

- Axis Bank Limited reported a net interest income growth of 14% in its Q3-FY21 standalone results at Rs.73,730 million as against Rs.64,530 million in Q3-FY20, driven by advances growth of 6% and a net interest margin of 3.59%. Non-interest income (comprising of fee, trading profit and miscellaneous income) for Q3-FY21 stood at Rs.37,760 million, as compared to Rs.37,870 million in Q3-FY21.
- Operating profit for Q3-FY21 stood at Rs.60,955 million, up 6.1% YOY. During the quarter, the Bank has made provisions of Rs.46,040 million including Rs.26,620 million related to restructuring pool and accounts not classified as NPA pursuant to Supreme Court order. Operating profit for Q3-FY21 stood at Rs.60,955 million, up 6.1% YOY. Due to high provision, the Bank reported standalone profit of Rs.11,170 million 37% lower YoY.
- The Bank's advances grew 6% YOY to Rs.58,27,540 million as on 31st December 2020. Retail loans grew 9% YOY to Rs.31,78,940 million and accounted for 55% of the net advances of the Bank. The growth in Retail advances was driven by all product segments across home loans, loan against property, Auto etc. Corporate loan book grew by 11% to Rs.20,08,910 million. 83% of Corporate book is now rated A- and above with 94% of incremental sanctions in 9MFY21 being to corporates rated A- and above.
- The total deposits on quarterly average basis (QAB) grew by 8% and 11% YOY on period end basis. Savings account deposits grew 14% YOY and 4% QOQ, Current Account deposits grew 15% YOY and Retail Term Deposits grew 17% YOY. CASA and Retail Term Deposits on a QAB basis put together recorded a growth of 16% YOY. The share of CASA and Retail Term Deposits in the Total Deposits was 86% as of 31st December 2020.
- As on 31st December 2020, the Bank's Gross NPA and Net NPA levels were 3.44% and 0.74% respectively, as against 4.18% and 0.98% respectively as on 31<sup>st</sup> September 2020. The reported gross slippages for quarter were almost nil, since the entire quarter was subject to the standstill benefit, pursuant to the Supreme Court decision. Gross slippages during the quarter per IRAC norms were Rs.67,360 million, compared to Rs.15,720 million during Q2-FY21 and Rs.62,140 million in Q3-FY20.
- Given the healthy asset mix, liability strength, adequate capital and superior customer profile, we believe the bank is poised to face near term challenges and benefit in the phase of normalisation. We continue to remain positive on the company over medium to longer term perspective and maintain our **BUY** rating on the stock with a revised target price of **Rs.800 per share**.

## Financial Results

Standalone						
(In ₹ mn)	Q3-FY21	Q3-FY20	Chg	9M-FY21	9M-FY20	Chg
Interest Earned	154,984	157,083	-1.3%	481,001	464,011	3.7%
Interest Expended	81,256	92,553	-12.2%	264,160	280,026	-5.7%
Net Interest Income	73,728	64,530	14.3%	216,841	183,985	17.9%
Other Income	37,760	37,866	-0.3%	101,699	115,511	-12.0%
Operating Expenses	50,533	44,969	12.4%	130,165	123,625	5.3%
Pre-Provision Profits	60,955	57,427	6.1%	188,375	175,870	7.1%
Provisions	46,043	34,709	32.7%	136,014	108,039	25.9%
PBT	14,912	22,718	-34.4%	52,362	67,831	-22.8%
Tax	3,746	5,148	-27.2%	13,247	37,681	-64.8%
Exceptional Items	-	-		-	-	
PAT	11,166	17,570	-36.4%	39,114	30,150	29.7%

## Margins

Standalone						
Margins	Q3-FY21	Q3-FY20	Chg BPS	9M-FY21	9M-FY20	Chg BPS
Operating Margin %	47.6%	41.1%	649	45.1%	39.7%	543
Net Margin %	7.2%	11.2%	-398	8.1%	6.5%	163

Source: Company, Anand Rathi Research

## Standalone Financials:

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Interest Earned	549,858	626,352	662,041	733,422
Interest Expended	332,776	374,290	400,915	433,754
Net Interest Income	217,082	252,062	261,126	299,668
Other Income	131,303	155,366	145,392	159,931
Operating Expenses	158,334	173,046	196,928	209,117
Pre-Provision Profits	190,051	234,381	209,590	250,482
Provisions	120,310	185,339	135,033	144,256
PBT	69,741	49,042	74,557	106,226
Tax	22,975	32,770	18,766	26,737
PAT	46,766	16,272	55,791	79,489
<b>Margins</b>	<b>FY-19</b>	<b>FY-20</b>	<b>FY-21E</b>	<b>FY-22E</b>
Operating Margin %	39.5%	40.2%	39.4%	40.9%
Net Margin %	8.5%	2.6%	8.4%	10.8%

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
<b>Liabilities</b>				
Equity Share Capital	5,143	5,643	5,643	5,643
Reserves & Surplus	661,620	843,835	899,626	979,115
Total Shareholder's Funds	666,763	849,478	905,269	984,758
Minority Interest	-	-	-	-
Deposits	5,484,713	6,401,049	6,593,081	6,856,804
Borrowings	1,527,758	1,479,541	1,361,178	1,361,178
Other Liabilities & Provisions	330,731	421,579	556,612	700,868
<b>Total</b>	<b>8,009,965</b>	<b>9,151,648</b>	<b>9,416,140</b>	<b>9,903,608</b>
<b>Assets</b>				
Balance with RBI and banks	672,046	972,683	358,693	647,251
Investments	1,749,693	1,567,343	2,338,528	1,953,869
Advances	4,947,980	5,714,242	5,828,526	6,411,379
Net Block	37,639	38,386	31,398	32,114
Capital Work in Progress	2,727	4,743	4,743	4,743
Other Assets	599,880	854,252	854,252	854,252
<b>Total</b>	<b>8,009,965</b>	<b>9,151,648</b>	<b>9,416,140</b>	<b>9,903,608</b>
<b>Particulars</b>	<b>FY-19</b>	<b>FY-20</b>	<b>FY-21E</b>	<b>FY-22E</b>
EPS (₹)	15.3	5.3	18.2	26.0
P/E (x)	46.9	134.7	39.3	27.6
P/B (x)	3.3	2.6	2.4	2.2
ROA	0.63%	0.19%	0.60%	0.82%
ROE	7.0%	1.9%	6.2%	8.1%

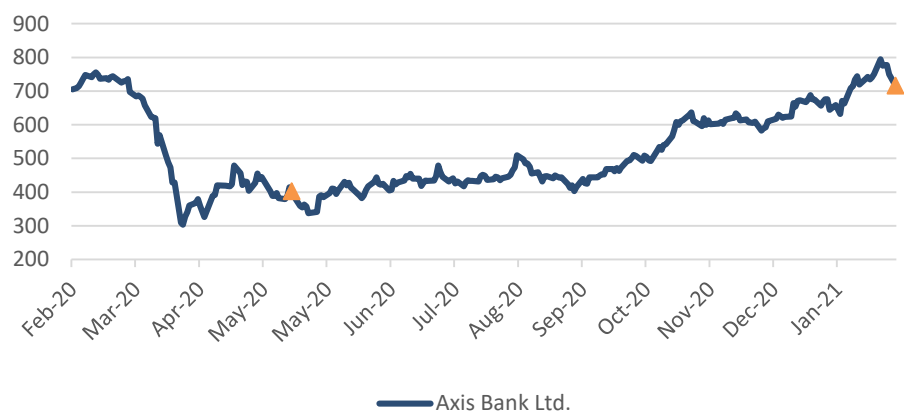
## Risks :

- ❑ The company is exposed to credit, liquidity and interest rate risk. Any adverse movement in these macroeconomic indicators may lead to lower than estimated growth and profitability.



## Rating and Target Price History:

Axis Bank rating history & price chart



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 23 February 2021 close.

Axis Bank rating details

Date	Rating	Target Price	Share Price
09-Jan-20	BUY	902	743
31-Jan-20	BUY	902	729
14-May-20	BUY	626	402
23-Feb-21	BUY	800	716

Source: Ace Equity, Anand Rathi Research

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