



Axis Bank Limited or “Axis” is the third largest private sector bank in Indian in terms of revenue and provides whole host of services in the Banking and Financial sector. It operates in four segments namely, treasury operation, trading operations, retail banking and corporate/wholesale banking and other banking business, which includes para banking activities. It offers its diversified services through wide network of more than 1281 branches (including 169 Service Branches/CPCs) and has a 6270 ATMs (As of Mar, 11).

Deposits and Advances growth strong, despite large base

Despite its huge base, Axis has exhibited strong and one of the most consistent growth in its Deposits and Advances. Over the past five years (till FY 11), the total deposits of the bank grew at a CAGR of over 36% to Rs 189,238 Crore (FY 11) while its advances growth has been even stronger at around 45% CAGR to Rs 142,408 Crore (FY 11).

For FY 11, out of its total advances, corporate advances grew 44.6% to 75,922 Crore whereas advances to SME segment and retail increased by 17.1% and 33.3% respectively. Under total deposits, low-cost CASA deposits stood at Rs 77,767 Crore wherein the CASA ratio was healthy at 39.4%. As of June, its CASA ratio stands at 40.5%.

Prudent Asset quality, albeit some slippages in June Quarter

The Bank maintains healthy asset-quality with % of Gross NPAs dropping to 1.01% (FY 11) as against 1.13% during the previous year and the % Net NPA ratio slipping down to 0.26% (FY 11) as equated to 0.36% in the last year. Moreover, with high provisioning, over and above regulatory norms, Axis's provision-coverage ratio improved over 80% (FY 11) and sets the stage for better bottom-line performance once the business cycle becomes favorable.

For the June quarter, its asset quality slipped marginally mainly marred by continuous increase in benchmark rates by the RBI. Gross NPA's increased by 17% YoY and 2% QoQ whereas the ratio increased to 1.06% (Q1, 12). The Net NPA's too edged up 12% YoY and 13% QoQ wherein the % Net NPA stood at 0.31% (Q1, 12).

High Interest rates slows down Business momentum

For the June quarter, Axis recorded solid 47% YoY growth in the Interest earned to Rs 4881 Crore though, higher rise in Interest expenses which jumped 74% YoY to Rs 3157 Crore imputed NII performance to just 14% to Rs 1724 Crore. Non Int Income was better off at 17% YoY moving up to Rs 1168 Crore.

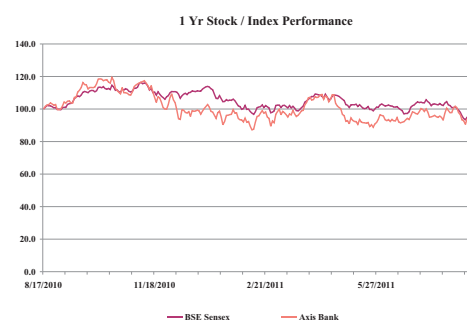
The NIM (3.28%, Q1 12) performance was better than expected as overall contraction was less amidst the recent rise in benchmark interest rates coupled with higher outgo on savings bank deposit due to their upward revision. Accounting this and aided by lower provisioning, the Net Profit stepped up by 27% YoY to 924 Crore.

Lately, the Indian Banking sector has been imputed by twin effects of slowing economy and continuously rising interest rates. Axis too witnessed some deceleration in its financial and operating performance over the past few quarters. **However, despite the short-term hiccups we are optimistic about the Long-term growth prospects of the sector and the stock and recommend an Accumulate rating for a Target price of Rs 1463.**



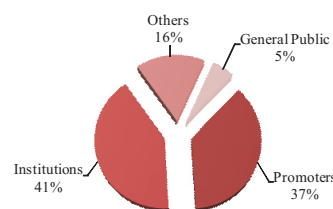
Industry: Banking and Financial Services

Current Price	1170
Target Price	1463
Market Cap (Cr.)	48182
52 Week H/L	1609/1150
FV	10
Book Value/Share	488
BSE Sensex	16841
NSE Nifty	5057
BSE Code	532215
NSE Code	AXISBANK
Reuters Code	AXBK.BO
Bloomberg Code	AXSB:IN



Stock/Index Performance %	3 M	6 M	12 M
Axis Bank Limited	-4.0%	-11.2%	-13.6%
BSE Sensex	-6.9%	-9.0%	-7.8%
BSE Bankex	-5.9%	-10.0%	-8.2%

Share Holding Pattern as on Jun 30, 2011



Particulars (In Rs. Crore)	FY 08	FY 09	FY 10	FY 11
Net Interest Income	2585.4	3686.2	5004.5	6563.0
Non Interest Income	1795.5	2896.9	3945.8	4632.1
Operating Expenses	1996.8	2669.5	3475.4	4489.9
Operating Profit	2384.0	3913.6	5474.9	6705.3
Depreciation	158.1	188.7	234.3	289.6
Provisions and Cont	579.4	939.4	1388.8	1279.6
Net Profit	1071.0	1815.4	2514.5	3388.5
EPS (in Rs.)	29.9	50.6	62.1	82.5
P/E	39.1	23.1	18.8	14.2
P/BV	4.8	4.1	3.0	2.5

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