau prime scores.
- In Mortgages segment nearly 80% of the customers are with ready properties which reduces the concentration risk and more than 77% customers have LTV less than 75% and 90% of mortgage customers have bureau vintage of more than 3 years.
- In unsecured book large part of customers are salaried and existing bank customers with low default rate 95% of credit card customers have 0 DPD and 90% of them have bureau vintage scores
- Collections from Moratorium 1 customers have been over 80% in corporate and around 70% in retail in Month of June, in retail collection from non-moratorium customers have been over 95%. Customers worth value of Rs 4600 Cr paid in June despite opting for moratorium and are not part of 9.7%.
- 81% of the retail book is secured as of Q1FY21.67% of credit card customers are salaried
- Bank is cautious in its SME portfolio which has reflected in reducing of SME portfolio by 10% over the last 1 year. 87% of the book is SME 3 or better, 88% is secured and balance is supply chain finance with linkages to large and well rated corporates.
- LTV is 67% in home loan business and in LAP in 37%.
- Wholesale banking book has seen tightening of standards over the year and 82% of the book has rating of A- and better, 95% of the incremental advance in last 12 months was in A- and above category with 75% in AA- and above category. Exposure to top 20 borrower has reduced from 110% to 102%.
- Loan book including the TLTRO grew by 17% YoY. Overall demand in Rural is better than Urban however they are still below Pre-covid Level.
- June 2020 Disbursements in home loan and personal loans were 68% and 37% of the last year which reflect incremental growth. June rural disbursement were 90% of the last year.
- On capital raising bank said they have raised resolution and are evaluating situation to as and when raise the capital.
- Bank has said if the customer is not impacted by COVID Crisis they will continue to collect from customers.

Profitability Matrix

	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
C/I Ratio %	42.5	45.7	39.3	40.5	43.9	45.8	38.9	-0.38	-6.85
Empl. Cost/ Tot. Exp. %	29.5	27.1	34.2	31.5	30.4	27.8	37.7	3.51	9.92
Other Exp/Tot. Exp.%	70.5	72.9	65.8	68.5	69.6	72.2	62.3	-3.51	-9.92
Provision/PPP %	55.3	54.1	64.7	59.1	60.4	132.1	75.6	10.84	-56.55
Tax Rate %	34.0	35.0	34.1	104.6	22.8	26.1	22.1	-11.95	-4.02
Int Exp./Int Inc. (%)	60.3	61.4	61.7	60.5	58.9	58.1	57.8	-3.93	-0.30
Other Inc./Net Inc. %	41.7	38.2	39.8	39.0	37.0	36.9	27.0	-12.81	-9.90
PAT/ Net Income %	20.5	17.2	16.1	(1.3)	19.0	(14.7)	12.7	-3.38	27.46
PAT Growth %	131.4	(168.8)	95.5	(114.2)	4.4	(192.2)	(18.8)	-114.31	173.36
NII Growth % (YoY)	18.4	20.6	13.1	16.6	15.2	19.3	19.5	6.42	0.22
Op. Profit Growth YoY %	43.4	36.6	34.8	45.4	3.9	16.7	(0.8)	-35.62	-17.51
RoE %	11.3	10.3	9.2	(0.7)	8.8	(7.1)	5.7	-3.45	12.82
RoA %	0.9	0.8	0.7	(0.1)	0.9	(0.6)	0.5	-0.21	1.10

Margin Performance

MARGIN %	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
Yield on advances	9.4	9.5	9.5	9.6	9.5	9.4	9.1	-0.40	-0.31
Avg Yield on Earning Assets	8.5	8.5	8.6	8.5	8.4	9.0	8.9	0.29	-0.09
Cost of Funds	5.4	5.7	5.7	5.6	5.4	5.2	4.9	-0.77	-0.27
NIM	3.5	3.4	3.4	3.5	3.6	3.6	3.4	0.00	-0.15

Exhibit: Yield and Cost

cost of fund decreased

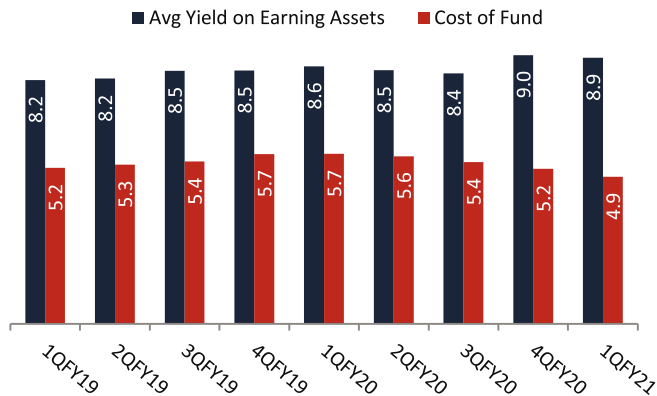
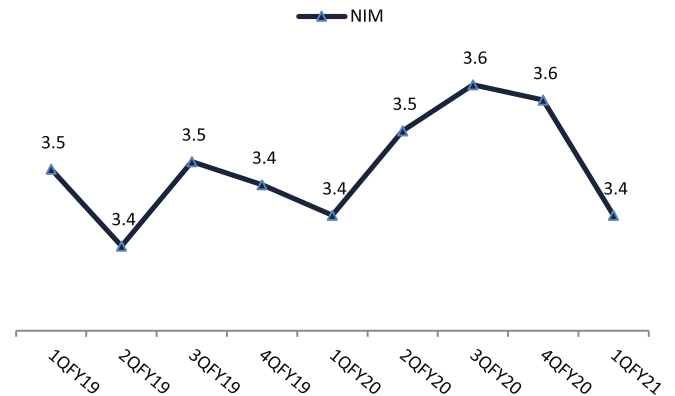


Exhibit: Net Interest Margin

NIM fell sequentially



Other Income Break: Fee income growth affected

Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Retail Business	1291	1476	1549	1829	1651	1704	1861	1876	942
1)Card	557	579	603	694	711	701	760	732	339
2)Noncard	734	897	946	1135	940	1003	1101	1144	603
Wholesale	826	900	1066	1191	1012	945	914	1055	710
Total Fee-Based Income	2117	2376	2615	3020	2663	2649	2775	2931	1652
Growth YoY %	6%	9%	16%	23%	26%	11%	6%	-3%	-38%
Trading Income	103	136	379	354	832	809	515	264	622
Miscellaneous Income	705	166	1007	152	373	397	497	790	213
Total Other Income	2925	2678	4001	3526	3868	3855	3787	3985	2487
Growth YoY %	-2%	4%	54%	26%	32%	44%	-5%	13%	-36%

Exhibit: Fee Income/Advances %

Fee income as a % of total advance falls.

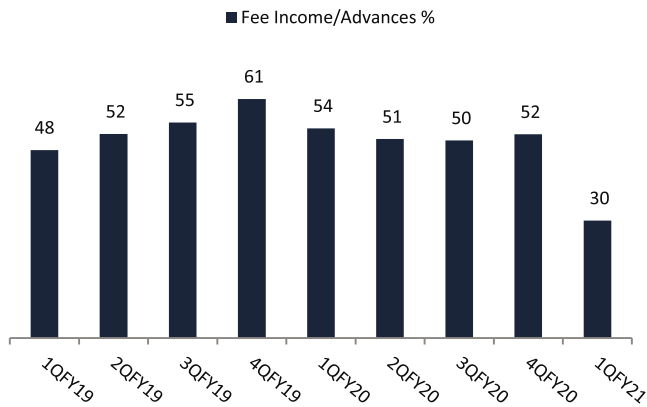
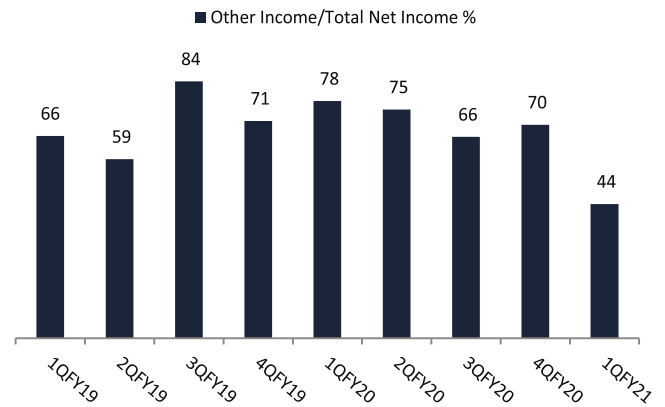


Exhibit: Other Income/Total Income %

Other income as % of Total income reduced.



Asset Quality

Fig in Rs Cr

	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	30,855	29,790	29,406	29,072	30,074	30,234	29,560	1%	-2%
GNPA %	5.8	5.3	5.3	5.0	5.0	4.9	4.7	-0.53	-0.14
NNPA (Rs in Cr)	12,233	11,276	11,037	11,138	12,160	9,360	7,448	-33%	-20%
NNPA %	2.4	2.1	2.4	2.0	2.1	1.6	1.2	-1.17	-0.33
Slippages (Rs in Cr)	3,746	3,012	4,798	4,983	6,214	3,920	2,218	-54%	-43%
Specific PCR %	60.4	62.1	62.5	61.7	59.6	69.0	74.8	62.15	5.76

Exhibit: Asset Quality

Assets quality improved

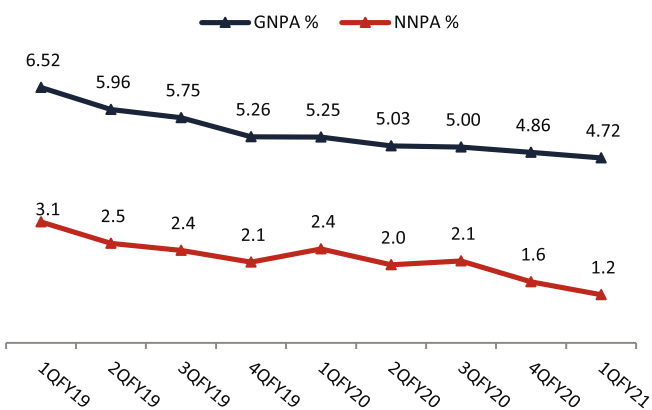


Exhibit: Provisions

PCR improved

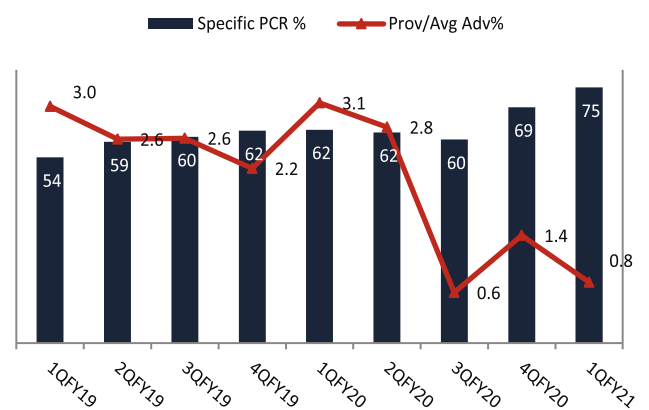


Exhibit: Advances Performance

Steady Advances growth.

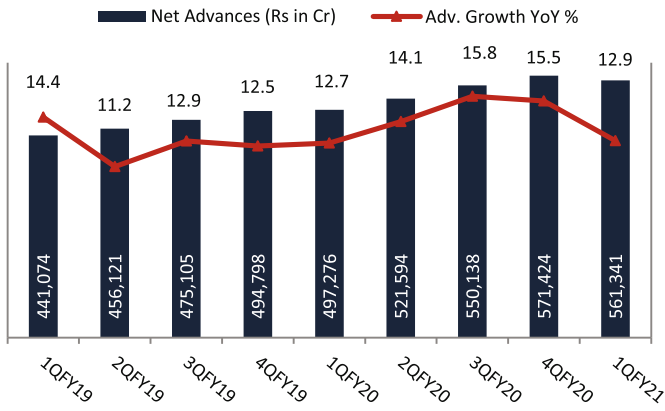


Exhibit: Advances Breakup%

Portfolio has tilted towards retail profile.

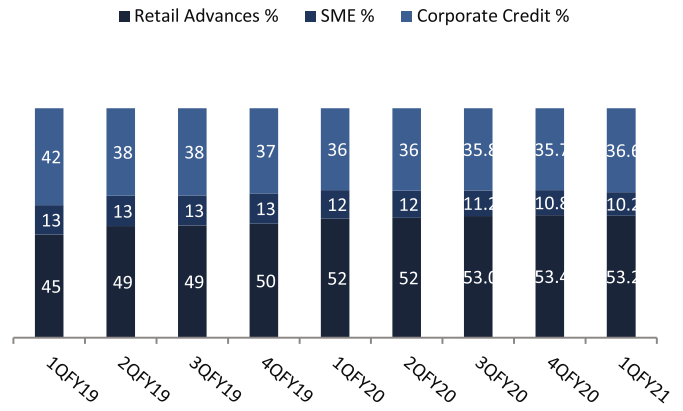


Exhibit: Deposits Performance

Deposit growth picked up.

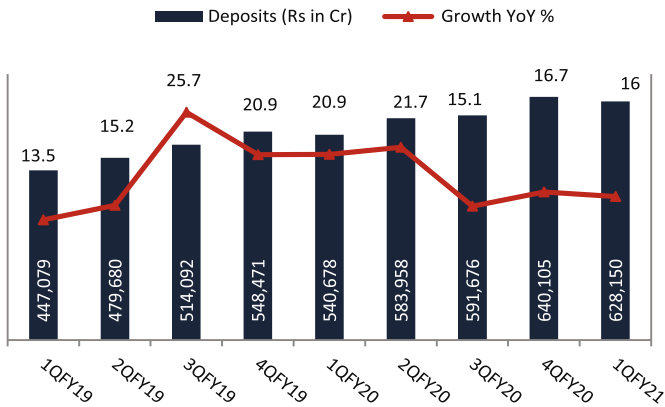


Exhibit: CASA Performance

CASA growth Improved.

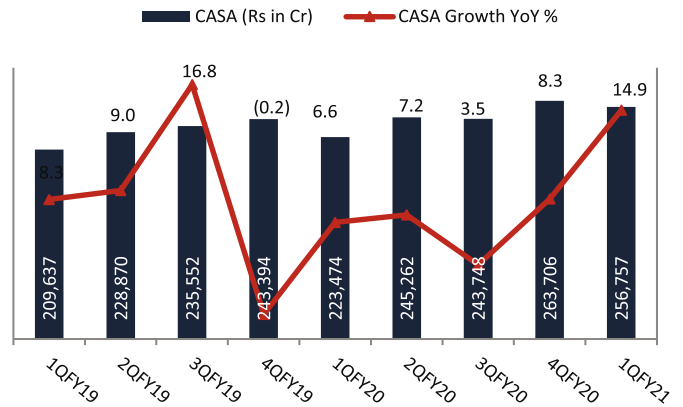


Exhibit: Credit Deposit Ratio

CD ratio declined.

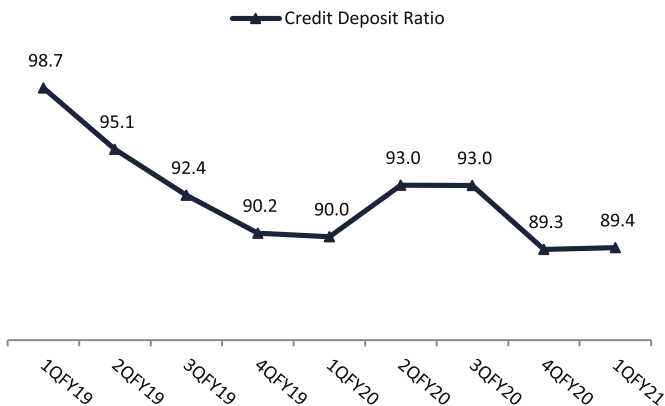
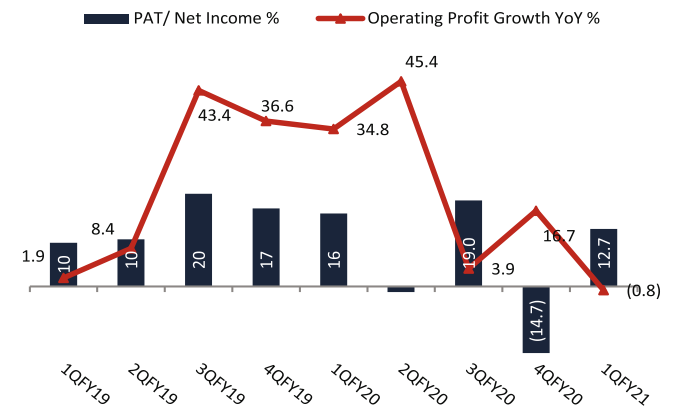


Exhibit: Operating Profit.

Strong operating profit declined.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	470	474	477	479	513	514	564	564
Equity Capital	470	474	477	479	513	514	564	564
Preference Capital	0	0	0	0	0	0	0	0
Reserves & Surplus	37751	44202	52688	55284	62932	66162	84384	90748
Networth	38220	44677	53165	55763	63445	66676	84948	91312
Deposits	280945	322442	357968	414379	453623	548471	640105	692058
Change (%)	11	15	11	16	9	21	17	8
CASA Deposits	126462	144400	169445	213050	243852	243394	263706	290664
Change (%)	13	14	17	26	14	0	8	10
Borrowings	50291	79758	99226	105031	148016	152776	147954	152530
Other Liabilities & Prov.	13789	15056	15109	26295	26245	33073	42158	46137
Total Liabilities	383245	461932	525468	601468	691330	800997	915165	982037
Cash & Bank	28239	36099	33325	50256	43455	67205	97268	86789
Investments	113548	117550	122006	128793	153876	174969	156734	179935
Change (%)	0	4	4	6	19	14	-10	15
Advances	230067	281083	338774	373069	439650	494798	571424	622852
Change (%)	17	22	21	10	18	13	15	9
Fixed Assets	2410	2514	3523	3747	3972	4037	4313	4529
Other Assets	8981	24686	27839	45602	50377	59988	85425	87932
Total Assets	383245	461932	525468	601468	691330	800997	915165	982037

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest income	30,641	35,479	40,988	44,542	45,780	54,986	62,635	67,155
Interest expended	18,690	21,254	24,155	26,449	27,163	33,278	37,429	39,177
Net Interest Income	11,952	14,224	16,833	18,093	18,618	21,708	25,206	27,978
Change (%)	24	19	18	7	3	17	16	11
Other Income	7,405	8,365	9,371	11,691	10,967	13,130	15,537	12,633
Change (%)	13	13	12	25	-6	20	18	-19
Core Fee Income	5,985	6,779	7,503	7,882	8,867	10,128	11,179	8,729
Treasury Income	696	1,135	1,247	3,401	1,617	972	2,516	2,691
Others	724	451	622	408	483	2,030	1,842	1,213
Total Net Income	19,357	22,589	26,204	29,784	29,585	34,839	40,743	40,611
Operating Expenses	7,901	9,204	10,101	12,200	13,990	15,833	17,305	16,363
Change (%)	14	16	10	21	15	13	9	-5
Employee Expenses	2,601	3,115	3,376	3,892	4,313	4,747	5,321	5,752
Pre-provisioning Profit	11,456	13,385	16,104	17,585	15,594	19,005	23,438	24,248
Change (%)	23	17	20	9	-11	22	23	3
Provisions	2,107	2,329	3,710	12,117	15,473	12,031	18,534	15,770
Change (%)	20	10	59	227	28	-22	54	-15
PBT	9,349	11,057	12,394	5,468	122	6,974	4,904	8,477
Tax	3,131	3,699	4,170	1,788	(154)	2,297	3,277	2,113
Profit After Tax	6,218	7,358	8,224	3,679	276	4,677	1,627	6,364
Change (%)	20	18	12	-55	-93	1596	-65	291

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Balance Sheet Metrics								
Loan Growth (%)	17	22	21	10	18	13	15	9
Deposit Growth (%)	11	15	11	16	9	21	17	8
C/D Ratio (%)	82	87	95	90	97	90	89	90
CASA (%)	45	45	47	51	54	44	41	42
Investment/Deposit (%)	40	36	34	31	34	32	24	26
CRAR (%)	16.1	15.1	15.3	15.0	16.6	15.8	17.5	16.7
Tier 1 (%)	12.6	12.1	12.5	11.9	13.0	12.5	14.3	13.6
Tier 2 (%)	3.5	3.0	2.8	3.1	3.5	3.3	3.2	3.1

Assets Quality Metrics								
Gross NPA (Rs)	3,146	4,110	6,088	21,281	34,249	29,790	30,235	35,478
Gross NPA (%)	1.2	1.3	1.7	5.0	6.8	5.3	4.9	4.9
Net NPA(Rs)	1,025	1,317	2,522	8,627	16,592	11,276	9,360	10,859
Net NPA (%)	0.4	0.4	0.7	2.1	3.4	2.1	1.6	1.7
Slippages (%)	1.3	1.2	2.6	6.5	9.2	3.3	4.1	3.1
Provision Coverage (%)	78	78	72	65	65	77	81	83
Provision/Average Advances (%)	1.0	0.9	1.2	3.4	3.8	2.6	3.5	2.6

Margin Metrics								
Yield On Advances (%)	10.3	10.1	9.7	9.3	8.4	8.8	9.1	8.7
Yield On Investment (%)	7.3	7.9	7.8	7.7	7.1	6.9	6.8	7.0
Yield on Earning Assets (%)	9.0	9.0	8.8	8.6	7.8	8.0	8.3	8.1
Cost Of Deposits (%)	5.8	5.7	5.4	5.1	4.4	4.7	4.9	4.5
Cost Of Funds (%)	6.0	5.8	5.6	5.4	4.8	5.1	5.0	4.8
Spread (%)	3.1	3.2	3.2	3.2	3.0	2.9	3.3	3.3
NIM (%)	3.5	3.6	3.6	3.5	3.2	3.2	3.3	3.4

Profitability & Efficiency Metrics								
Int. Expense/Int.Income (%)	61.0	59.9	58.9	59.4	59.3	60.5	59.8	58.3
Fee Income/NII (%)	50.1	47.7	44.6	43.6	47.6	46.7	44.4	31.2
Cost to Income (%)	40.8	40.7	38.5	41.0	47.3	45.4	42.5	40.3
Cost on Average Assets (%)	2.2	2.2	2.0	2.2	2.2	2.1	2.0	1.7
Tax Rate (%)	33.5	33.5	33.6	32.7	(126.8)	32.9	66.8	24.9

Valuation Ratio Metrics								
EPS (Rs)	26.5	31.0	34.5	15.4	1.1	18.2	5.8	22.6
Change (%)	19.6	17.3	11.2	(55.5)	(93)	1,593	(68)	291.1
ROAE (%)	17.4	17.8	16.8	6.8	0.5	7.2	2.2	7.2
ROAA (%)	1.7	1.7	1.7	0.7	0.0	0.6	0.2	0.7
Dividend Payout (%)	15.1	14.8	14.5	32.5	-	5.5	-	-
Dividend yield (%)	0.3	0.8	1.1	1.0	-	0.1	-	-
Book Value (Rs)	163	188	223	233	247	259	301	324
Change (%)	15	16	18	4	6	5	16	7
P/B (X)	2	3	2	2	2	3	1	1
P/E (X)	11.0	18.1	12.9	31.9	473.9	42.7	77.3	19.8

Financial Details

Exhibit: DuPont Analysis

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest Income	8.4	8.3	7.9	7.1	7.4	7.3	7.1
Interest expended	5.0	4.9	4.7	4.2	4.5	4.4	4.1
Net Interest Income	3.4	3.4	3.2	2.9	2.9	2.9	2.9
Non-Fund Based Income	2.0	1.9	2.1	1.7	1.8	1.8	1.3
Core Fee Income	1.6	1.5	1.4	1.4	1.4	1.3	0.9
Trading and Other Income	0.4	0.4	0.7	0.3	0.4	0.5	0.4
Core Operating Income	5.0	4.9	4.6	4.3	4.3	4.2	3.9
Total Income	5.3	5.3	5.3	4.6	4.7	4.7	4.3
Total Operating Expenses	2.2	2.0	2.2	2.2	2.1	2.0	1.7
Employee Expenses	0.7	0.7	0.7	0.7	0.6	0.6	0.6
Other Expenses	1.4	1.4	1.5	1.5	1.5	1.4	1.1
Operating Profit	3.2	3.3	3.1	2.4	2.5	2.7	2.6
Provisions	0.6	0.8	2.2	2.4	1.6	2.2	1.7
Others	-	-	-	-	-	-	-
PBT	2.6	2.5	1.0	0.0	0.9	0.6	0.9
Tax	0.9	0.8	0.3	(0.0)	0.3	0.4	0.2
PAT/RoAA	1.7	1.7	0.7	0.0	0.6	0.2	0.7
Equity Multiplier (x)	10.2	10.1	10.3	10.8	11.5	11.3	10.8
ROAE	17.8	16.8	6.8	0.5	7.2	2.2	7.2

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