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FIRST LIGHT

30 April 2024

RESEARCH

AXIS BANK | TARGET: Rs 1,252 | +11% | HOLD

Moderate business growth; PAT supported by other income

INDUSIND BANK | TARGET: Rs 1,881 | +26% | BUY

Stable performance

SBI CARD | TARGET: Rs 775 | +3% | HOLD

Trend of lower NIM, higher credit cost persists

ADITYA BIRLA SUN LIFE AMC | TARGET: Rs 520 | -4% | HOLD

Better quarter

Daily macro indicators

Indicator	25-Apr	26-Apr	Chg (%)
US 10Y yield (%)	4.70	4.66	(4bps)
India 10Y yield (%)	7.21	7.19	(2bps)
USD/INR	83.33	83.35	0.0
Brent Crude (US$/bbl)	89.0	89.5	0.6
Dow	38,086	38,240	0.4
Hang Seng	17,285	17,651	2.1
Sensex	74,339	73,730	(0.8)
India FII (US$ mn)	**24-Apr**	**25-Apr**	**Chg ($ mn)**
FII-D	(384.1)	58.1	442.2
FII-E	507.5	3.2	(504.2)

Source: Bank of Baroda Economics Research

SUMMARY

AXIS BANK

- NII growth remained subdued at 11% YoY on higher cost of funds in line with moderate business growth; credit/deposit grew 14%/13% YoY
- NIM rose 5bps QoQ to 4.06%, while other income backed by higher trading gain and muted opex supported PAT growth of 17% YoY
- Asset quality stable though price factored in overall performance; downgrade to HOLD with Rs 1,252 TP, set at 1.7x FY26E ABV

Click here **for the full report.**

INDUSIND BANK

- Healthy business growth supported by CFD aided 16% YoY rise in Q4 income, while higher opex led to flat PPOP (1% QoQ)
- Reported NIM down 3bps QoQ at 4.3% on higher borrowings cost which offset yield rise; asset quality improved sequentially
- Lower GGM-based TP to Rs 1,881, valuing it at 1.8x FY26E P/ABV, as we tweak growth estimates. Maintain Buy

Click here **for the full report.**

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SBI CARD

- NIM fell 67bps YoY in Q4 on higher cost of funds; we bake in decline of 10.7%/ 10.9% for FY25E/FY26E vs. 10.7% in FY24
- NIM fell 67bps YoY in Q4 on higher cost of funds; we bake in decline of 10.7%/ 10.9% for FY25E/FY26E vs. 10.7% in FY24
- Maintain HOLD, valuing it at an unchanged 21x FY26E P/E for a revised TP of Rs 775 (from Rs 800)

Click here for the full report.

ADITYA BIRLA SUN LIFE AMC

- QAAUM grew 21% YoY to Rs 3.3tn in Q4 with equity assets rising even faster at 31%; however, market share declined
- SIP book showed strong double-digit growth and beat industry growth QoQ (25% vs 10%) but lagged on a YoY basis (25% vs 35%)
- TP raised to Rs 520 (from Rs 500) on unchanged valuation of 17x FY26E P/E; maintain HOLD

Click here for the full report.

HOLD
TP: Rs 1,252 | ⮝ 11%

AXIS BANK | Banking | 29 April 2024

Moderate business growth; PAT supported by other income

- **NII growth remained subdued at 11% YoY on higher cost of funds in line with moderate business growth; credit/deposit grew 14%/13% YoY**
- **NIM rose 5bps QoQ to 4.06%, while other income backed by higher trading gain and muted opex supported PAT growth of 17% YoY**
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Ajit Agrawal
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Robust business growth: AXSB's advances growth moderated to 14% YoY (+4% QoQ) during Q4FY24 backed by robust growth in retail (20% YoY), while SME grew 17% YoY. Corporate loans saw a modest 7% uptick YoY. Retail growth was mainly fuelled by rural book (+30%), personal loans (+31%) and SBB (+30%). Deposits increased 13% YoY (+6% QoQ) driven by TDs, while QoQ rise in CASA led to an 85bps jump in CASA ratio to 43% (among the best in the industry). Considering deposit constraints and competitive intensity, we trim our credit/deposit estimates by 6%/5% for FY25/FY26 and project a credit/deposit CAGR of 17% over the same.

NIM up QoQ, opex rises: Reported NIM rose 5bps QoQ to 4.06% backed by the rise in spread and interest reversal. Bank expects stable NIM with suitable product mix at both the asset and liability sides. Other income grew 22% QoQ due to trading gains and better DCM performance. Opex increased 25% YoY on higher staff cost (up 35% YoY) while C/I ratio declined 252bps to 47%. PPOP jumped 15% QoQ.

Asset quality steady: QoQ decline in slippages (1.48% vs. 1.34% in Q3) led to improvement in GNPA/NNPA by 15bps/5bps to 1.43%/0.31% while PCR stood at 78.5%. A 14bps QoQ rise in credit cost was attributable to a higher coverage of 1% on full book basis. The bank didn't utilise Covid-related provisions (Rs 50.1bn) and set it aside for the ECL implication. Cumulative Non NPA provision was Rs 121bn, which is 1.3% of Loan.

Adequately capitalised for growth: CET1 stood at 13.7% (CAR at 16.6%), and AXSB is confident of funding credit growth internally (added 44bps of CET1 in FY24). Further, it maintains its guidance of 300-400bps growth in business above industry in the mid term.

BUY to HOLD: AXSB continues to deliver a healthy performance backed by a sustained focus on growth, healthy portfolio mix, stable asset quality and steady investment in network expansion. We revised our growth estimates on a competitive environment while expecting return performance to stay stable. We continue to value AXSB at 1.7x FY26E ABV using the Gordon Growth Model and maintain our SOTP-based TP at Rs 1,252, with Rs 143/sh as value of subsidiaries. With recent price appreciation, we believe positives are factored in and recommend HOLD from BUY.

Key changes

Target	Rating
◀ ▶	▼

Ticker/Price	AXSB IN/Rs 1,130
Market cap	US$ 42.5bn
Free float	92%
3M ADV	US$ 137.5mn
52wk high/low	Rs 1,152/Rs 854
Promoter/FPI/DII	8%/54%/30%

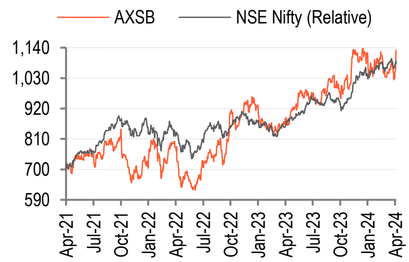
Source: NSE | Price as of 26 Apr 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NII (Rs mn)	498,945	558,714	659,404
NII growth (%)	16.2	12.0	18.0
Adj. net profit (Rs mn)	248,614	259,688	304,879
EPS (Rs)	80.7	84.1	98.8
Consensus EPS (Rs)	80.7	87.5	101.7
P/E (x)	14.0	13.4	11.4
P/BV (x)	2.3	2.0	1.7
ROA (%)	1.8	1.6	1.7
ROE (%)	18.0	15.8	15.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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BUY
TP: Rs 1,881 | 26%

INDUSIND BANK | Banking | 29 April 2024

Stable performance

- **Healthy business growth supported by CFD aided 16% YoY rise in Q4 income, while higher opex led to flat PPOP (1% QoQ)**
- **Reported NIM down 3bps QoQ at 4.3% on higher borrowings cost which offset yield rise; asset quality improved sequentially**
- **Lower GGM-based TP to Rs 1,881, valuing it at 1.8x FY26E P/ABV, as we tweak growth estimates. Maintain Buy**

Ajit Agrawal
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Healthy business growth: IIB maintained healthy business growth with credit rising 18% YoY (+5% QoQ), while deposits rose 14% YoY (4% QoQ). Loan book was driven by the CFD book (+23% YoY/+6% QoQ), wherein non-vehicle retail outpaced vehicle book driven by unsecured and MFI loan. CCB growth was muted at 13% YoY, but rose 4% QoQ supported by small corporate (33%/7% YoY/QoQ). Deposit growth further accelerated to 14.4% YoY vs. 13.4% in Q3, driven by term deposits (TD) which led to 61bps decline in CASA ratio (37.9% in Q4).

NIM backed by rise on yield; lower provision aided PAT despite cost rise: Continued recovery in asset yield (+10bps QoQ) backed stable NIM (4.3%) despite a 13bps QoQ rise in CoF (deposit cost rose 4bp). IIB continues to guide for NIM of 4.2-4.3% in FY25. NII growth was healthy at 15% YoY (1.5% QoQ) while non-interest income grew 16% YoY (5% QoQ). Opex stayed elevated on continued investment in human capital and technology that raised C/I ratio by 79bps QoQ to 48.2%. Despite strong topline, PPOP remained flat (9%/1% YoY/QoQ) on higher opex.

Asset quality stable: Slippages fell to Rs 14.2bn (44bps) vs. Rs 17.6bn (56bps) in Q3, where corporate slippages were Rs 1.6bn (vs. Rs 3.1bn) and CFD Rs 12.7bn (vs. Rs 14.5bn). Credit cost (calc.) stood at 113bps vs. 121bps in Q3, which is within the guided range of 110-130bps over FY23-FY26. GNPA/NNPA were stable at 1.9%/0.57% with PCR of 70.6%. Continued decline in the restructured book (to 40bps of advances vs. 48bps in Q3) and SMA book (25bps vs. 19bps) and total provisions of 2.1% (108% of GNPA) provide confidence on asset health. IIB aims to keep 2%/0.5% extra provision on MFI/MHCV book as a buffer given expected volatility.

Maintain BUY: Strong growth momentum in retail, recovery in MFI and a favourable asset-liability mix led to stable margins despite higher costs. We expect IIB to deliver healthy return ratios (ROA/ROE to 2%/17% in FY26 vs. 1.7%/14% in FY23) though growth moderation is expected due to the business environment. We retain BUY and lower our TP to Rs 1,881 (from Rs 1,952) as we tweak estimates (cut EPS by 4%/1% for FY25/FY26) and value TP using the Gordon Growth Model at 1.8x FY26 P/ABV (earlier 1.9x).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	IIB IN/Rs 1,487
Market cap	US$ 14.1bn
Free float	84%
3M ADV	US$ 61.4mn
52wk high/low	Rs 1,695/Rs 1,065
Promoter/FPI/DII	16%/40%/28%

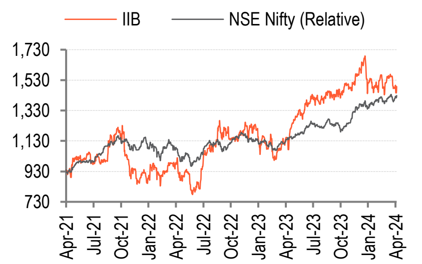
Source: NSE | Price as of 29 Apr 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NII (Rs mn)	206,159	236,319	286,062
NII growth (%)	17.2	14.6	21.0
Adj. net profit (Rs mn)	89,770	102,244	131,214
EPS (Rs)	115.5	131.4	168.6
Consensus EPS (Rs)	115.6	135.4	161.0
P/E (x)	12.9	11.3	8.8
P/BV (x)	1.8	1.6	1.4
ROA (%)	1.8	1.8	2.0
ROE (%)	15.2	15.1	16.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

RESULT REVIEW

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HOLD
TP: Rs 775 | ⮝ 3%

SBI CARD | NBFC | 29 April 2024

Trend of lower NIM, higher credit cost persists

- **Credit cost soared 50% YoY to Rs 9.4bn (7.9% of loans) in Q4; stress expected to continue in FY25 as well**
- **NIM fell 67bps YoY in Q4 on higher cost of funds; we bake in decline of 10.7%/ 10.9% for FY25E/FY26E vs. 10.7% in FY24**
- **Maintain HOLD, valuing it at an unchanged 21x FY26E P/E for a revised TP of Rs 775 (from Rs 800)**

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High credit cost trend: SBI Card's credit cost soared 50% YoY to Rs 9.4bn in Q4FY24, forming 7.9% of loans (+128bps YoY, +6bps QoQ). The pain is expected to persist in FY25 with management expectations of ~7%. Loan write-offs increased 21% QoQ to Rs 8.6bn. We now bake in credit costs of 7.1%/6.9% for FY25E/FY26E (+9bps/11bps over our previous estimates). Due to decreased corporate spending and the resulting reduced C/I ratio, PAT increased 11% YoY to Rs 6.6bn. GNPA/NNPA rose 41bps/12bps YoY to 2.8%/1%.

Cost of funds remains high: NIM (calc.) slipped 67bps YoY to 10.4% (-56bps QoQ) due to an increase in the cost of funds owing to higher borrowing rates. NIM declined ~105bps YoY to 10.7% at end FY24. NIM of 10.7%/ 10.9% is projected for FY25/FY26 (11.1%/11.4% earlier) and NII to clock 25% CAGR over FY24-FY26 to Rs 83.6bn. Although lower C/I in Q4 (51%) was an aberration and it will bounce back in Q1FY25, we lower our C/I by 155bps/106bps to 57.8%/57.6% for FY25E/FY26E. Baking in Q4 print, we compress FY26E earnings by 3% (+1% for FY25) from earlier estimates to end FY25E/FY26E at Rs 28bn/Rs 35bn.

Corporate spends decline: Although SBI Card maintained its #2 position at end FY24, corporate spends declined 35% YoY (-55% QoQ) to Rs105bn, constituting 13% of the total spends (vs. an avg. of 23% over the last four quarters). B2B spends were completely halted from mid Feb, as vendors gradually transitioned to becoming merchants. It is expected to normalise by Jun/Jul. Total spends grew 26% YoY in FY24 and we expect it to grow 24%/21% YoY in FY25/FY26 to Rs 4tn/ 4.9tn. Cards in force increased 13% YoY to 18.9mn at end Q4. Monthly average UPI spends per account were at Rs 12,500 with more traction in Tier-2+ cities.

Maintain HOLD: We expect the trend of high credit costs to continue though management is taking proactive steps to reduce credit limits. NIMs are expected to be under pressure owing to higher cost of funds. We expect the spends trajectory in FY25/FY26 to be strong. We value the company at an unchanged target P/E of 21x (50% below the long-term trend) at a reduced TP of Rs 775 (previously Rs 800) which carries just 3% upside, leading us to maintain HOLD.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SBICARD IN/Rs 750
Market cap	US$ 8.7bn
Free float	31%
3M ADV	US$ 16.3mn
52wk high/low	Rs 933/Rs 679
Promoter/FPI/DII	69%/8%/17%

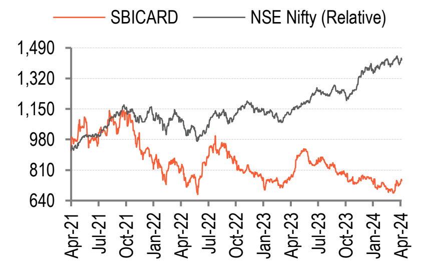
Source: NSE | Price as of 26 Apr 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NII (Rs mn)	53,319	66,954	83,600
NII growth (%)	18.3	25.6	24.9
Adj. net profit (Rs mn)	24,079	28,020	35,056
EPS (Rs)	25.4	29.5	36.9
Consensus EPS (Rs)	25.4	29.7	37.6
P/E (x)	29.6	25.4	20.3
P/BV (x)	5.9	4.9	4.0
ROA (%)	4.6	4.3	4.4
ROE (%)	22.0	21.1	21.8

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

HOLD

TP: Rs 520 | ⩔ 4%

ADITYA BIRLA SUN LIFE AMC | NBFC | 29 April 2024

Better quarter

- **QAAUM grew 21% YoY to Rs 3.3tn in Q4 with equity assets rising even faster at 31%; however, market share declined**
- **SIP book showed strong double-digit growth and beat industry growth QoQ (25% vs 10%) but lagged on a YoY basis (25% vs 35%)**
- **TP raised to Rs 520 (from Rs 500) on unchanged valuation of 17x FY26E P/E; maintain HOLD**

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Healthy quarter, yet market share loss continues: ABSL AMC's QAAUM grew 21% YoY to Rs 3.3tn at end-Q4FY24 and equity QAAUM increased even faster at 31% YoY to Rs 1.5tn, making up 46% of the total. However, the company's overall QAAUM market share slipped 80bps YoY to 6.9% and equity share fell 70bps to 4.9%. Sequentially, the loss of share has been lower at 10bps for each. Although ABSL AMC's industry ranking has held at #6, management's efforts to protect market share remain a key aspect to watch.

Strong revenue growth: Revenue from operations grew 23% YoY to Rs 3.7bn and other income soared 131% YoY on MTM gains, leading to a 34% rise in total income to Rs 4.4bn. Yield on the equity segment was 68bps, debt was stable at 23-25bps and liquid at 10-13bps. The blended yield (calc.) grew 1bps QoQ to 44bps owing to higher share of equity in the AUM mix. Operating expenses increased 16% YoY and net profit rose 54% to Rs 2.1bn, with core PAT up 35%.

Strong growth in SIP book: ABSL AMC's monthly SIP book advanced 25% YoY to Rs 12.5bn (vs. industry growth of 35%), though on a QoQ basis it beat industry growth (25% vs 10%). It closed Q4 with a total of 3.6mn SIP accounts and AUM of Rs 692bn (+35% YoY). The company registered 0.6mn new SIPs (including STP) for Q4, witnessing 125% YoY growth.

Distribution trends stable: The direct channel accounted for 41% share, MFDs 34% and the banking channel 8% on overall AUM basis. In terms of equity asset distribution, MFDs maintained the lion's share of 53%, followed by national distributors with 20%. The direct channel constituted 18%.

Maintain HOLD: Strong earnings growth lead us to increase our FY25/FY26 estimates by 5%/4%. Strong equity AUM growth along with SIP book is a positive. However, market share losses remain key concerns. Our forecast changes yield a revision in TP to Rs 520 (from Rs 500) based on an unchanged target P/E of 17x on FY26E EPS – a 10% discount to the long-term mean. We maintain HOLD as we await sustainable growth and market share gains before revisiting our estimates.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ABSLAMC IN/Rs 539
Market cap	US$ 1.9bn
Free float	7%
3M ADV	US$ 1.6mn
52wk high/low	Rs 569/Rs 331
Promoter/FPI/DII	87%/2%/5%

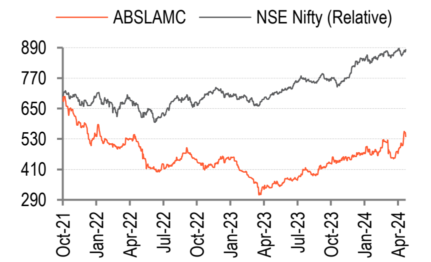
Source: NSE | Price as of 29 Apr 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Core PBT (Rs mn)	7,208	8,491	9,017
Core PBT (YoY)	8.1	17.8	6.2
Adj. net profit (Rs mn)	7,804	8,070	8,833
EPS (Rs)	27.0	27.9	30.6
Consensus EPS (Rs)	27.0	27.9	30.6
MCap/AAAUM (%)	4.7	4.3	4.0
ROAAAUM (bps)	23.5	22.3	22.6
ROE (%)	27.4	24.1	23.7
P/E (x)	20.0	19.3	17.6

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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