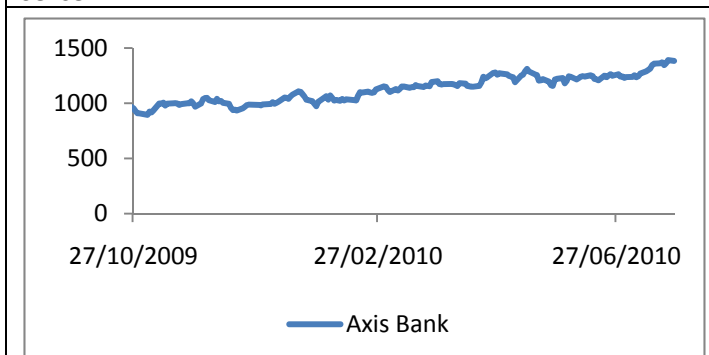


Quarterly Result Update
Axis Bank Ltd

| | |
|-------------------------|------------------|
| Recommendation | Not Rated |
| CMP (27/07/2010) | Rs.1,384 |
| Sector | Banking |

| Stock Details | |
|-----------------------------|----------|
| BSE Code | 532215 |
| NSE Code | AXISBANK |
| Bloomberg Code | AXSB IN |
| Market Cap (Rs. cr) | 56,009 |
| Free Float (%) | 63% |
| 52- wk HI/Lo | 1398/797 |
| Avg. volume BSE (Quarterly) | 224373 |
| Face Value | Rs.10 |
| Dividend (F109) | 120% |
| Shares o/s (No.) | 40.7Cr |

| Relative Performance | 1Mth | 3Mth | 1 Yr |
|-----------------------------|-------------|-------------|-------------|
| Axis Bank | 10.9% | 8.56% | 55.1% |
| Sensex | 1.4% | 1.9% | 17.0% |


Shareholding Pattern as of 31/06/2010

| | |
|---------------------------|--------|
| Promoters Holding | 37.73% |
| Institutional (Incl. FII) | 36.27% |
| Corporate Bodies | 6.50% |
| Public & others | 19.50% |

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| Year | NII | Growth % | Op profit | Margin % | PAT | EPS | PE | P/BV | ROE(%) |
|-------------|------------|-----------------|------------------|-----------------|------------|------------|-----------|-------------|---------------|
| FY08A | 2,585 | 42.5% | 2,226 | 31.77% | 1,071 | 31.31 | 34.27 | 4.8 | 17.6% |
| FY09A | 3,686 | 29.8% | 3,725 | 34.37% | 1,815 | 50.27 | 21.34 | 3.8 | 19.1% |
| FY10A | 5005 | 35.8% | 5240 | 33.60% | 2514 | 65.7 | 18.5 | 3.3 | 15.9% |

Quarterly Result Analysis

Axis bank reported a net profit of Rs.742 crores resulting in a growth of 32% on YOY basis. However on a QOQ basis PAT decline by 3%. Strong performance was due to higher net interest income, strong pick up in credit offtake (mainly corporate loans), and lower cost of funds. On a QOQ basis profit declined marginally mainly on account of increase in provisions by 65%.

NIM's decline on a QOQ basis,

Net Interest Margin (NIM) of the bank stood at 3.7% in Q1FY11 compared to 4.09% in Q4FY10. However on a YOY basis NIM improved by 37 basis point. The decline in NIM was due to marginal increase in cost of deposits which increased by 7 basis point, increase in saving deposit rate and reduction in CASA deposits on a QOQ a basis from 47% in Q4FY10 to 40% in Q1FY11. Going forward management believes sustainable NIM to be around 3.5% to 3.7% for the year FY2011.

Moderate growth in Fee income

Fee income of the bank grew by 19% on a YOY basis to Rs.743 crores, mainly driven by increase in large & mid corporate segment. However agri and SME fee income of the bank witnessed a declining trend on a YOY basis. However total other income of the bank grew marginally by 4.4% on a YOY basis due to decline in treasury income by 40%.

Strong growth in Advances.

Advances increased by 39% on a YOY basis primarily due to huge surge in advances witnessed in the large & mid corporate segment led by telecom sector. Other major contributors to advances were agri and retail segment, growing at a healthy pace of 40% and 26% respectively on YOY basis.

Decline in CASA deposits on a sequential basis.

The bank's CASA deposits stood at 40.2% in Q1FY11, though it was down 10% sequentially due to 24% decline in current deposit. In Q1FY10 and Q1FY09, the bank's current deposits declined by 23.5% and 18.1% (Q/Q) respectively. Sequential decline in current deposits is cyclical in nature. The bank's management expects to maintain CASA share at 40% level.

- Net interest income of the bank grew by 45% on YOY basis due to strong pick up in credit growth in current quarter and improvement in NIM by 36 basis on YOY basis. Improvement in margins during the quarter was achieved on the back of significant decline in the cost of deposits.
- Operating expenses of the bank increased by 28% on YOY basis largely due to increase in employee expenses. Cost to income ratio of the bank stood at 42% for the current quarter. Provisions & contingencies increased by 65% on sequential basis and 6% on YOY basis due to increase NPA provisions.
- Total balance sheet of the bank has grown by 34% YOY to Rs 1,89,459 crore, due to strong growth in advances and deposits of the bank, in line with the banking industry. Total deposits grew by 34 % to Rs 1,47,479 crore; while advances grew by 39% on YOY basis to Rs.1,08,609 crore. Loan to deposit ratio of the bank stood at 74% in Q1FY11 as compared to 71% in Q1FY10 .Going forward, bank expects advances to grow by 25% for the year FY11 on the back of pipeline of sanctioned loans during the period.

Break up of Loan Book

| Segments | Q1 10 | Q2 10 | Q3 10 | Q410 | Q11 |
|---------------------------------|-------|-------|-------|------|-------|
| Large Corporate & Mid Corporate | 50% | 49% | 49% | 50% | 55.0% |
| SME | 19% | 20% | 19% | 19% | 15% |
| Agriculture | 10% | 9% | 9% | 11% | 10% |
| Retail | 21% | 22% | 22% | 20% | 19% |

Axis bank has witnessed an increase of 39% in advances on the back of 55% increase in large & mid corporate loans and 40% rise in Agri loans. The bank maintains its conservative policy by maintaining approximately 71% of retail loans in housing loans which are comparatively safer.

- Gross NPA were high on a YOY basis (in absolute terms) by 46% and stood at Rs.1,340 crore in the quarter ended June 2011. Net NPA also increased by 12.6% on YOY basis to Rs.420. crore. This indicates that NPA levels have likely peaked and concerns over asset quality is receding going forward. The Bank restructured loans aggregating Rs. 30 crores during Q1FY11. The cumulative value of assets restructured till 30th June 2010, however, declined to Rs.

2,151 crores, constituting 1.81% of gross advances. The provision coverage ratio (PCR) for the bank, including technical write-offs, stood at 76.6% as compared to 60% year ago. On account of increased provisions, the Net NPA ratio declined by 6 bps y-o-y to 0.35%.

- The Net worth of the bank was Rs.16,787 crore; the book value of the bank was at Rs.414 per share at the end of Q1FY11. Currently, the stock is trading at a P/E of 18.3x and adjusted P/ABV of 3.4x .

Axis Bank is among of best player in the private banking space owing to its high earnings visibility backed by healthy growth in advances and fee income, comfortable CAR and healthy asset quality. We maintain our positive view on the stock.

Financials

| Income Statement | | | | | |
|---|--------|--------|---------|--------|---------|
| All figures in INR cr, unless specified | Q1FY11 | Q4FY10 | QOQ (%) | Q1FY10 | YOY (%) |
| Interest Earned | 3,326 | 2,988 | 11.3% | 2,906 | 14.5% |
| Interest Expended | 1,812 | 1,528 | 18.5% | 1,860 | (2.6%) |
| Net Interest Income | 1,514 | 1,460 | 3.7% | 1,046 | 44.8% |
| Other Income | 1,001 | 934 | 7.2% | 959 | 4.4% |
| Total Income | 2,515 | 2,394 | 5.1% | 2,004 | 25.5% |
| Payment to employees | 416 | 334 | 24.8% | 309 | 34.6% |
| Other operating expenses | 648 | 676 | (4.1%) | 519 | 25.0% |
| Total operating expenses | 1,064 | 1,010 | 5.4% | 828 | 28.6% |
| Profit before provisioning | 1,450 | 1,384 | 4.8% | 1,176 | 23.3% |
| Provisions | 333 | 202 | 65.0% | 315 | 5.6% |
| Profit before tax | 1,117 | 1,182 | (5.5%) | 861 | 29.7% |
| Tax | 375 | 417 | (10.0%) | 299 | 25.5% |
| Profit after tax | 742 | 765 | (3.0%) | 562 | 32.0% |
| EPS* (quarterly) | 18.3 | 18.9 | (3.2%) | 15.6 | 17.3% |

Source: Company data

Ratios

| Valuation Ratios | Q1FY11 | Q4FY10 | Q1FY09 |
|-------------------------------|--------|--------|--------|
| Earnings per share | 18.60 | 16.00 | 16.10 |
| Book value per share | 414 | 396 | 299 |
| Adjusted book value per share | 404 | 385 | 288 |
| Return on networth | 18.8% | 19.9% | 20.9% |
| Capital Adequacy Ratio (CAR) | 14.5% | 16.8% | 16.1% |
| P/E | 18.3 | 17.9 | 21.1 |
| P/ABV | 3.4 | 3.53 | 4.7 |

| Balance Sheet Ratio | Q1FY11 | Q4FY10 | Q1FY09 |
|-----------------------------|--------|--------|--------|
| Gross NPA | 1.13% | 1.13% | 1.21% |
| Net NPA | 0.35% | 0.36% | 0.41% |
| Provisioning coverage ratio | 69.0% | 68.0% | 60.0% |
| CASA | 40.0% | 47.0% | 40.0% |
| Loan - deposit ratio | 74.0% | 74.0% | 71.0% |

| Profitability Ratio | Q1FY11 | Q4FY10 | Q1FY09 |
|-------------------------|--------|--------|--------|
| NIM | 3.7% | 4.1% | 3.3% |
| Cost - income ratio | 41.0% | 42.0% | 42.0% |
| Operating profit margin | 26.0% | 30.0% | 22.0% |
| Net profit margin | 17.0% | 20.0% | 15.0% |



NOTE

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