

Oriental Bank of Commerce



BP WEALTH

Banks-Public Sector

Buy

BP EQUITIES

12th May, 2010

Oriental Bank of Commerce (OBC) is a mid-sized PSU bank, with the 11th largest branch network and 10th largest asset book among Indian banks. Historically, the bank had a strong presence in northern and western India and the merger of Global Trust Bank (then roughly 15% of the size of OBC) provided it the southern presence.

OBC reported better than estimated results. It reported 75% YoY PAT growth at Rs 317 cr in Q4FY2010 as compare to 180 cr in Q4FY2009 and on QoQ PAT grew by 9.4%. Total business grew 22% YoY at Rs 2,04,442 crore on the back of balanced growth of 22% YoY both in deposits at Rs 1,20,258 crore and advances at Rs 84,184 crore. CASA improved by 1 bps YoY to 25%. We expect 32% CAGR in PAT due to ~23% CAGR in business growth over FY2009-2012E.

OBC NIM improved to 3.27% in Q4FY2010 from 1.87% in Q4FY2009 mainly due to re-pricing of bulk deposits of around rs 15,000 Cr. OBC's NII grew 115% on YoY basis and 13.3% on QoQ basis to Rs 988 Cr.

The Net NPA increased to Rs 724 crore in Q4FY2010, up 24% QoQ, along with GNPA that climbed up sequentially by 14% QoQ to Rs 1469 Cr.

Bank restructured assets of Rs 5,700 crore. Out of this, Rs 281 crore or 4.7% slipped into NPAs in FY2010. Total slippages increased in Q4FY2010 to Rs 604 crore. However, the bank has aggressively improved its provisioning coverage from 73% in Q3FY2010 to 77% in Q4FY2010. We expect GNPA to be in the range of 0.9-1.2% till FY2012E.

The bank added 90 branches in Q4FY2010 and has plans to add another 100-125 branches over FY2011E to gain a pan- India presence

Currently stock is trading at P/BV of 1x its FY2011E book value of Rs 343 . We recommend We BUY with a target price of Rs 445 in a 12 months period.

Sector Outlook Bullish
Stock Risk Medium

CMP: Rs 342
Target: Rs 445

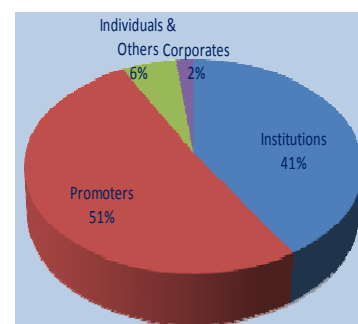
BSE code : 500315
NSE Symbol: ORIENTBANK
Bloomberg : OBC IN
Reuters : ORBC.BO

Key Data

Nifty : 5092
52WeekH/L 357/124.05
O/s Shares (Cr) : 25.05
Market Cap (Rs Cr) 8577

Average volume

3mnts 116974
6mnts 129960
1year 162905

Share Holding Pattern (%)**Research Desk**

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Institutional Sales

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**Financial Summary**

						(Rs Cr)
Y/E March	Q4FY2010	Q3FY2010	QoQ growth(%)	Q4FY2009	YoY growth(%)	FY2010
Interest on advances	2,685.0	2,671.6	0.5	2,348.1	14.3	8,856.5
Interest Expenditure	1,696.1	1,798.7	(5.7)	1,887.8	(10.2)	6,860.0
NII	988.87	872.9	13.3	460.3	114.8	1,996.5
Non Interest Income	265.4	237.7	11.7	341.3	(22.2)	1,071.3
Total Net Income	1,254.3	1,110.6	12.9	801.6	56.5	3,067.8
Operating Expenses	477.9	487.8	(2.0)	278.3	71.7	1,397.8
Operating Profit	776.4	622.8	24.7	523.3	48.4	1,670.0
Provision for Contingencies	417.4	192.1	117.3	78.3	433.2	524.9
Exceptional items	-	-	-	-	-	-
PBT	359.0	430.7	(16.7)	445.0	(19.3)	1,145.1
Tax	42.5	141.3	(70.0)	264.2	(83.9)	254.7
PAT	316.6	289.4	9.4	180.82	75.1	890.4
Equity	250.5	250.5		250.5		250.5
EPS	12.63	11.6	9.4	7.2	75.0	35.5
Capital Adequacy Ratio (%) (Basel-II)	12.54	13.20	(5.0)	13.0	-	13.0
GNPA (%)	1.7	1.6	6.1	1.53	13.7	1.5
NNPA (%)	0.87	0.75	16.0	0.65	33.8	0.7
ROA (%)	0.95	0.91	4.4	0.71	33.8	0.9

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Disclaimer Appendix

BP Equities Investment Rating : (Time range– 12 months)

BUY (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks and 30% or more for High-Risk stocks); **ACCUMULATE** (expected total return of 5%-15% for Low- Risk stocks, 10%-20% for Medium-Risk stocks and 15%-30% for High-Risk stocks,); **REDUCE** (expected total return of less than 5% for Low Risk stocks, less than 10% for Medium Risk stocks and less than 15% for High Risk stocks) and **SELL** [expected total return of (-5%) or less for Low-Risk stocks, -10% or less for Medium-Risk stocks, (-15%) or less for High-Risk stocks, and -20% or less for Speculative stocks].

Analyst(s) holding in the Stock : Nil

Analyst(s) Certification:

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