

उज्ज्वल भारत

(Bharat Shining)

Capturing a multi decade
growth story

Analyst Day 2022

November 24th, 2022



Agenda

1 **Bharat- A big opportunity**

2 **Axis Bank- Well poised to win in Bharat**

3 **Bharat Banking- Key areas of delivery**

4 **Building a distinctive model**

5 **Conclusion**

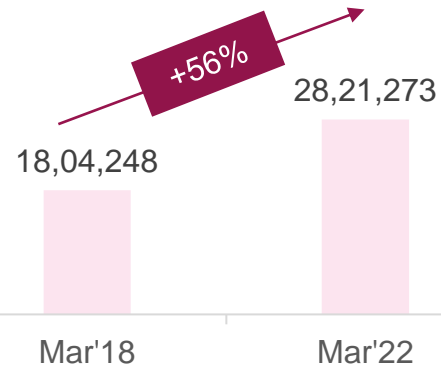
Section-1: Bharat- A big opportunity

Rural & Semi-urban (RuSu) markets offers a **strong growth & market share gains opportunity**

Total Book Size in RuSu Markets (INR'cr)

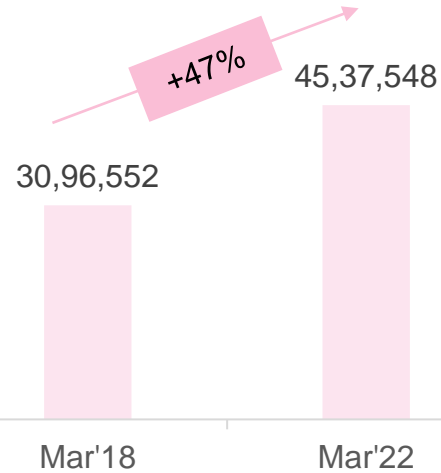
Credit

CAGR (RuSu)- 11.8%
CAGR (Metro & Urban)- 8.1%



Deposits

CAGR (RuSu)- 10.0%
CAGR (Metro & Urban)- 10.5%



Large & growing markets for both credit & deposits

Significant **market share shift** in favor of private sector banks

Market Share of Private Banks in RuSu Markets

Credit

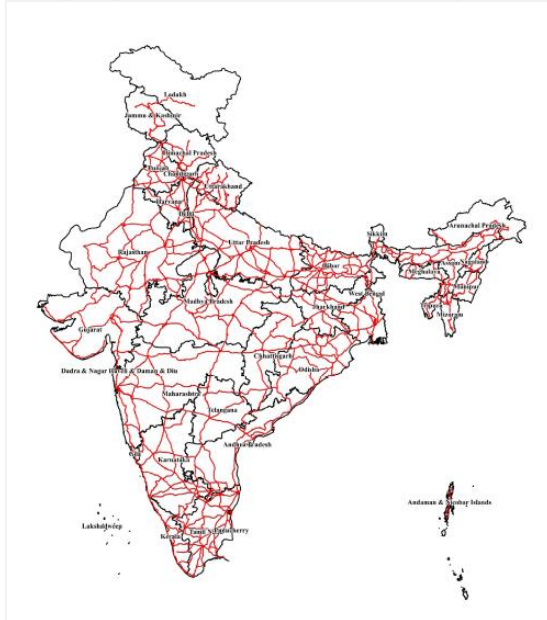
Mar'18	Mar'22	Change
18.7%	24.1%	+5.4pp

Deposits

Mar'18	Mar'22	Change
13.5%	17.8%	+4.2pp

Doubling of highway network and a significant improvement in electricity penetration, unlocking growth & productivity

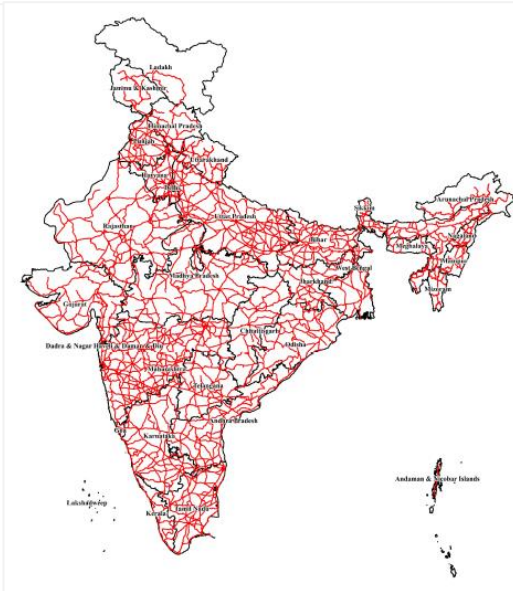
71.8k KM in Aug 2012



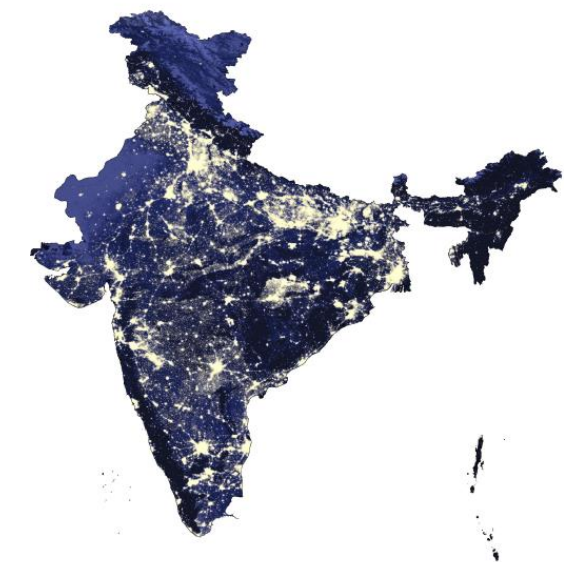
Night Time Luminosity in Aug 2012



140.1k KM in Aug 2021



Night Time Luminosity in Aug 2021



Financial Inclusion in the country is undergoing a massive change

Banks are enabled to **go deeper** into RuSu markets...

Strong growth in the **digital infrastructure** development via internet penetration

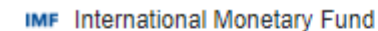
Jan Dhan Aadhaar (JAM) trinity has transformed the structure of the RuSu markets

- **47.3 Cr** beneficiaries banked so far via Jan Dhan A/c
- **INR 25.8 lac Cr** Direct Benefit Transfer (DBT) disbursed

...and source & service the customer in a **cost-efficient manner**



[Rural India has 20% more internet users than urban areas: Nielsen | Mint](#)



[The India Stack is Revolutionizing Access to Finance - IMF F&D](#)

Deep investments by the government to **boost farmers income**

Strong **government focus** across the agri value chain...

FPO: INR 7k Cr outlay for creation of 10k FPO in next 5 years

AIF: INR 1 lac Cr outlay for funding agri infra projects

Kisan Drone Yatra: 1L+ drones to promote better monitoring and yields

PM-KUSUM: Targeting 17.5L standalone and 10L grid connected solar pumps


ENAM: Integrating APMC across the country digitally to facilitate pan India trade

NHB: INR 10k Cr for the development of horticulture

Micro Irrigation: INR 5k Cr fund to promote micro irrigation

PM-KISAN: INR 6k/yr support to all land holding farmers


...and **early signs** are positive for the sector

 The Economic Times

[Average farm income soars 1.3-1.7 times in FY22 from FY18: SBI Research](#)

 Mint

[India's agriculture exports cross \\$50 bn in FY22, the highest ever, says Commerce Ministry | Mint](#)

 Business Standard

[Budget 2022: Govt raises farm credit target to Rs 18 lakh cr for FY23](#)

The non-agri space is also seeing strong tailwinds

Several interventions provide strong support to MSME...

ECLGS: Govt. providing credit guarantee to MSME; total cover of INR 5 lakh Cr

PLI: Production Linked Incentives (PLI) to promote manufacturing in India

MSE-CDP: Developing clusters to improve competitiveness of MSME

PMS & IC Scheme: Providing procurement, marketing, promotion and export support to MSME

GST: Formalization of the economy and ease of flow of goods across the country

UPI: Seamless fund movement and merchant payments


ESDP: Skill based training & promoting entrepreneurship; 3.6L trained under the scheme

National Logistics Policy: Bringing down the logistics cost to a single digit

...creating **strong avenues of growth** in various sectors in the non-agri space

 Mint

[KVIC turnover crosses ₹1 lakh crore in 2021-22, beats all Indian FMCG cos | Mint](#)

 The Economic Times

[October GST collection stands at Rs 1.52 lakh crore, second-highest since implementation](#)

 Times of India

[How national logistics policy will enhance MSMEs' participation in global supply chains](#)

**Section-2:
Axis Bank- Well
poised to win in
Bharat**

Bharat Banking- A customer centric framework that is connecting all parts of the bank

Purpose of Bharat Banking is to enable **success of our customers** in Bharat, in both retail and institutional segments, by providing **best in class products, services and advisory** in a seamless, digital manner

Bharat Banking to work :		Retail Lending	Retail Liabilities / Fee	Commercial / Business/Corporate Banking
<ul style="list-style-type: none"> On product verticals which largely cater to rural, semi-urban and agri segments On driving deeper penetration with other Retail Assets and liability products in the RuSu markets 	Verticals	<ul style="list-style-type: none"> Farmer Funding Gold MFI Retail Farm Equipment Loans Bharat Enterprises Wholesale Agri Bharat SCF MFI Wholesale & Co-lending 	<ul style="list-style-type: none"> Source Liabilities through all available asset acquisition channels 	<ul style="list-style-type: none"> All enterprises asset business banking MSME business in Bharat Banking branches Co-lending
<ul style="list-style-type: none"> Work with other parts of the bank to provide solutions to their customers with specific needs of Agri / Rural / Farm to Fork supply chain On all financial inclusion initiatives of the bank 	Horizontal	<ul style="list-style-type: none"> Retail Assets distribution in Bharat Bank branches Product, policy and process design in bharat banking markets. 	<ul style="list-style-type: none"> Sourcing through partners (like CSC) Product design and delivery in bharat banking branches. 	<ul style="list-style-type: none"> Fin-tech partnerships Agri-tech partnerships SCF solutions

Bharat Banking- Our competitive edge

- Deep reach through **branches & partnerships**
- Large **customer base** in the RuSu markets
- Deep relationships with **rural centric corporates**
- Partnership with **marquee names** in the industry

Scale of business

Depth of business

- **Product suite** for all the banking & financing needs
- Proven **lending and UW capabilities** to the RuSu customers
- Big **government business** portfolio
- **Strong brand** in RuSu markets

Axis Bank has a **deep distribution** in the RuSu markets

**Bharat Banking 2065
Branches Network**



Map not drawn to exact scale

2,065

Bharat Banking Branches

43.4%

Branches in Bharat markets

659

Districts served by Bharat Banking

134

BCBO Outlets

54k+

CSC VLE network

Strong growth momentum witnessed in the RuSu markets

85% ...growth in disburseals of rural centric products

44% ...growth in gross book of rural centric products

43% ...growth in retail asset disburseals from Bharat Banking branches

15% ...growth in liabilities book from Bharat Banking branches

Growth across **business lines**

Growing **faster** than non-Bharat markets

Highly **PSL accretive** portfolio

Growth is **across products**, faster than the industry average

H1 YoY Gross
Book Growth

**Microfinance
Retail**

+69%

**Bharat
Enterprises**

+69%

Gold Loans

+26%

**Farm Finance &
Equipment**

+23%

Creating **new product**
propositions (20+ in the
pipeline)

Policy enablers to
improve coverage

Simplify the
processes to unlock
productivity

The growth is **value accretive** and aligned with the **GPS strategy** of the bank

37% ... growth in the operating revenue of rural centric products

11% ... improvement in cost to income ratio of rural centric products

49% ...increase in the pre-provision operating profit

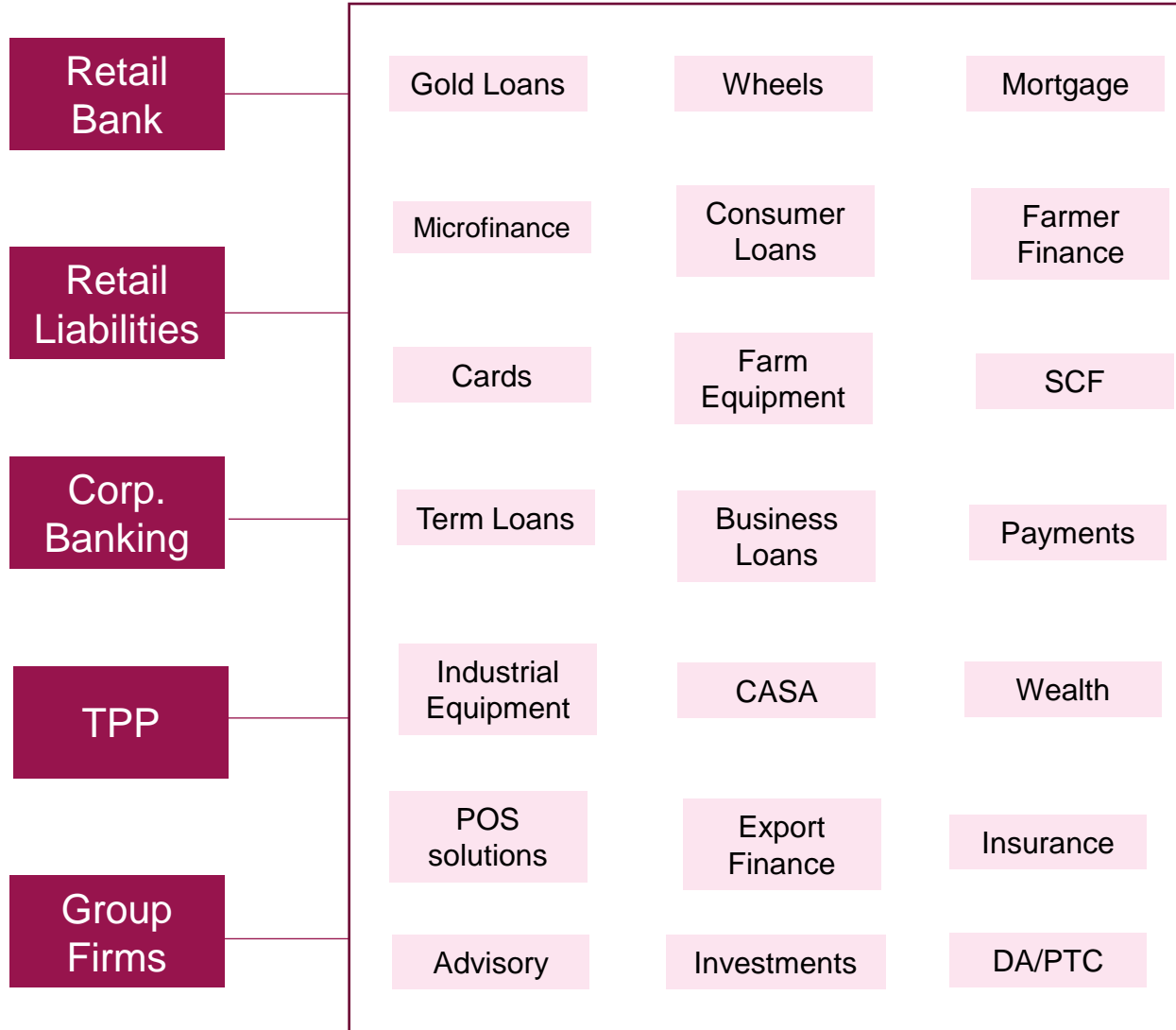
No. 1 ...ranked in NPS compared to competitor banks¹

Increasing **top-line** and improving **efficiency**

Higher **profitability**

Better **customer experience**

Offering a comprehensive product suite by connecting the dots across the bank



86%
Growth in number of Bharat Banking branches doing >5 products monthly

30%
Increase in Forex Income

Seamless
Delivery of all products from Bharat Banking ecosystem

Section-3: Bharat Banking- Key areas of delivery

Bharat Banking- Key areas of delivery

1

Increasing the **market share** of the bank in both Asset & Liabilities in RuSu markets, growing at 2x of the industry average

2

Expanding the risk adjusted **NIM** of the bank

3

Building a **low-cost distribution model** with digital at the core

4

Moving from a **product led to a customer led** model with a sharp focus on product coverage

5

Making the bank organically self sufficient to meet the **PSL** targets

Section-4: Building a distinctive model

Enhancing distribution organically & building a robust rural ecosystem via multi product partnerships

Objective

Highlights

Proprietary Distribution

Increasing the proprietary distribution in the RuSu markets via own branches and asset centers



75 to 80 new branches in FY'23 & **multi product** distribution centers in RuSu markets to enhance distribution efficiently

Distribution Networks

Partner with the companies with extensive physical distribution in the remote regions to build a low cost distribution



Live with **5+ partners** and **7+** are in the pipeline

Rural Corporates

Partner with corporates active in rural supply chains to offer banking solutions to their network, leveraging corporate as an anchor



Live with **30+ firms** and **7+ firms** are in the pipeline

New Age Tech

Leverage the tech stack of Agritech and Fintech companies to penetrate into agri and non agri supply chains



Acquired a stake in **AGRIM**, a B2B marketplace for agri inputs; **8+ partnerships** are in the pipeline

NBFC/MFI with rural play

Digital co-lending or partnering with NBFC/MFI that are serving segments and/or markets that are not served by the bank



Live with **10+ NBFC** and **4+ MFI** players; **5+** partners are in the pipeline

Started witnessing **greenshoots** in several partnerships

CSC Model is working well and is being templated across similar partnerships....

4x

VLE network increased from 13.6k to 54k in the last 18 months

24+

Products offered by the VLE

2x

Disbursal volumes in H1 compared to entire last year

...and we are seeing **promising signs** from several other partnerships....

4x

Growth in disbursals from a gold loan partner in Q2 FY23 (YoY)

10,000+

CASA accounts MRR from partnerships

69%

Growth in SCF constituents in RuSu markets in the last 18 months

Dominating the high value **Mandi ecosystem** in the RuSu markets

The rural economy concentrate in a Mandi set-up, offering a huge opportunity...

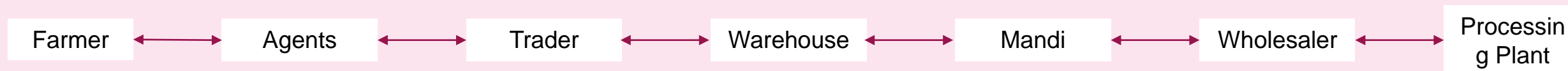
7000+

APMC Mandis¹ in India

20.2%

GVA share of Agriculture in Indian Economy (FY21)

...to capture the financial flows from the entire Mandi Ecosystem....



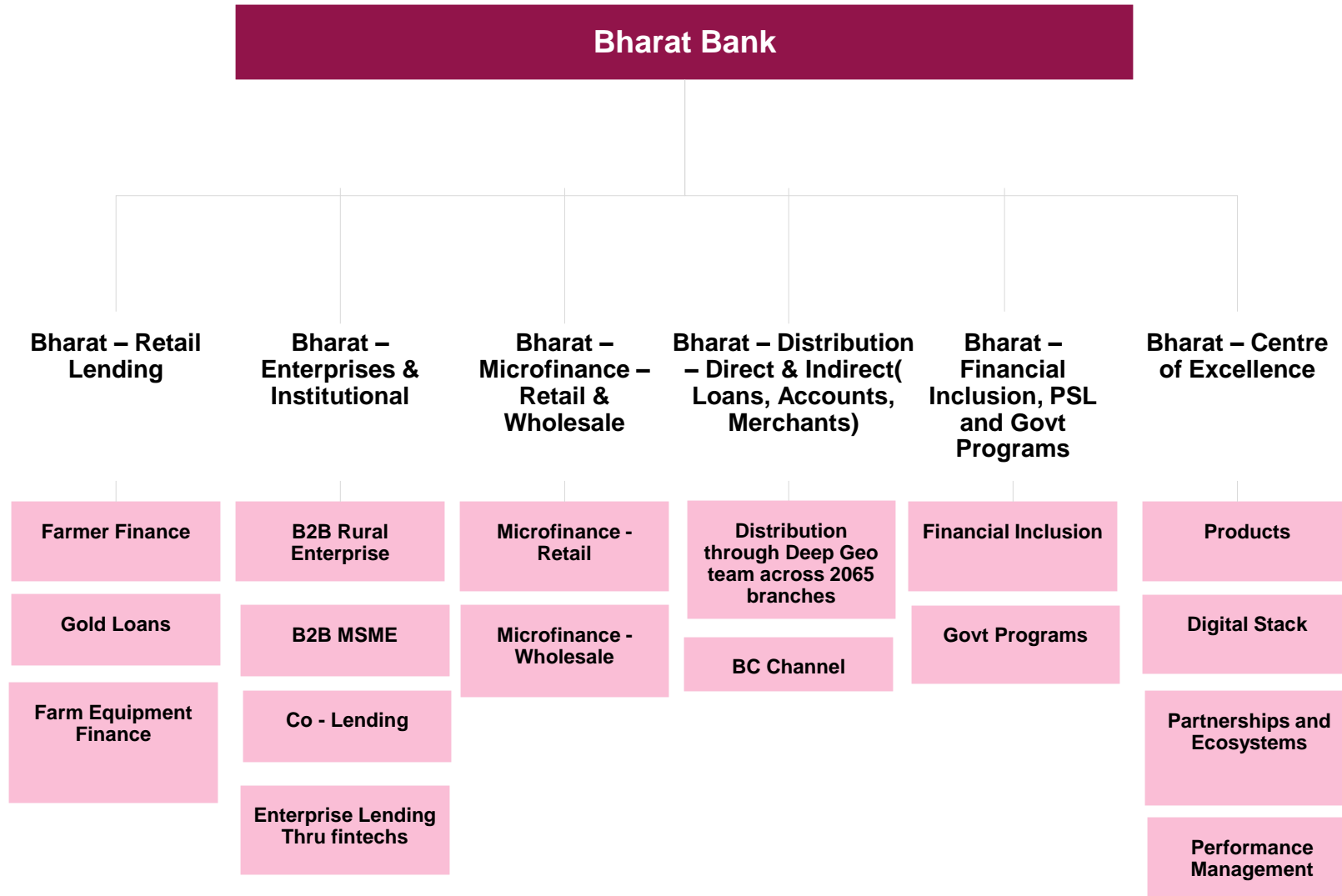
...and become a dominant player in the Mandi ecosystem in the next 2-3 years

Mapping the solutions for all banking needs of **all the players in the ecosystem**

Creating a **multi product distribution** channel for the ecosystem

Building a **coverage mindset** & running special programs to increase share

A customer centric organization design aligned with the areas of delivery



Specialized Business units to drive scale & efficiency

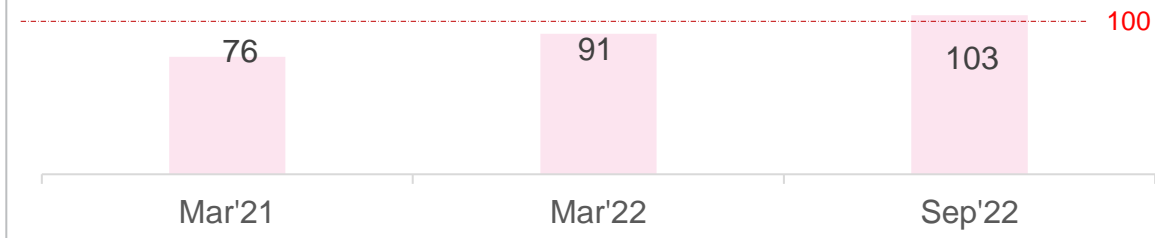
Deeply embedded with various parts of the bank

Bharat centric **Learning & Development** architecture implemented

Accelerating PSL self sufficiency

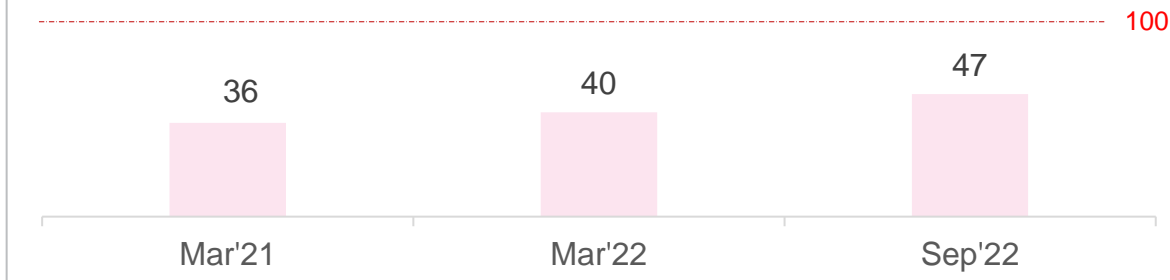
Organic PSL Penetration

All figures scaled to a regulatory target at 100



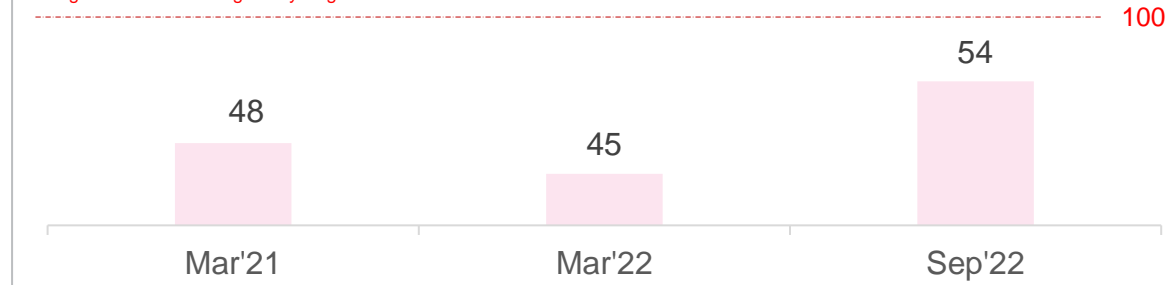
PSL Penetration of SMF Portfolio

All figures scaled to a regulatory target at 100



PSL Penetration of Weaker Section Portfolio

All figures scaled to a regulatory target at 100



End to end **digital co-lending** journey

Building a **data stack** for the **SMF** to increase penetration

Driving **Govt. sponsored schemes**

Building **digital processes** to reduce sourcing cost of PSL accretive business

Digital co-lending- our key focus

Go-Live in Q3 FY23

What?

Partnering with NBFCs' to jointly disburse loans to the borrower, sharing risk and reward

How?

A **middle layer of technology** developed and all the policies are coded into the system

Why?

Wider reach

New Segments

PSL Accretive

Scalable model

Lower cost of operations

Risk participation

Leveraging the digital & data to transform banking experience of the RuSu customers

Building on three key principles...

Platformification for quick scale up

End to end digital to lower the cost of business

Omnichannel for better customer experience

Having a clear roadmap of delivery...

Short Term

- Extending **eKYC based CASATD** to all partners
- Launching a platform for **co-lending** journey; launching a revamped customer journey for **Gold Loans and KCC**
- Releasing **pre-approved** offers and using **predictive analytics** to improve customer retention

Medium Term

- Building **all customer journeys** on a single platform; launching a platform for **supply chain finance**
- Releasing a **new sales performance management app** to unlock productivity
- Integrating with the National Portal to provide **single window access to GSS**

Long Term

- Building a **single journey** for a multi product architecture
- **Integrating processes** across distribution points to provide omnichannel experience
- Building a **Bharat centric data stack** with sharper customer segmentations

Mobilizing liabilities from the RuSu markets using an **asset led model**

Current Level

Ambition in the
medium term

Growth in liabilities from Bharat Banking
Branches...

1x

1.5x

MRR of CASA NoA acquisition from core asset
teams

1x

2x

MRR of CASA NoA acquisition from partnerships

1x

5x

**Targeted propositions
for specific customer
segments**


**Launching low ticket &
no frill liability products**

**Increasing intensity of
cross-sell**

**Extending eKYC journey
to all partners**

Strong Risk and Compliance Framework

- Determined **risk guardrails** specific to products and geographies
- Rigorously monitoring **leading and lagging indicators** of the portfolio
- **Build tech solutions** to monitor governance and risk, reducing manual dependencies
- Continue to **invest in trainings on risk & compliance** for our staff and the partner network



18% decline in the net credit cost in H1 compared to same period last year

Section-5: Conclusion

Do more...

...with less

- **Market share** in asset and liabilities in the RuSu markets
- **NIM** for the bank
- **PSL** accretive business
- **Digitization** in the processes
- **Customer** centricity in the delivery

- **Cost to income ratio** of the business
- **TAT** of the transactions
- **Risk** in the business

...and the endeavor is to build a strong business **over the next 3-4 years...**

1

Doubling the balance sheet from the RuSu markets

2

Self sufficient in organic PSL compliance

3

Building an **end to end digital** delivery model

4

Scaling up **multiple ecosystems** in the RuSu markets

Thank You

நன்றி

ధన్యవాదగళు

धन्यबाद

നന്ദി

ధన్యవాదాలు

આભાર

धन्यवाद

ਤੁਹਾਡਾ ਧੰਨਵਾਦ

धन्यबाद

ଧନ୍ୟବାଦ

धन्यबाद

شکریہ



Acronym

AIF
AMPC
BCBO
CASA
CSC
ECLGS
ENAM
ESDP
FPO
GSS
GST
IC
MFI
MRR
MSE-CDP
NBFC
NHB
NIM
NPS
PM-KUSUM
PMS
PSL
RuSu
SCF
UPI
VLE

Full Form

Agriculture Infrastructure Fund
Agricultural Produce Market Committee
Business Correspondent Banking Outlets
Current Account and Savings Account
Common Service Network
Emergency Credit Line Guarantee Scheme
Electronic National Agriculture Market
Entrepreneurship Skill Development Programme
Farmers Producer Organisation
Government Sponsored Scheme
Goods and Services Tax
International Cooperation
Microfinance Institution
Monthly Run Rate
Micro and Small Enterprises Cluster Development Program
Non-banking Finance Company
National Horticulture Board
Net Interest Margin
Net Promoter Score
Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan
Procurement and Marketing Support
Priority Sector Lending
Rural & Semi Urban
Supply Chain Finance
Unified Payments Interface
Village Level Entrepreneur