

## BID

Key Data	
Floor Price (Rs)	689.52
Face Value(Rs)	2/-
Issue Size(Rs)	5316cr
Total offered shares	7,70,97,136
NSE Code	AXISBANK
BSE Code	532215
52 Week High (Rs)	734
52 Week Low (Rs)	478
Retail	
Issue Opens	February 13, 2019
Issue Closes	February 13, 2019
Retail offered shares	77,09,713
Source: BSE India	

## Axis bank Ltd

### Company Background:

Headquartered at Mumbai, Axis bank is the third largest private bank in India. Banks offer comprehensive suite of financial offerings. Company offers services to customer segments spanning retail, SME & corporate business. The bank has a strong team of over 59,600 employees & it is present across 2163 cities & towns across India as on March 2018. Further, Axis Bank continues to remain amongst the top four players in mobile banking space - both in terms of transaction value and volumes, as per the latest RBI data for the month of September 2018.

As on March 2018, It also has 11 overseas offices with branches in Singapore, Hong Kong, Dubai (at the DIFC), Shanghai and Colombo; an offshore banking unit at International Financial Service Centre (IFSC), Gujarat International Finance Tec-City (GIFT City), Gandhinagar; representative offices in Dubai, Abu Dhabi, Sharjah and Dhaka; and an overseas subsidiary in London, UK.

As on Dec 2018, Bank had a network of 3,964 domestic branches and extension counters situated in 2,321 centres. As on 31st December 2018, the Bank had 12,705 ATMs and 3,548 cash recyclers spread across the country. Further, Bank has balance sheet size of Rs 7,56,176cr.

### Issue Objectives:

In order to meet the Government of India divestment target, the promoter of the Bank via The Specified Undertaking of the Unit Trust of India (SUUTI) propose to sell up to 5,07,59,949 equity shares representing 1.98% of the total paid up equity share capital with an option to additionally sell 2,63,37,187 equity shares (oversubscription options) representing 1.02% of the total paid up equity shares capital of the company of face value of Rs 2/- each. The floor price has been set at Rs 689.52/- per share.

### Allocation Methodology:

The allocation would be on a price priority method at multiple clearing prices in accordance with the SEBI OFS circular. The issue opens for subscription on February 12, 2019 for institutional bidders. Retails investors for whom 10% shares have been reserved will get to bid on February 13, 2019.

### Rationales:

#### Strong liabilities franchise

Axis bank is India's third largest private bank with strong liabilities franchise. Over the last many years, bank has successfully built a strong CASA franchise on back of continued investments in branch infrastructure. As on March 2018, bank market share in deposit has grown from 2.06% in FY09 to 3.6%. The share of CASA and retail term deposits in the total Deposits stood at 80% as on 31st December 2018. In last five years i.e. FY14-FY18, bank has registered 12% growth in deposits. We believe, low cost deposits enable bank to report healthy loan growth as well aid in improving net interest margins.

#### Strong & well diversified loan book

In last few years, i.e. from FY14-FY18, bank has delivered a strong loan book growth of 17% CAGR. Further, bank's loan book as on Dec 2018 stands at Rs 4,75,105cr. Moreover, bank has well diversified loan book with retail loans accounts for 49% of the net advances whereas SME loan accounts for 13% & wholesale loans accounts for the rest i.e. 38% of the net advances. Also as on Q3FY19, bank's loan to deposit ratio stood at 92% as against 95% at the end of Q2FY19.

### Analyst

#### Diral Shah

E: dhiral.shah@acm.co.in  
D: +91 22 2858 3211

## Well Capitalized bank

Despite the pain on asset quality front in last few years, bank continues to have a strong balance sheet with one of the best provision coverage and capital adequacy ratios. Under Basel III, the Capital Adequacy Ratio (CAR) and Tier I CAR (including net profit for 9MFY19) as on 31st December 2018 stood at 16.40% and 13.07% respectively. We believe, bank would remain well capitalized to pursue growth opportunities.

## Improvement in asset quality to aid in profitable growth

In last few years, bank has taken significant steps to get past the issue of asset quality. During FY18, bank has recognized majority of stressed corporate loans accounts as NPA & hence this has resulted into massive rise in provisioning & fall in profits. We believe, worst is almost over in terms of asset quality issue for majority of corporate banks including Axis bank & thus this provides aid in lower provisioning & higher profitable growth in coming years. As on December 2018, the Bank's Gross NPA and Net NPA levels were 5.75% and 2.36% respectively, as against 6.77% and 3.40% respectively as on FY18. During Q3FY19, bank's net interest income grew 18% on YoY basis to Rs 5604cr & profit grew 131% to Rs 1681cr on back of lower slippages & higher other income. Also, net interest margin (NIMs) for Q3FY19 stood at 3.47%. Further, Bank's provision coverage, as a proportion of Gross NPAs including prudential write-offs, stood at 75% as on Q3FY19, up from 73% in Q2FY19.

## Strong medium term guidance

With appointment of new CEO i.e. Mr Amitabh Chaudry, bank has turned aggressive towards growth, profitability & sustainability. Going ahead, Bank aims to raise its market share, grow core profitability, increase cost efficiency and lower credit cost. The Bank also aspires to achieve RoE of 18% in the medium-term against compared to 7.3% in 9MFY19, driven by reduction in credit and operating costs along with optimization of business-mix.

## Recommendations:

At floor price of Rs 689.52/-, the stock trades at 2.65x its Q3FY19 book value of Rs 259.5 /-. With gradual revival in economy & improving asset quality scenario along with change in management & strong deposit franchise, we believe, Axis bank is well placed to capitalize future growth. **Hence, we recommend to BID the OFS on a long term basis.**

# Asit C. Mehta

## INVESTMENT INTERMEDIATES LTD.

### Retail Research Desk:

Akhil Rathi D: 91 22 2858 3210  
Hrishikesh Yedve D: 91 22 2858 3207  
Vrinda Aditya D: 91 22 2858 3209  
Neeraj Sharma D: 91 22 2858 3208  
Rohan Gawale D: 91 22 2858 3213  
Dhiral Shah D: 91 22 2858 3211

Email: [retailresearch@acm.co.in](mailto:retailresearch@acm.co.in)

### Research Analyst Registration Number:

**INH000002483**

**CIN: U65990MH1993PLC075388**

An ISO 9001:2015 Certified  
Company

Follow us on:



Information pertaining to Asit C. Mehta Investment Intermediates Limited (ACMIL):

ACMIL is a SEBI registered Stock Broker, Merchant Banker and Depository Participant. It is also a AMFI registered Mutual Fund Distributor. It does not have any disciplinary history. Its associate/group companies are Asit C. Mehta Commodity Services Limited, Asit C. Mehta Realty Services Pvt. Ltd, Asit C. Mehta Forex Pvt. Ltd, Nucleus IT Enabled Services, Asit C. Mehta Financial Services Limited (all providing services other than stock broking and merchant banking).

#### Disclosures

ACMIL/its associates and its Research analysts have no financial interest in the companies covered on the report. ACMIL/its associates and Research analysts did not have actual/beneficial ownership of one per cent or more in the companies being covered at the end of month immediately preceding the date of publication of the research report. ACMIL/its associates or Research analysts have no material conflict of interest, have not received any compensation/benefits for any reason (including investment banking/merchant banking or brokerage services) from either the companies concerned/third parties with respect to the companies covered in the past 12 months. ACMIL/its associates and research analysts have neither managed or co-managed any public offering of securities of the companies covered nor engaged in market making activity for the companies being covered. Further, the companies covered neither are/nor were a client during the 12 months preceding the date of the research report. Further, the Research analyst/s covering the companies covered herein have not served as an officer/director or employee of the companies being covered

#### Disclaimer:

This report is based on information that we consider reliable, but we do not represent that it is accurate or complete and it should not be relied upon such. ACMIL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the report. To enhance transparency we have incorporated a Disclosure of Interest Statement in this document. This should however not be treated as endorsement of the views expressed in the report