

Result update	BOOK PROFIT
CMP	233
Target Price	216
Previous Target Price	222
Upside	-7
Change from Previous	-2.703

Market Data	
BSE Code	500315
NSE Symbol	ORIENTBANK
52wk Range H/L	241/121
Mkt Capital (Rs Cr)	6798
Average Daily Volume	5.77 cr
Nifty	6796

Stock Performance	1M	1yr	YTD
Absolute	20.1	-6.3	-6.3
Rel.to Nifty	16.1	-28.6	-28.6

Share Holding Pattern-%	Current	1QFY14	4QFY1
Promoters	59.1	58.0	58.0
FII	9.6	10.0	10.1
DII	24.9	24.0	24.6
Others	6.4	8.1	7.3

## ORIENT BANK Vs Nifty



*We had Buy rating on the stock on 13th Feb2014 in 3QFY14 result update report in which we have give the price target of Rs.222. The stock now crossed the target price of Rs.216 registered growth of 35% from our recommendation. We advice our clients to book profit on the stock because we do not see price appreciation on the basis of its fundamental. We continuous emphasis the recent market rally is on account of favorable election outcome and economic revival. In case of stable government formation lead by BJP led NDA then economic revival would happen and bank would expand its valuation multiple otherwise we see sharp correction from current level.*

### Asset quality remains concern, expects pilling up headline GNPA number

We are worried about bank's asset quality and margin expansion. In current prevailing environment, bank has been witnessing pile up bad loan and larger chunk of restructure assets. In last quarter, bank experienced deterioration in asset quality and sharp surge in restructure asset. Post 3QFY14, bank management guided restructure pipeline of Rs.11 bn which is expected to translate into rising proportion of restructure loans. Till last quarter bank's outstanding restructure loan was Rs. 9687 cr. We believe pressure in asset quality to continue. However sale to asset restructure company would help to contain lower headline number.

### Margin is expected to remain moderate while higher provisions would gallop profit

Margin of the bank is expected to report moderate in the range of 2.5-2.7% largely due to muted loan and deposits growth expectation. We are not expecting NII growth ahead of peers and treasury income. But higher provisions could be seen largely account of higher investment depreciation and increased in tax provisions for the stake of deferred tax creation as per suggestion by RBI. Lower NII growth muted non interest income and higher provisions would be result of lower profit growth in coming quarter.

### View & Valuation

Outlook of banking industry remains uncertain and mostly dependent on outcome of general election. However most of opinion poll suggests NDA would come to power or close of formation of government. But in 2004 and 2009 opinion polls results were had large variation from ground level reality come. Post general election we believe that on 12th of May opinion poll result would come which is expected to be more realistic will decide the market direction in either way or outlook of banking industry. We had BUY rating on the stock post 3QFY14 result and since then stock has already provided 35% return. At current price stock is trading at 0.53 times book which is justified in current scenario as per our view. We advice our clients to book profit on the stock.

### Financials

	2011	2012	2013	2014E	2015E
NII	4178	4216	4701	5136	6970
Total Income	5138	5456	6356	6724	8558
PPP	3245	3141	3691	3680	4707
Net Profit	1503	1142	1328	1046	1812
EPS	51.5	39.1	45.5	34.9	60.4

(Source: Company/Eastwind)

# ORIENTAL BANK

P/L	2011	2012	2013	2014E	2015E
Interest/discount on advances / bills	8954	12075	13758	14677	16545
Income on investments	2774	3671	3854	4316	4491
Interest on balances with Reserve Bank of India	335	34	31	80	80
Others	25	35	61	17	17
Total Interest Income	12088	15815	17705	19090	21134
Others Income	960	1240	1655	1588	1588
Total Income	13048	17055	19359	20678	22721
Interest on deposits	7474	11213	12553	11765	13408
Interest on RBI/Inter bank borrowings	23	38	111	175	189
Others	413	348	340	525	567
Interest Expended	7910	11599	13004	13954	14164
NII	4178	4216	4701	5136	6970
NII Growth(%)	43.7	0.9	11.5	9.3	35.7
Other Income	960	1240	1655	1588	1588
Total Income	5138	5456	6356	6724	8558
Employee	1048	1357	1576	1796	2272
Other Expenses	844	959	1089	1248	1579
Operating Expenses	1892	2315	2665	3043	3851
PPP( Rs Cr)	3245	3141	3691	3680	4707
Provisions	1742	1999	2363	2243	2118
Net Profit	1503	1142	1328	1046	1812
Net Profit Growth(%)	32.4	-24.0	16.3	-21.2	73.3
<b>Key Balance sheet data</b>					
Deposits	139024	155965	175898	189928	205123
Deposits Growth(%)	15.6	12.2	12.8	8.0	8.0
Borrowings	5639	5259	7679	9996	10796
Borrowings Growth(%)	15.4	-6.7	46.0	30.2	8.0
Loan	95908	111978	128955	139271	150413
Loan Growth(%)	14.9	16.8	15.2	8.0	8.0
Investments	42075	52101	58555	63976	69094
Investments Growth(%)	17.6	23.8	12.4	9.3	8.0
<b>Eastwind Calculation</b>					
Yield on Advances	9.3	10.8	10.7	10.5	11.0
Yield on Investments	6.6	7.0	6.6	6.7	6.5
Yield on Funds	7.8	9.2	9.0	9.4	9.6
Cost of deposits	5.4	7.2	7.4	6.2	6.5
Cost of Borrowings	7.7	7.3	5.9	5.9	7.0
Cost of fund	5.5	7.2	7.1	7.0	6.6
<b>Valuation</b>					
Book Value	380	409	403	433	483
P/BV	1.0	0.6	0.6	0.4	0.4
P/E	7.5	6.4	5.5	5.0	2.9

Source: Company/Eastwind