

Axis Bank (AXSB) – BUY

Result Update

Current Market Price (CMP)

Rs. 742

Target Price

Rs. 960

We see 29.4% upside in the stock at our Fair Value of Rs. 960.

Rationale:

- Axis bank's earnings grew ~85% yoy on 60% yoy decline in provisions.
- NPLs reduced despite high slippages led by strong recovery and upgrades.
- Operational performance was weak but we should see traction from H2FY22.
- Growth is visible; is likely to accelerate and translate to higher revenue growth.
- We maintain Buy with a FV of Rs. 960 (from Rs. 860), value at 2.2x FY23 BV.
(NPL: Non performing loans, FV: Fair value, BV: Book Value)

Q2FY22 Earnings Update:

👍 Positives:

- Restructured loans was low at 0.7% of loans.
- Gross NPL and net NPL declined ~30 bps and 10 bps qoq respectively.
- Deposit growth remains healthy; CASA ratio healthy at 42%.

👎 Negatives:

- Net interest margin declined 10 bps qoq due to adverse asset mix.
- Loan book is weaker than peers at 10% yoy; Operating expenses grew 36% yoy.

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For detailed report dated 26th October 2021. Note: CMP & valuation may differ due to difference in dates.



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