



AXIS BANK

RESEARCH REPORT

Market cap: 3.83 trillion
CMP:Rs 1238.00

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INTRODUCTION

- Axis Bank Limited is the third largest private sector bank in India. The Bank offers the entire spectrum of financial services to customer segments covering Large and Mid-Corporate, MSMEs, Agriculture and retail businesses. It provides a complete suite of banking and financial services including retail banking, wholesale banking and treasury operations. The Bank is primarily governed by the Banking Regulation Act, 1949. As on 31 March 2023, the Bank has overseas branches at Singapore, DIFC - Dubai and an Offshore Banking Unit at the International Financial Service Centre (IFSC), Gujarat International Finance Tec-City (GIFT City), Gandhinagar, India . The Bank operates in four segments, namely treasury, retail banking, corporate/wholesale banking and other banking business.
- The treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the account, and for customers and central funding. Retail banking includes lending to individuals/small businesses subject to the orientation, product and granularity criterion. It also includes liability products, card services, Internet banking, automated teller machines (ATM) services, depository, financial advisory services, and non - resident Indian (NRI) services.
- The Bank had a network of 4586 branches at the end of December 2020 across the country . With 4528 domestic branches (including extension counters) and 12044 ATMs and 5433 cash recyclers across the country as on 31 March 2020, the network of Axis Bank spreads across 2,033 cities and towns, enabling the bank to reach out to a large cross-section of customers with an array of products and services. The bank also has nine overseas offices with branches at Singapore, Hong Kong, Dubai (at the DIFC), Shanghai and Colombo; representative offices at Dubai, Abu Dhabi and Dhaka and an overseas subsidiary at London, UK . The Bank has five wholly-owned subsidiaries namely Axis Securities and Sales Ltd, Axis Private Equity Ltd, Axis Trustee Services Ltd, Axis Asset Management Company Ltd and Axis Mutual Fund Trustee Ltd. Axis Bank was incorporated in the year 1993 with the name UTI Bank Ltd. Axis Bank is one of the first new generation private sector banks to have begun operations in 1994.
- The bank was promoted in 1993, jointly by Specified Undertaking of Unit Trust of India (SUUTI) (then known as Unit Trust of India), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd. The shareholding of Unit Trust of India was subsequently transferred to SUUTI, an entity established in 2003. In the year 2001, the bank along with Global Trust Bank (GTB) had a merger proposal to create the largest private sector bank, but due to medias issues both the banks withdraw the merger proposal. In the year 2003, the Bank was given the authorized to handle Government transactions such as collection of Government taxes, to handle the expenditure related payments of Central Government Ministries and Departments and pension payments on behalf of Civil and Non-civil Ministries such as defence, posts, telecom and railways. In December 2003, the Bank launched their merchant acquiring business . In the year 2005, the Bank raised \$239.3 million through Global Depository Receipts.

HISTORY OF THE COMPANY

Founding and Early Years

- **1993:** Axis Bank was established as UTI Bank. It was among the first of the new private banks to have begun operations in 1994, following the Indian government's decision to allow new private banks to be established.
- **1994:** The bank commenced operations on April 3, 1994. It was promoted by the Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), General Insurance Corporation (GIC), and its four subsidiaries.

Growth and Expansion

- **1999:** Axis Bank became the first Indian bank to launch a Travel Currency Card in association with American Express.
- **2001:** The bank launched its first IPO in September, which was oversubscribed 4.9 times, reflecting the growing trust and investor confidence.
- **2003:** The bank opened its first overseas branch in Singapore.

Rebranding and Further Development

- **2007:** The bank underwent a major rebranding initiative and changed its name from UTI Bank to Axis Bank on July 30, 2007, to avoid confusion with other entities using the UTI brand name and to create a unique identity.
- **2009:** Axis Bank made its entry into the commercial banking segment and expanded its services to encompass various sectors like agriculture, MSME, and large corporate banking.

Recent Developments

- **2011:** Shikha Sharma, who took over as CEO in 2009, was instrumental in transforming the bank into a financial powerhouse. Under her leadership, the bank's market capitalization increased significantly.
- **2014:** Axis Bank launched 'Ping Pay,' an instant messaging money transfer service, underscoring its commitment to technological innovation.
- **2016:** The bank celebrated the milestone of crossing 3,000 branches and 13,000 ATMs across India.
- **2021:** Axis Bank completed the acquisition of a 100% stake in Max Life Insurance, marking its foray into the insurance sector.
- **2023:** Axis Bank announced the acquisition of Citibank's India consumer business, which included credit cards, retail banking, and wealth management.

BOARD OF DIRECTORS



Rajesh Makhija

Independent Chairman



Amitabh Chaudhry

MD & CEO



Ketaki Bhagwati

Independent Director



Girish Paranjpe

Independent Director



T C Susheel Kumar

Independent Director



Meena Ganesh

Independent Director



G Padmanabhan

Independent Director



Ashish Kotecha

Nominee Director



S Mahendra Dev

Independent Director



Manoj Kohli

Independent Director



P N Prasad

Independent Director



CH S S Mallikarjunarao

Independent Director



N S Vishwanathan

Independent Director



Rajiv Anand

Deputy MD

CLIENT ADVANTAGE

Axis Bank offers a variety of advantages to its clients, depending on the type of account they choose. Here are some of the general benefits:

- **Digital services:** Axis Bank offers a user-friendly internet banking and mobile banking platform, allowing clients to manage their finances from anywhere at any time.
- **Widespread network:** Axis Bank has a large network of branches and ATMs across India, providing clients with convenient access to their money.
- **Security:** Savings accounts up to Rs. 5 lakh are insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC), protecting clients' money in case of a bank failure. In addition to these general benefits, Axis Bank also offers a variety of account-specific advantages. For example Current Accounts provide clients with:
 - High transaction limits
 - Free chequebooks (with some accounts)
 - Zero-balance account options
 - Reward programs like Axis Edge Rewards

It's important to consider your specific needs and banking habits when choosing an Axis Bank account to ensure you get the most out of the client benefits.

INDUSTRY OVERVIEW

One Axis in Action

Leading with One Axis

AXIS FINANCE

Axis Finance Ltd

Through Axis Finance, our AAA rated diversified NBFC arm, we provide wholesale and retail lending solutions to corporate and retail customers across geographies and businesses.

Performance in fiscal 2023

67% Growth in Retail loan book y-o-y

19% Growth in Wholesale loan book y-o-y

17% Return on Equity

30% Growth in PAT to ₹475 crores y-o-y

20.5% CRAR

AXIS CAPITAL

Axis Capital Ltd

Axis Capital is one of India's leading financial experts, providing customised solutions in investment banking and institutional equities.

Performance in fiscal 2023

1st Rank in Equity Capital Market (ECM)*

12% Investment banking market share

17% Growth in Equity business trading (revenue) in F&O segment

₹142 CRORES PAT in fiscal 2023

AXIS MUTUAL FUND

Axis Asset Management Company Ltd

Axis AMC provides risk managed investment solutions to both retail and institutional investors across listed/unlisted equity, debt and real estate.

Performance in fiscal 2023

12.9 million Client folios

16% Growth in PAT to ₹415 crores y-o-y

6% AAUM** market share

63% of overall AUM consists of Equity & Hybrid funds

Leading with One Axis

AXIS SECURITIES

Axis Securities Ltd

Axis Securities is a full-service retail brokerage focused on building an advisory model to acquire customers. We have deployed robust technology infrastructure and digital capabilities to deliver holistic solutions to our customers by leveraging One Axis environment.

Performance in fiscal 2023

28% Growth in customer acquisitions y-o-y

51% Clients traded through Axis Direct mobile app

59% Share of mobile trading in total volume

₹203 crores PAT for fiscal 2023

FREECHARGE
by AXIS BANK

Freecharge Payment Technologies Private Ltd

Freecharge has launched multiple new-age products targeted towards digitally native customers and merchants. It continues to evolve into a complete digital financial services platform, covering all verticals including savings, lending, investments, payments and insurance.

Performance in fiscal 2023

2.5X Growth in overall gross merchandising value

4X Growth in no. of cards issued

2.7X Growth in number of merchant transactions

ATREDS

A.TReDS Ltd

Invoicemart, India's largest Trade Receivables Discounting System (TReDS) platform, is set up to resolve the credit challenges faced by MSMEs.

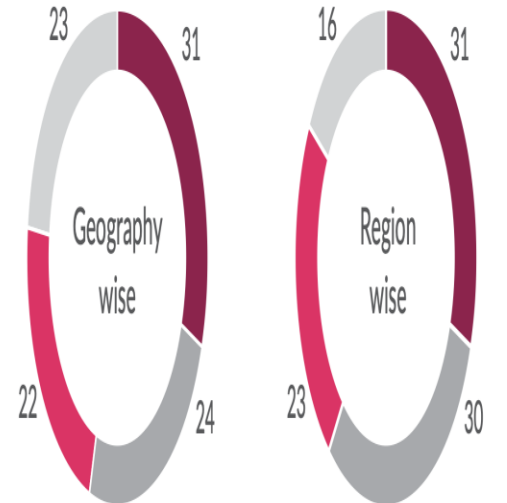
Progress so far (Jul-17 to Mar-23)

~₹55,600 crores Throughput

~₹16.3 lakhs Invoices discounted

~20,671 Participants on-board

Branch Profile (%)



● North ● South ● Metro ● Semi urban
● East ● West ● Urban ● Rural

SWOT ANALYSIS

SWOT Analysis of Axis Bank

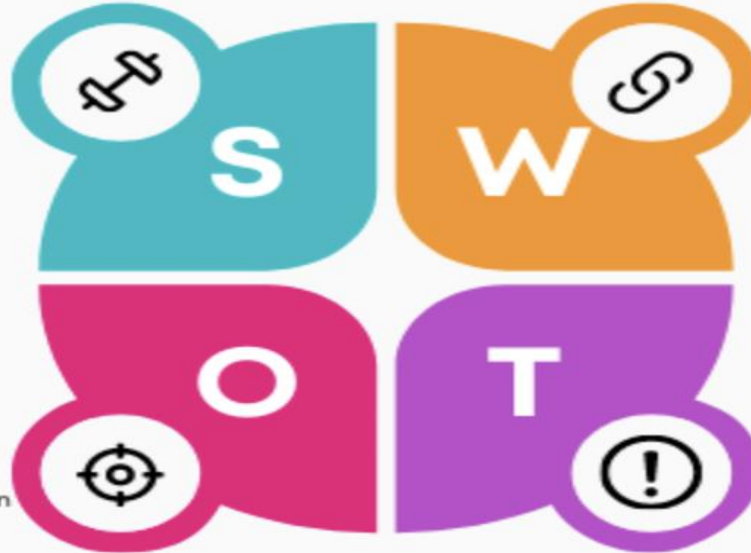
Axis Bank Comprehensive SWOT Analysis

Strengths

- Pioneering Leadership in Cloud-Based Solutions
- High-Profit Margins in Comparison to Regional Bank Competitors
- Superior Financial Performance
- Network

Opportunities

- Trend of Customers Migrating to Higher-End Products
- Strengthening Foothold in the Insurance Sector with Rising Stake in Max Life
- Harnessing the Online Space
- Reducing New Product Launch Costs



Weaknesses

- Declining per unit revenue for AXIS Bank
- Operational Risk
- The business model imitability
- Gross Margins and Operating Margins

Threats

- Market Competition
- Interest Rate Fluctuations
- Credit Risk
- Reputational Damage

MAJOR COMPETITORS

Private Sector Banks:

1. **HDFC Bank:**

HDFC Bank is one of the largest private sector banks in India, known for its strong retail banking services, extensive branch network, and innovative digital banking solutions.

2. **ICICI Bank:**

ICICI Bank is another major private sector bank in India, offering a wide range of banking products and services, including retail banking, corporate banking, and wealth management.

3. **Kotak Mahindra Bank:**

Kotak Mahindra Bank has a significant presence in the Indian banking sector, providing various financial services such as personal banking, investment banking, and insurance.

4. **IndusInd Bank:**

IndusInd Bank is known for its customer-centric approach and diverse product portfolio, catering to both retail and corporate customers.

Public Sector Banks:

1. **State Bank of India (SBI):**

SBI is the largest public sector bank in India with a vast network of branches and a comprehensive range of banking and financial services.

2. **Punjab National Bank (PNB):**

PNB is one of the leading public sector banks, providing various banking and financial services, including retail banking, corporate banking, and international banking.

3. **Bank of Baroda (BoB):**

Bank of Baroda is another major public sector bank with a significant presence in India and abroad, offering a wide array of banking services.

4. **Canara Bank:**

Canara Bank, one of the oldest public sector banks in India, provides a diverse range of financial services to individuals and businesses.

FINANCIALS

Balance Sheet

As at 31 March, 2023

		(₹ in Thousands)	
	Schedule No.	As at 31-03-2023	As at 31-03-2022
Capital and Liabilities			
Capital	1	6,153,704	6,139,496
Employees' Stock Options Outstanding		4,234,118	1,485,957
Reserves & Surplus	2	1,243,778,747	1,144,115,119
Deposits	3	9,469,452,104	8,219,715,463
Borrowings	4	1,863,000,386	1,851,338,631
Other Liabilities and Provisions	5	586,636,261	531,492,834
Total		13,173,255,320	11,754,287,500
Assets			
Cash and Balances with Reserve Bank of India	6	661,177,565	940,345,056
Balances with Banks and Money at Call and Short Notice	7	402,930,507	169,526,229
Investments	8	2,888,148,338	2,755,972,009
Advances	9	8,453,028,410	7,079,465,923
Fixed Assets	10	47,338,516	45,723,503
Other Assets	11	720,631,984	763,254,780
Total		13,173,255,320	11,754,287,500
Contingent Liabilities	12	14,412,489,359	12,921,045,727
Bills for Collection		681,765,458	669,474,382
Significant Accounting Policies and Notes to Accounts	17 & 18		

Profit & Loss Account

For the year ended 31 March, 2023

		(₹ in Thousands)	
	Schedule No.	Year ended 31-03-2023	Year ended 31-03-2022
I Income			
Interest earned	13	851,637,656	673,768,296
Other income	14	165,008,717	152,205,453
Total		1,016,646,373	825,973,749
II Expenditure			
Interest expended	15	422,180,212	342,446,131
Operating expenses	16	396,559,899	236,107,543
Provisions and contingencies	18(3.14)(e)	102,109,477	117,165,291
Total		920,849,588	695,718,965
III Net Profit for the year (I - II)	18.1	95,796,785	130,254,784
Balance in Profit & Loss Account brought forward from previous year		381,006,591	299,852,810
IV Amount Available for Appropriation		476,803,376	430,107,594
V Appropriations:			
Transfer to Statutory Reserve		23,949,197	32,563,696
Transfer to Special Reserve	18 (3.1)(b)(iii)	8,410,000	6,091,900
Transfer to/(from) Investment Reserve	18 (3.1)(b)(iv)	(1,484,983)	1,484,983
Transfer to Capital Reserve	18 (3.1)(b)(v)	678,413	4,410,424
Transfer to Investment Fluctuation Reserve	18 (3.1)(b)(vi)	730,000	4,550,000
Dividend paid	18 (4.3)	3,071,447	-
Balance in Profit & Loss Account carried forward		441,449,302	381,006,591
Total		476,803,376	430,107,594
VI Earnings Per Equity Share (Face value ₹2/- per share)	18 (4.1)		
Basic (in ₹)		31.17	42.48
Diluted (in ₹)		31.02	42.35
Significant Accounting Policies and Notes to Accounts	17 & 18		

Balance Sheet

Capital & Reserves and Surplus (₹ in crores)

FY 2022-23	124,993
FY 2021-22	115,025
FY 2020-21	101,603
FY 2019-20	84,948
FY 2018-19	66,676

9% ↑ 17% ▲

Total Advances (₹ in crores)

FY 2022-23	845,303
FY 2021-22	707,947
FY 2020-21	614,399
FY 2019-20	557,249
FY 2018-19	485,613

19% ↑ 15% ▲

Current Account and Savings Account (CASA) (₹ in crores)

FY 2022-23	446,536
FY 2021-22	370,006
FY 2020-21	317,749
FY 2019-20	263,706
FY 2018-19	243,394

21% ↑ 16% ▲

Total Assets (₹ in crores)

FY 2022-23	1,317,326
FY 2021-22	1,175,429
FY 2020-21	986,798
FY 2019-20	900,990
FY 2018-19	791,813

12% ↑ 14% ▲

Total Deposits (₹ in crores)

FY 2022-23	946,945
FY 2021-22	821,721
FY 2020-21	697,985
FY 2019-20	625,930
FY 2018-19	539,287

15% ↑ 15% ▲

Book Value Per Share (₹)

FY 2022-23	406
FY 2021-22	375
FY 2020-21	332
FY 2019-20	301
FY 2018-19	259

8% ↑ 12% ▲

↑ y-o-y growth

▲ 4 year CAGR

ANALYSIS

- **Capital & Reserves and surplus:** As we can see that there is significant increase from FY2018-19 to FY2022-23, this indicates that the company is growing its financial strength and stability. This can benefit the investors by increasing the value of their shares and creditors by making the company a less risky borrower. It also gives the company more flexibility to pursue future opportunities.
- **Total advances:** As we can see that there is significant increase from FY2018-19 to FY2022-23, this indicates that the axis bank is extending more loans and credit facilities. It also suggests growing demand for their financial products and potentially higher profits from interest income.
- **Current account and Savings account(CASA):** As we can see that there is significant increase from FY2018-19 to FY2022-23, this indicates bank's ability to attract and retain customers who actively use their savings account. It also suggests improved profitability through this banks can offer competitive interest rates on loans, attracting more borrowers and potentially increasing profits.
- **Total assets:** As we can see that there is significant increase from FY2018-19 to FY2022-23, this indicates increase in loans and advances, growth in deposits, acquisition and mergers, retained earnings and expansion of branch network.
- **Total deposits:** As we can see that there is significant increase from FY2018-19 to FY2022-23, it is a positive sign for bank's financial health as it reflects customer confidence and provides bank with more funds to lend out and earn income from interest.
- **Book value per share:** As we can see that there is significant increase from FY2018-19 to FY2022-23, it indicates that bank is growing its assets or reducing its liabilities. The bank can also use profits to pay down existing debts which reduces liability and increases shareholder's equity.

KEY RATIOS

Market Cap	₹ 3,79,799 Cr.	Current Price	₹ 1,229	High / Low	₹ 1,245 / 921
Stock P/E	14.4	Book Value	₹ 422	Dividend Yield	0.08 %
ROCE	7.53 %	ROE	20.3 %	Face Value	₹ 2.00
Return on assets	1.97 %	EPS	₹ 85.5	Return on equity	20.3 %
Debt to equity	8.88	Price to Earning	14.4	Change in Prom Hold	0.02 %
Price to book value	2.94	Pledged percentage	0.00 %		

ANALYSIS

- **Price to earning ratio:14.4** indicates that the stock price is 14.4 times higher than the company's earning per share(eps).It also means that the stock is slightly undervalued, it means investors are paying less than average for each rupee of the company's earnings.
- **ROCE: 7.53%** indicates that for every rupee of capital employed, the company generates 7.53 cents in profit before interest and taxes . It also suggests the company is moderately effective in generating profit from its capital.
- **Return on assets: 1.97%** indicates that the bank is profitable, it is generating positive return on assets it uses. It can be considered strong either it has high asset base or it can be low when bank relies on generating profit through high interest loans.
- **Debt to equity: 8.8** is significantly high, it indicates that the company is highly leveraged, relying extensively on debt to finance its operations. It can be risky, it means earnings are not stable.
- **Return on equity: 20.3%** indicates company is generating substantial profit relative to shareholder's equity. It also indicates managing operations effectively, keeping costs in check and generating significant revenue from its investments.
- **Dividend yield: 0.08%** is quite low, it indicates company pays out a very small portion of its earnings as dividends to shareholders. It also indicates focus on growth, debt reduction and long-term value creation.

PEER COMPARISON

Peer comparison

Sector: [Banks](#) Industry: [Banks - Private Sector](#)

[⚙ EDIT COLUMNS](#)

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	HDFC Bank	1665.75	19.78	1267177.42	1.17	18012.87	39.92	79433.61	67.06	9.50
2.	ICICI Bank	1158.65	18.42	815109.16	0.69	12200.05	18.46	42606.72	23.72	8.37
3.	Axis Bank	1237.45	14.50	382501.95	0.08	7630.07	53.87	30230.58	22.74	7.53
4.	Kotak Mah. Bank	1775.65	19.39	353230.56	0.08	5337.20	16.88	15156.18	26.50	8.75
5.	IndusInd Bank	1527.15	13.29	118923.25	1.08	2346.84	15.01	12198.53	21.73	8.42
6.	IDBI Bank	85.74	15.93	92201.72	1.17	1672.00	36.83	6994.70	22.08	6.55
7.	Yes Bank	23.84	58.12	74696.74	0.00	467.29	126.61	7457.81	19.93	6.29

CONCLUSION

- Company has delivered good profit growth of 39.2% CAGR over last 5 years.
- Stock is trading at 2.93 times its book value.
- Company has low interest coverage ratio.
- Company might be capitalizing the interest cost.

I would suggest not to buy axis bank right now this is not the right time.

AXIS BANK