

Oriental Bank of Commerce

Vishal Shah

+91 22 67069921

Vishal.s@investsmartindia.com m

Shareholding (%)

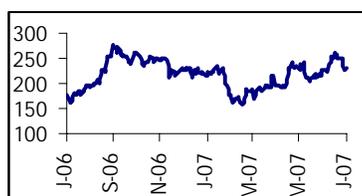
Promoters	51.1
FII's	18.9
MFs	4.5
Insurance Co.	16.8
Others	8.7

Share price performance

52-week high/low (Rs)	280/139		
	-1m	-3m	-12m
Abs (%)	1.9	16.7	30.2
Rel* (%)	-2.9	5.9	-13.8

*to Nifty

Stock chart



Core banking income surpasses expectations

Oriental Bank of Commerce's (OBC) Q1FY08 financial performance was not upto the mark. During the quarter, the bank reported 48% growth in net profit at Rs1.4bn as compared to Rs940mn in the same quarter last year. OBC's total business in Q1FY08 grew by 21%; of this, total advances grew 24% and deposits 18%. The bank's NII grew by 7.8% YoY.

▲ **Interest income grew 54%:** The bank reported 54% YoY and 15.9% QoQ increase in interest income. This was mainly due to repricing and improving yield on advances from 8.8% in Q4FY07 to 10% in Q1FY08. Advances during the quarter grew 24% YoY.

▲ **Improving C/D ratio:** OBC's C/D ratio improved from 68% in Q4FY07 to 70.4% in Q1FY08, while retail credit to net bank credit is currently at 17.1% during Q1FY08.

▲ **Higher non-interest income:** The bank reported Rs 1.17 bn income from written-off accounts in Q1FY08 as compared Rs 4.9 mn in Q4FY07.

▲ **Valuation:** At the CMP of Rs230, the stock trades at 1.03x FY08E BV of Rs231 and at 0.85x FY09E ABV of Rs279. The bank's capital adequacy ratio and BPLR stands at 13.9%, indicating room for raising capital going forward.

Table 1. Valuation cheaper compared to peers:

Q1FY08	P/BV
OBC	1.18
Bank of India	2.35
Bank of Baroda	1.23
Union Bank of India	1.62
State Bank of India	2.57

Source: IISL research, company

We believe that OBC is riding a growth trajectory and is focusing to improve its retail exposure, which is currently at 18% of its total portfolio. The bank currently has 1,214 branches, which it plans to expand to 1,400 by FY08. OBC's current CASA ratio is 30% lower than its peers in the industry, which has resulted in NIM of 2.7% in Q1FY08.

Accumulate Rs230

01 August 2007

Market cap

Rs bn 58

US\$ mn 1,423

Avg 3m daily volume

519,789

Avg 3m daily value

Rs mn 117

Shares outstanding (mn)

251

Reuters

ORBC.BO/ORIENTBANK

Bloomberg

OBC IN

Sensex

15,551

Nifty

4,529

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Table 1. Quarterly result table

	Q1FY08	Q1FY07	YoY (%)	Q4FY07	QoQ (%)
Interest Earned	15,341.4	11,353.4	35.1	14,335.1	7.0
- Interest/Discount on Advance/Bills	11,038.6	7,168.5	54.0	9,527.0	15.9
- Income on Investments	3,984.8	3,899.1	2.2	3,875.5	2.8
- Int on RBI bal	316.9	269.3	17.7	865.4	(63.4)
- Others	1.1	16.5	(93.3)	67.2	(98.4)
Interest Expense	10,910.1	7,243.7	50.6	9,873.6	10.5
Net Interest Income (NII)	4,431.3	4,109.7	7.8	4,461.5	(0.7)
Other Income	1,462.0	1,686.8	(13.3)	1,437.1	1.7
Net Operating Income (NOI)	5,893.3	5,796.5	1.7	5,898.6	(0.1)
Operating Expenses	2,642.2	2,286.6	15.6	2,650.4	(0.3)
- Employee Costs	1,439.9	1,331.5	8.1	1,312.9	9.7
- Other Costs	1,202.3	955.1	25.9	1,196.4	0.5
Operating Profit	3,251.1	3,509.9	(7.4)	3,248.2	0.1
Provisions & Contingencies	506.1	1,476.5	(65.7)	1,615.6	(68.7)
PBT	2,745.0	2,033.4	35.0	1,632.6	68.1
TAX	740.8	480.8	54.1	461.9	60.4
PAT (pre w/off)	2,004.2	1,552.6	29.1	1,170.7	71.2
Amalgamation Loss w/off	(612.4)	(612.4)	0.0	(622.8)	(1.7)
PAT	1,391.8	940.2	48.0	547.9	154.0
Equity	2,505.4	2,505.4	0.0	2,505.4	0.0
EPS (Pre w/off)	5.6	6.2	(10.4)	4.7	18.9
CAR	13.9	12.1	14.5	12.5	10.7
Key Ratios					
Int Exp/Int Earned	71.1	63.8		67.9	
Cost/NOI	44.8	39.4		44.9	
Other income/NOI	24.8	29.1		24.4	
Tax/PBT	26.9	23.6		20.0	
Gross NPA %	3.3	5.6		3.2	
Net NPA %	0.7	0.5		0.5	
Gross C-D Ratio	70.4%	66.9%		69.0%	
CASA Ratio	30.0%	NA		0.0%	
NIM%	2.7%	2.6%		0.0%	

Source: IISL research, company

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