

OFS – Opportunity worth considering

Axis Bank is the third largest private sector bank in India with a balance sheet size of ₹ 11.8 lakh crore as on September 2022.

- The bank has a large footprint across India with 4760 branches
- Retail and SME comprise ~69% of total loans

Event- SUUTI to sell 1.55% stake in Axis Bank – Retail OFS today

- The Specified Undertaking of Unit Trust of India (SUUTI) has announced sale of up to 1.55% stake or 4.65 crore shares in Axis Bank through an offer for sale (OFS)
- About 4.65 crore shares of Axis Bank will go on the block on November 10, 11, 2022, at a floor price of ₹ 830.63 per share
- Around 10% of OFS has been reserved for retail investors, who would be allowed to place their bids on November 11, 2022. SUUTI holds ~1.55% stake in the bank, suggesting it will completely exit the bank post the aforesaid OFS

Key triggers for future price performance:

- Focus on risk adjusted business & unsecured segment to aid growth. Expect advances to grow at healthy pace of 16.6% CAGR in FYFY22-24E
- Improvement in business mix & faster asset repricing to aid yields. However, acceleration in deposit mobilisation to keep margins at current level
- Efforts to keep cost to asset ratio at 2-2.5% and adequate cumulative provisions of 160% of GNPA provide comfort on earnings volatility. Expect PAT to grow at 31% CAGR in FY22-24E
- RoA at 1.8% in Q2FY23; sustenance of performance to aid re-rating

Our View

We have a **BUY** rating on the stock with a target price of ₹ 1000 per share, valued at 2.3x FY24E adjusted book value (ABV). Focus on risk adjusted business growth and improving margin trajectory is seen aiding return ratios with sustainability of performance to drive valuation ahead. **Given the fundamental strength and improving return ratios trajectory, the OFS remains a good opportunity to accumulate the stock from a long term investment perspective.**

Key Financial Summary

₹ crore	FY20	FY21	FY22	3 year CAGR (FY19-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
NII	25206	29239	33132	15%	40544	47577	20%
PPP	23438	25702	24742	9%	29600	34734	18%
PAT	1627	6588	13025	41%	20279	22381	31%
ABV (₹)	267.9	308.8	347.8		408.2	434.8	
P/E	146.8	39.4	19.9		12.8	11.6	
P/ABV	3.2	2.7	2.4		2.1	1.9	
RoA	0.2	0.7	1.2		1.6	1.6	
RoE	2.1	7.1	12.0		16.3	16.2	

Source: Company, ICICI Direct Research



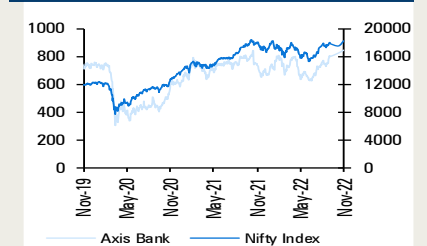
Particulars

Particulars	Amount
Market Capitalisation	₹260454 crore
52 week H/L	191 /618
Net worth	₹ 116152 crore
Face value	₹ 2
DII Holding (%)	32.3
FII Holding (%)	46.1

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	11.6	9.7	9.7	9.7	9.7
FII	51.4	47.4	46.9	46.6	46.1
DII	25.3	30.2	30.5	31.5	32.3
Others	11.7	12.6	12.9	12.3	11.9

Price Chart



Recent event & key risks

SUUTI to sell 1.55% stake in Axis Bank

- **Key Risk:** (i) Accretion of liabilities and impact on margin (ii) Retention of business post-acquisition

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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