

Issue highlights

- ❑ **Tamilnad Mercantile Bank (“TMB”)** was incorporated on May 11, 1921. TMB, headquartered at Thoothukudi (Tamil Nadu, India), is one of the oldest and leading old private sector banks in India, with a history of close to 100 years. The bank reported deposits of ₹ 44,930 crore and advances of ₹ 33,490 crore as of March 2022.
- ❑ During fiscals 2020-22, TMB’s deposits increased at a healthy CAGR of 10.46% (compared with peer median:7.90%), falls in Top-5 amongst its peers; while its advances increased at a CAGR of 9.93% (compared with peer median: 8%).
- ❑ TMB’s current account and savings account deposits to total deposits are also competitive among peers at 30.50%.
- ❑ TMB’s net profits increased at a CAGR of 41.99% during fiscal 2020-22, with the bank reporting second highest net profit at ₹ 820 crore during fiscal 2022 amongst the peers.
- ❑ In fiscal 2022, TMB also reported a comparatively low credit cost ratio of 0.27%. The Bank’s return on assets (RoA) was at 1.66% compared with peers that have a median RoA of 0.80%.
- ❑ The trend is similar in the Return on Equity ratio, where the company outperformed peers at 16.58% in fiscal 2022, while its peers reported a median of 8.30%. TMB is also well-capitalised with a tier-1 capital adequacy ratio of 20.44%.
- ❑ As of March 31, 2022, they have 509 branches, of which 106 branches are in rural, 247 in semi-urban, 80 in urban and 76 in metropolitan centres
- ❑ TMB has built a strong presence in the state of Tamil Nadu, with 369 branches and 949 automated teller machines (“ATMs”) and 255 cash recycler machines (“CRMs”), 91 E-Lobbies, 3,939 PoS as of March 31, 2022.

Brief Financial Details*

(₹ In Cr)

	As at Mar’ 31,		
	2022	2021	2020
Equity Share Capital	142.51	142.51	142.51
Reserves	5,193.20	4,437.47	3,837.14
Net worth as stated	5,335.71	4,579.98	3,979.65
Interest earned	3,833.86	3,609.05	3,466.11
Growth in Interest earned (%)	6.23%	4.12%	-
EBITDA	1,566.74	1,251.62	1,030.10
Net Profit for the year	821.91	603.33	407.69
EPS -Basic and Diluted (₹)	57.67	42.34	28.61
RoNW (%) as stated	15.40%	13.17%	10.24%
NAV (₹)	374.41	321.38	279.25

Source: RHP *Restated Statement, #Reserve includes Statutory Reserve and Capital Reserve

Issue Details

Fresh Issue of 15,840,000 Equity Shares

Issue summary

Issue size: ₹ 792 – 832 Cr
No. of shares: 15,840,000 Shares
Face value: ₹ 10/-
Price band: ₹ 500 - 525
Bid Lot: 28 Shares and in multiple thereof
Post Issue Implied Market Cap =
₹ 7,918 – 8,314 Cr
BRLMs: Axis Capital, Motilal Oswal Investment Advisors, SBI Capital Markets Registrar: Link Intime India Pvt. Ltd.
Issue opens on: Monday, 5th Sep’2022
Issue closes on: Wednesday, 7th Sep’2022

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	12-09-2022
Refunds/Unblocking ASBA Fund	13-09-2022
Credit of equity shares to DP A/c	14-09-2022
Trading commences	15-09-2022

Issue break-up

	No. of Shares	₹ In Cr		% of Issue
		@Lower	@upper	
QIB	11,880,000	594.00	623.70	75%
NIB	2,376,000	118.80	124.74	15%
RET	1,584,000	79.20	83.16	10%
TOT	15,840,000	792.00	831.60	100%

Listing: BSE & NSE

Shareholding (No. of Shares)

	Pre issue	Post issue
	142,511,454	158,351,454

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters and Promoters Gr	0.00%	0.00%
Public	100.00%	100.00%
Total	100.00%	100.00%

BACKGROUND

Bank and Directors

The Bank was initially formed as “Nadar Bank Limited’ on May 11, 1921 at Thoothukudi, Tamil Nadu. The Bank is a professionally managed bank and does not have an identifiable promoter or promoter group in terms of SEBI ICDR Regulations and the Companies Act, 2013.

Brief Biographies of Directors

K V Rama Moorthy* is the MD & CEO of the Bank. He has over 40 years of banking experience, including in Bank of Baroda and as an Executive Director in United Bank of India. Prior to joining the Bank, he was Executive Director in United Bank of India till 2017.

Krishnan Sankarasubramaniam* The Board, pursuant to its resolution has appointed Krishnan Sankarasubramaniam as the Managing Director & CEO with effect from September 4, 2022. Prior to joining the Bank, he was associated with Indian Bank, Syndicate Bank (which was merged into Canara Bank) and Punjab and Sind Bank.

** The term of K V Rama Moorthy is due to end on September 3, 2022. Krishnan Sankarasubramaniam has been approved by the RBI, pursuant to its letter of approval dated August 18, 2022, for appointment as the Managing Director & CEO with effect from September 4, 2022 for a term of 3 years.*

Niranjan Sankar A is the Non-Executive Director of the Bank. He has over 22 years of experience in small scale undertakings.

S R Ashok is the Non-Executive Director of the Bank. He is a doctor by profession and presently serves at the Thoothukudi Medical College Hospital.

Asok Kumar P C G is the Non-Executive Director of the Bank. He has over 25 years of experience investing in the stock market.

Nirranjan Kani D N is the Non-Executive Director of the Bank. He is a director in VVD & Sons Pvt Ltd.

Balakrishnan Prabakaran is the Independent Director of the Board of the Bank.

Chiranjeevi Raj C is the Independent Director of the Bank. He has been practicing as a Chartered Accountant since 2005.

Ezhil Jothi S is the Independent Director of the Bank. She is also a member of the management committee of the Madurai chapter of the Institute of Company Secretaries of India.

Nagarajan K is the Independent Director of the Bank. He has been a practicing advocate and has over 30 years of experience at the bar.

Vijayadurai B is the Independent Director of the Bank. He is a practicing Chartered Accountant for more than 23 years.

B S Keshava Murthy is the Independent Director of the Bank. Prior to joining the Bank, he was associated with Indian Overseas Bank for more than 37 years.

Babu Suresh Kumar S is the RBI Nominee director of the Bank. He has more than 33 years of experience in various functions of Central Banking at different centres.

Natarajan Gopal is the RBI Nominee director of the Bank. He has 37 years of experience at the RBI.

Key Managerial Personnel

Prakash Chandra Panda is the company secretary of the Bank. He joined the Bank on April 17, 2017. He has 12 years of experience in the Secretarial, Legal and Listed companies.

P A Krishnan is the Chief Financial Officer of the Bank. He joined the Bank on August 3, 2021. He has 35 years of experience in the banking industry. He was previously the General Manager and CFO of Indian Bank.

BUSINESS OVERVIEW

Tamilnad Mercantile Bank Limited (“TMB”) is one of the oldest and leading old private sector banks in India with a history of almost 100 years. They offer a wide range of banking and financial services primarily to micro, small and medium enterprises (“MSME”), agricultural and retail customers (“RAM”). As of March 31, 2022, they have 509 branches, of which 106 branches are in rural, 247 in semi-urban, 80 in urban and 76 in metropolitan centres. Their overall customer base is approximately 5.08 million as of March 31, 2022 and 4.05 million or 79.78% of their customers have been associated with them for a period of more than 5 years and have contributed to ₹35,014.24 crore or 77.93% to their deposits and ₹ 21,902.23 crore or 64.90% to their advances portfolios as of March 2022. They had the 2nd highest Net Profit for Fiscal 2022 amongst their Peers, and their Return on Assets was also higher at 1.66% compared to a median 0.80% for their Peers for Fiscal 2022.

TMB was incorporated as ‘Nadar Bank Limited’ in 1921 and their name was changed to ‘Tamilnad Mercantile Bank Limited’ in the year 1962. They received their license to carry on banking business from the Reserve Bank of India in 1962. Since their incorporation, having head quartered at Thoothukudi, Tamil Nadu, India, they have built a strong presence in the state of Tamil Nadu., with 369 branches and 949 automated teller machines (“ATMs”) and 255 cash recycler machines (“CRMs”), 91 E-Lobbies, 3,939 PoS as of March 31, 2022.

Bank’s deposits have grown at a healthy pace of 10.46% CAGR (compared to median of its peers 7.90%), while its advances grew at 9.93% CAGR (compared to median of its peers: 8%). As of March 31, 2022, their deposits and advances portfolio in the state of Tamil Nadu has contributed 75.06% to their Total Business. They also focus on diversifying their growth in other high growth regions of India which will help increase their network and client base. Other than Tamil Nadu, they are present in 15 other states and 4 union territories of India. Apart from Tamil Nadu, they have sizable presence in the states of Maharashtra, Gujarat, Karnataka, and Andhra Pradesh with presence across 90 branches and 125 ATMs and 18 CRMs as of March 31, 2022. They have also been consistently growing their customer base from approximately 4.66 million as of March 31, 2020 to approximately 4.91 million as of March 31, 2021 to approximately 5.08 million as of March 31, 2022 at the CAGR of 4.36% from Fiscal 2020 to 2022. Their focus on quality of service and nurturing long term relationship with their customers has enabled them to develop a well-recognized and trusted brand in south India, particularly in Tamil Nadu, India.

Details of Interest Earned

(₹ In Cr)

Metric	As of and for the years ended March 31,		
	2022	2021	2020
Interest/Discount on Advances/Bills	2,952.79	2,811.44	2,701.10
Income on Investments	822.48	750.41	710.08
Interest on balances with RBI and other inter-bank funds	49.73	35.45	40.23
Others	8.85	11.75	14.71
Total	3,833.86	3,609.05	3,466.11

PRODUCT PORTFOLIO

The products and services offered to their customers can be divided into 2 categories - Asset Products (i.e. advances) and Deposit Products.

Asset Products

Their Asset Products target the RAM customers, which include MSMEs, agricultural customers, retail customers, and their corporate customers.

The information in relation to their advance portfolio for asset products as of March 31, 2022:

Category of Loan Portfolio	Amount Outstanding (₹ Cr)	% of Total Advances	Average ticket size (₹ Cr)
RAM customers			
- MSMEs	12,615.19	37.38%	0.19
- Agricultural customers	10,022.85	29.70%	0.01
- Retail customers	6,882.46	20.39%	0.05
Corporate customers	4,227.67	12.53%	0.57
Total	33,748.17	100.00%	0.03

TMB has built a strong portfolio of advances and deposits across their customer base.

Advances:

TMB's advances portfolio primarily consists of lending to (a) Retail customers; (b) agricultural customers and (c) MSMEs ("RAM").

MSMEs: TMB primarily offers various loan products to their MSME customers operating in manufacturing, trading and services sector. During the Fiscals 2020, 2021 and 2022 MSMEs contributed 37.92%, 39.08% and 37.38% respectively to their total advances with a CAGR of 8.55% from ₹10,706.08 crore in March 2020 to ₹12,615.19 crore in March 2022

Details of loan products for MSME customers:

- **TMB Vyapari** which caters towards meeting working capital/capex requirements relating to business of retail and wholesale traders. These loans are offered to individuals, HUFs, proprietary concerns, partnership firms, limited liability partnership firms, limited companies engaged specifically in retail and wholesale trade. The quantum of credit ranges between ₹ 10 million to ₹ 50 million.
- **Traders and Services loan** which caters to working capital and capex requirements of retail, wholesale traders, MSME, professional and self-employed personnel. These loans are offered to individuals, HUFs, proprietary concerns, partnership firms, limited liability partnership firms and private limited company engaged in any trading and/or service activity. The quantum of the credit is up to ₹ 5 million.
- **TMB MSME Credit** which caters towards providing bank credit to MSME at liberalised terms towards working capital and term loans for acquiring fixed assets. These loans are offered to MSME units run by individuals/HUFs, proprietary concerns, partnership firms and limited companies. The upper limit of the credit ranges from ₹ 250 million for single borrowers to ₹ 500 million for group borrowers.
- **TMB Pharma Trade Finance Scheme** caters towards providing working capital requirements of wholesale dealers and distributors engaged in the business of pharmaceutical products. These loans are offered to any individual, HUF, proprietary concern, partnership firms, limited liability partnership firms, and private limited company engaged in pharmaceuticals trade. The quantum of the loan amount ranges from ₹ 2 million to ₹ 60 million.
- **TMB Loan against Properties** caters towards providing finance to traders, professionals and service enterprises for productive activities and may also be sanctioned for the purposes of children marriage, medical treatment, foreign travels and family settlements. These loans are typically sanctioned for customers with a regular banking relationship and the credit ranges from ₹ 0.1 million to ₹ 50 million subject to various conditions.
- **TMB Mahalir** caters towards providing loans to women entrepreneurs consisting of all units managed by women entrepreneurs in proprietary concerns or in businesses where women hold majority stake or cooperative societies where women are members. The quantum of the credit is up to ₹ 2 million.

Agricultural customers: TMB primarily offer loan products to individual farmers, group of farmers and agricultural corporates. During the Fiscals 2020, 2021 and 2022 agricultural customers contributed 24.77%, 27.41% and 29.70% respectively to their total advances with a CAGR of 19.70% from March 31, 2020 to March 31, 2022.

Category	Advance (₹ Cr)	Average Ticket Size (₹ Cr)	Interest Rate (%)
Farmers	5,993.79	0.10	7% to 12.75%
Non-Farmers	4,029.06	0.28	7.5% to 15.10%

Retail customers: TMB primarily offer home loans, personal loans, auto loans, educational loans as well as security backed loans of various types to their retail customers. During the Fiscals 2020, 2021 and 2022 retail customers contributed 19.27%, 20.60% and 20.39% respectively to their total advances with a CAGR of 12.46% from March 31, 2020 to March 31, 2022.

Home Loans

TMB offers long-term housing loans '**TMB Home Loans**' catering to various housing requirements of individuals ranging from purchase, construction and renovations. The loan amount under the TMB Home Loans ranges from ₹30 million in non-metro regions to ₹ 50 million in metro regions. They also offer customised loans for renovations up to a maximum limit of ₹ 2.50 million.

They also offer '**TMB Affordable Home Loan**' in metros where the cost of the property is up to ₹ 6.50 million with a maximum loan amount of ₹ 5 million and ₹ 5 million in non-metros with a maximum loan amount of ₹ 4 million.

They offer customised loans for renovations under **TMB Affordable Home Loan** up to ₹ 1 million. They offer housing loans to NRIs under '**TMB Home Loans for NRIs**' to NRIs. The loan amount under the TMB Home Loans for NRIs ranges from ₹ 30 million in non-metro regions to ₹ 50 million in metro regions. Bank's housing loan portfolio increased at a 19.22% from ₹ 2,857.43 crore in Fiscal 2020 to ₹ 4,061.24 crore in Fiscal 2022.

The information in relation to the LTV ratio of home loans:

Home Loans	LTV Ratio should not exceed		
	Loan upto ₹ 3 Million	Loan upto ₹ 7.5 Million	Loan above ₹ 7.5 Million
TMB Home Loans & TMB Home Loans for NRIs	90%	80%	75%
	Loans up to ₹ 3 million	Loans up to ₹ 5 million	
TMB Affordable Home Loans	90%	80%	

Loan Against Property ("LAP")

TMB offers financial support against properties that cater towards providing finance to clients. These loans are typically sanctioned for customers with a regular banking relationship and the credit ranges from ₹0.1 million to ₹50 million subject to various conditions. Bank's LAP portfolio increased at a CAGR of 3.19% from ₹ 406.27 crore in Fiscal 2020 to ₹ 432.60 crore in Fiscal 2022.

Vehicle Loans

TMB offers a variety of secured loans under the vehicle loan portfolio for personal and commercial purposes. Bank's vehicle loan portfolio increased at a CAGR of 6.09% from ₹ 401.53 crore in Fiscal 2020 to ₹ 451.95 crore in Fiscal 2022.

The information in relation to the vehicle loans provided for commercial vehicles, tractors, personal vehicles and two-wheelers:

Vehicle Loan	LTV Ratio	Interest Rate Range
Commercial vehicles		
New vehicles (body building by manufacturer)	85%	8.45% to 14.75%
New vehicles (body building by outsourced units)	75%	
Second hand vehicles	60%	
Tractor		
For loans up to ₹ 0.16 million (Nil margin)	85%	8.25% to 12.00%
PV Car Loan		
New vehicles (on road price)	85%	8.45% to 12.25%
Second hand cars (purchase or market value, whichever is lower)	70%	
Two-wheeler vehicle		
On road price of the vehicle up to a maximum of ₹ 0.10 million	75%	13.45% to 14.70%

TMB Personal Loan schemes are for assisting individuals to meet their various family and personal needs and **TMB Educational Loan schemes** offer financial support to eligible students for pursuing higher education as determined by the institution/ organization offering the educational course.

Corporate customers:

TMB offers various kinds of loans to corporates, in textiles and other industries, with their assortment of banking products and services including working capital, term financial, trade financial, structured finance services, foreign exchange business funding in domestic and foreign currencies. During the Fiscals 2020, 2021 and 2022 corporate customers contributed 18.04%, 12.92% and 12.53% respectively to their total advances with a CAGR of (8.89%) from March 31, 2020 to March 31, 2022.

From Fiscal 2020 to Fiscal 2022, the overall advances portfolio has increased at a CAGR of 9.33%.

- **RAM portfolio:** Bank's lending products are primarily focussed on MSME, retail and agri-financing. Their RAM portfolio has increased at a CAGR of 12.94% from ₹ 23,142.74 crore in Fiscal 2020 to ₹ 29,520.50 crore in Fiscal 2022.
- **Secured and un-secured lending:** TMB has consistently maintained and further increased their secured lending from 98.82% of their overall advances in Fiscal 2020 to 99.17% of their overall advances in Fiscal 2022. Their un-secured lending portfolio's contribution has declined from 1.18% or ₹ 332.77 crore of overall advances as on March 31, 2020 to 0.69% or ₹ 217.24 crore as on March 31, 2021 and increased to 0.83% or ₹ 279.85 crore as on March 31, 2022.
- **Average ticket size of advances:** with an aim to manage risk of concentration, they have increased their focus on lower ticket size loans. The average ticket size of loans in their overall advances portfolio has grown in the following manner:

(₹ in Cr)

Loan Category	CAGR	Fiscal 2022	Fiscal 2021	Fiscal 2020
Up to ₹ 1 lacs	(8.63)%	3,208.95	3,124.00	3,843.61
Above ₹ 1 lacs and up to ₹ 5 lacs	44.45%	5,827.26	5,180.77	2,792.56
Above ₹ 5 lacs and up to 10 lacs	15.64%	2,472.74	2,291.92	1,849.25
Above ₹ 10 lacs and up to 25 lacs	14.89%	5,615.50	5,062.85	4,254.01
Above ₹ 25 lacs	3.57%	16,623.93	15,880.96	15,496.77

Deposit Products

Bank's deposits portfolio consists of term deposits, recurring deposits, savings bank and current bank accounts amongst others. Total deposits of the Bank have increased at a CAGR of 10.46% from ₹ 36,825.03 crore in Fiscal 2020 to ₹ 44,933.11 crore in Fiscal 2022. During the Fiscals 2020 and 2022, the current account savings accounts ("CASA") contributed ₹ 9,518.05 crore or 25.85%, and ₹ 13,705.16 crore or 30.50% respectively to their total deposits and have grown with a CAGR of 20% from March 31, 2020 to March 31, 2022. Further, during the Fiscals 2020 and 2022, retail term deposits contributed ₹ 24,336.22 crore or 89.12%, and ₹ 27,204.89 crore or 87.12% respectively to their total term deposits and have grown with a CAGR of 10.46% from March 31, 2020 to March 31, 2022. They also have healthy renewal rates across the term deposit categories. Their deposit growth rate has been one of the Top-5 amongst their Peers in the industry with a growth rate of 10.46% for Fiscals 2020-22.

The renewal rates of the term deposits have changed in the following manner across categories:

Term Deposit Category	Fiscal 2022	Fiscal 2021	Fiscal 2020
Up to ₹ 15 lacs	78.00%	78.31%	79.86%
Above ₹ 15 lacs below ₹ 100 lacs	78.87%	79.09%	78.26%
Above ₹ 100 lacs	31.96%	41.40%	32.96%

TMB's risk management processes are aimed at maximizing Bank's risk adjusted rate of return by maintaining credit exposure within acceptable parameters. Their gross non-performing assets ("GNPA") have reduced from ₹ 1,020.98 crore or 3.62% in Fiscal 2020 to ₹ 1,084.78 crore or 3.44% in Fiscal 2021 to ₹ 570.93 crore or 1.69% in Fiscal 2022. In Fiscal 2022, TMB reported a low GNPA of 1.69% compared with 4.40% for its peers (median).

In Fiscal 2022, their GNPA as a percentage of overall advances in RAM portfolio was ₹ 428.87 crore or 1.45% and in corporate portfolio was ₹ 142.05 crore or 3.36% respectively. Further, they have maintained a provision coverage ratio ("PCR") at 80.75%, 79.53% and 87.92% as of March 31, 2020, March 31, 2021 and March 31, 2022 respectively.

The details of non-performing assets (NPAs) of the Bank:

(₹ in Cr)

As on March 31,	Gross NPA	Gross Advance	Gross NPA %	Net NPA	Net Advance	Net NPA %
2022	570.92	28,236.18	3.62%	497.47	27,715.76	1.80%
2021	1,084.78	31,541.03	3.44%	612.83	31,069.60	1.98%
2020	1,020.98	33,748.17	1.69%	317.58	33,491.54	0.95%

As on March 31, 2022, TMB had a network of 509 branches, 12 administrative offices, 1,141 ATMs, 282 CRMs, and 101 E-lobbies. Out of these 509 branches, 76 branches are in metropolitan areas, 80 branches are in urban areas, 247 branches are in semi-urban areas, and 106 branches are in rural areas. They have wide presence in south India and further diversifying their branches in other states of India, with 90 branches located in the states of Maharashtra, Gujarat, Karnataka and Andhra Pradesh respectively.

TMB is a professionally managed bank. Their Board of Directors and senior management consist of seasoned professionals with experience in banking, accounting and auditing. The members of the Board including the Independent Directors have significant experience including experience in the banking and finance industry. Additionally, two Directors have been nominated to the board by the RBI. The experience of the Board and senior management team has enabled them to develop a strong understanding of industry-specific aspects of their business and operations.

Brief details of Products:

Parameter	MSMEs	Agricultural Customers	Retail Customers	Corporate Customers
FY22 Portfolio Size (₹ Cr)	10,706 -12,615	6,995 – 10,023	5,442 – 6,882	5,093 – 4,228
CAGR (FY20-FY22)	8.55%	19.70%	12.46%	(8.89)%
Average Ticket Size (₹ Millions)	1.89	0.13	0.47	5.67
% of Total Advances	37.38%	29.70%	20.39%	12.53%
Product Description	Typically working capital requirement loans with flexible security conditions	Short term crop loans, machinery loan	Home loans, LAP, Vehicle loans, Personal Loans, Education loans	Loans for working capital, term financial, trade financial, structured finance services, foreign exchange business funding
Target Industries	Textile, timber, engineering, health-care, hospitality, food processing	Agriculture	Individuals	Textile, infrastructure, power, iron & steel and other industries
Security & Limit	Tangible and marketable collateral of at least 50% of loan value	As per RBI Circular, no security for loans upto ₹ 0.16 million	Immoveable property / hypothecated vehicle	
Loan Product Names	TMB Vyapari, Traders & Services Loan, TMB MSME Credit, TMB Pharma Trade Finance Scheme, TMB LAP, TMB Mahalir	Kisan Credit Card, TMB Dhall Mill, TMB Rice Mill	TMB Home Loan, TMB Affordable Home Loan, TMB Home Loan for NRI, TMB Personal Loan	

KEY OPERATIONAL AND FINANCIAL PERFORMANCE

Key operations and financial performance:

(₹ In Cr)

Metric	As of and for the years ended March 31,		
	2022	2021	2020
Total Business	78,681.25	72,511.45	65,061.21
Deposits	44,933.11	40,970.42	36,825.03
Credit to deposit ratio	74.54%	75.83%	75.26%
Cost of deposits	4.91%	5.49%	6.27%
Net advances	33,491.54	31,069.60	27,715.76
Yield on advances	9.45%	9.65%	10.19%
Credit cost	0.63%	1.37%	1.51%
Net interest income	1,815.23	1,537.53	1,319.51
Net interest margin	4.10%	3.77%	3.64%
Operating profit	1,526.77	1,202.23	995.03
Net profit	821.91	603.33	407.69
Net worth	5,335.71	4,579.98	3,979.65
Return on assets	1.66%	1.34%	0.99%
Return on equity	16.58%	14.10%	10.73%
CASA to total deposits ratio	30.50%	28.52%	25.85%
Cost to income ratio	42.12%	44.90%	46.10%

Metric	As of and for the years ended March 31,		
	2022	2021	2020
Gross NPA	1.69%	3.44%	3.62%
Net NPA	0.95%	1.98%	1.80%
PCR Ratio	87.92%	79.53%	80.75%

Yields, Spreads and Margins

(₹ In Cr)

Metric	For the period ended		
	2022	2021	2020
Interest Income	3,833.86	3,609.05	3,466.11
Average Interest Earning Assets	44,301.31	40,755.52	36,266.73
Interest Expense	2,018.63	2,071.53	2,146.59
Average interest bearing Liabilities	41,199.25	37,828.16	34,227.57
Net Interest Income	1,815.23	1,537.53	1,319.52
Pre provisioning operating profit	1,526.77	1,202.02	995.03
Pre provisioning Operating Profit margin as % of Average Total Net Assets	3.09%	2.68%	2.42%
Average Net Total assets (Net of Revaluation Reserve)	49,372.79	44,904.92	41,146.89
Average Share Capital & Reserves (Net of Revaluation Reserve)	4,957.84	4,279.81	3798.95
Average interest earning assets as % of average net total assets	89.73%	90.76%	88.14%
Average interest bearing liabilities as % of average net total assets	83.45%	84.24%	83.18%
Average interest earning assets as % of average interest bearing liabilities	107.53%	107.74%	105.96%
Yield	8.65%	8.86%	9.56%
Average Cost of Loan Funds	4.90%	5.48%	6.27%
Credit Cost (Total provisioning for NPA / Average Advances)	0.63%	1.37%	1.51%
Spread	3.75%	3.38%	3.29%
Net Interest Income/Average earning assets	4.10%	3.77%	3.64%
Non-Interest Income	822.58	644.35	526.42
Non-Interest Income / Average Total Net Assets	1.67%	1.43%	1.28%
Return on average net total assets	1.66%	1.34%	0.99%
Average Share Capital & Reserves to Average Total Net Assets	10.04%	9.53%	9.23%
Profit Available for Equity shareholders to Average Equity Shareholders fund	16.58%	14.10%	10.73%
Cost to Income (operating exp / (total income - interest expenses))	42.12%	44.90%	46.10%
Credit to Deposit (Advances / Deposits)	74.54%	75.83%	75.26%

Total Deposits

(₹ In Cr)

Metric	As at 31.03.2022		As at 31.03.2021		As at 31.03.2020	
	Balance O/S	% of Total	Balance O/S	% of Total	Balance O/S	% of Total
Demand Deposit	4,330.11	9.64%	3,596.31	8.78%	2,994.67	8.13%
- From Banks	0.09	0.00%	0.08	0.00%	0.13	0.00%
- From Others	4,330.02	9.64%	3,596.23	8.78%	2,994.54	8.13%
Savings Deposits	9,375.06	20.86%	8,088.95	19.74%	6,523.38	17.71%
CASA	13,705.16	30.50%	11,685.27	28.52%	9,518.05	25.85%
Term Deposits	31,227.95	69.50%	29,285.15	71.48%	27,306.98	74.15%
From Banks	0.00	0.00%	0.00	0.00%	0.00	0.00%
From Others	31,227.95	69.50%	29,285.15	71.48%	27,306.98	74.15%
Total Deposits	44,933.12	100.00%	40,970.42	100.00%	36,825.03	100.00%

The performance of the Bank over last 3 years:

(₹ In Cr)

Year	Net Worth	Deposits	Net Advances	Total Income	Net Profit	Dividend Paid (%)	No. of Branches	No. of Employees
2019-20	3,979.65	36,825.03	27,715.76	3,992.53	407.69	32%	509	4,325
2020-21	4,579.98	40,970.42	31,069.60	4,253.40	603.33	0%	509	4,363
2021-22	5,335.71	44,933.11	33,491.54	4,656.44	821.91	50%	509	4,457

Capital Adequacy

(₹ In Cr)

	Mar-2022	Mar-2021	Mar-2020
Tier – I (Common Equity)	5,231.77	4,486.43	3,895.66
Tier – II	415.62	253.35	213.91
Total	5,647.39	4,739.77	4,109.57
Risk Weighted Assets (“RWA”)	25,604.48	25,019.21	24,551.52
Tier – I	20.44%	17.93%	15.87%
Tier – II	1.62%	1.01%	0.87%
Capital Adequacy (%)	22.06%	18.94%	16.74%

COMPETITIVE STRENGTHS

- Strong legacy, loyal customer base and focus on improving servicing framework**

With almost 100 years of history, TMB has established themselves as a well-recognized scheduled commercial bank having a strong network of branches, ATMs and CRMs across several states of South India including Tamil Nadu being their home state, along with Maharashtra, Gujarat, Karnataka, and Andhra Pradesh, which has enabled them to maintain a strong customer base. With a focus on increasing their existing customer base, they have introduced various alternate banking channels such as ATMs, CRMs, internet banking, mobile banking, E-Lobbies, point of sales (“PoS”), banking and debit and credit cards.

They introduced internet banking to their customers in 2008 through ‘TMB-Econnect’ and utility payment facility which enabled their customers to pay bills. Their E-Lobbies are mini-branches which have been introduced with an aim to reduce human interface and cater to basic banking facilities of their customers.

- Strong presence in Tamil Nadu with focus to increase presence in other strategic regions**

Since their incorporation, TMB has built a strong and trusted network of customers in the State of Tamil Nadu. As of March 31, 2020, 2021 and 2022 their deposits and advances in the state of Tamil Nadu contributed to 75.93%, 76.33% and 75.06%, respectively, of their Total Business. As of March 31, 2022, they had 4.32 million customers, 85.03% of their overall customer base, contributing to their deposits and advances portfolios in the State of Tamil Nadu.

Apart from their home state, Tamil Nadu, TMB focuses on diversifying their reach in their already existing network including in the states of Gujarat, Maharashtra, Karnataka and Andhra Pradesh. As of March 31, 2022, their businesses, including the deposits and advances portfolios, in the state of Tamil Nadu, Maharashtra, Andhra Pradesh, Karnataka and Gujarat contributed 75.06%, 5.78%, 3.67%, 3.47% and 2.91% to their Total Business. Their focus to increase their markets share in these states more specifically in their home state.

- Advances with focus on MSME, agricultural and retail segments**

Bank’s advances portfolio consists of a wide basket of retail finance and small ticket size MSME finance products. Their focus is on understanding the needs and expectation of their customers, particularly in the RAM space and adopting strategies to target these customer segments for their growth. TMB leverages their presence in semi-urban and rural regions where they are located to attract more customers in the RAM segment. They have dedicated branches at Thoothukudi and Chennai in Tamil Nadu, and at Surat, Gujarat to cater to the requirements of MSME customers in these regions.

TMB has structured loan products available to meet the financial requirements of their MSME customers, which aids in growing their MSME customer base across all places where they are currently present. These products include “TMB-Traders & Services”, “TMB – MSME Credit”, “TMB Vehicle Finance (for commercial purposes)”, “TMB-Rice Mill”, “TMB-Dhall Mill”, “TMB-Pharma and Health Care”, “TMB-Micro Entrepreneurs under Pradhan Mantri MUDRA Yojna (“PMMY”)", “TMB Vyapari” and TMB Rental-100” (for business purposes).

- Consistently growing deposit base with focus on low-cost retail CASA**

TMB has adopted a customer-first approach, with an emphasis on customer relationships. Apart from the individual segment, they have focused on account sourcing on value based CASA products. During Fiscals 2020-22, their deposits increased at a healthy CAGR of 10.46% compared with peer median of 7.90%. TMB’s digital banking

channels enable a smooth transition from physical to digital usage and enhance customer experience, designed to grow their business and improve the margins.

- **Professionally managed Bank with experienced senior management team and board of directors**

Bank's Board of Directors comprises 11 directors and 2 nominee directors appointed by the RBI. The 11 directors include their Managing Director and Chief Executive Officer and 10 Non-Executive directors, of whom 6 are Independent Directors, 1 of whom is a woman Director. Their senior management team's capabilities, reputation, extensive network of industry relationships, and wide ranging experience in the finance and banking industry is critical to their strategy to grow, modernise, and develop further. They also have a robust, comprehensive training program for employees which help them improve and maintain the quality of customer service and retention of customers.

- **Strong asset quality, underwriting practices and risk management policies and procedures**

TMB focuses on selective lending and limit their exposure to certain industries and sectors as a part of their strategy to monitor concentration risk. They have a Risk Management Committee to monitor their corporate customers on a monthly basis. TMB has reported a relatively lower GNPA of 1.69% as compared with 4.40% for their Peers (median) as of Fiscal 2022. The NNPA have reduced from 1.80% in Fiscal 2020 to 0.95% in Fiscal 2022. They have maintained their PCR at 87.92% as of March 31, 2022.

As of March 31, 2022, TMB has 59.46% of their outstanding loan value with less than 12 months tenures including working capital facilities renewable annually, 17.45% of their outstanding loan value with a tenure of 12-60 months and 23.09% with a tenure of more than 60 months. As of March 31, 2022, their average loan outstanding per branch is ₹ 66.30 crore.

- **Consistent financial performance**

TMB focuses on increasing their digital footprint which in turn has improved their operational processes that has reduced the costs and resulted in improving the profitability of the Bank. The total income increased at a CAGR of 7.99% during 2020 to 2022. Their NIM has consistently grown over the years with an increase from 3.64% to 4.10% from Fiscal 2020 to Fiscal 2022 at a CAGR of 6.13%. The cost to income percentage has reduced from 46.10% in Fiscal 2020 to 42.12% in 2022 at a CAGR of (4.41)%. PAT of the Bank increased at a CAGR of 41.99% during Fiscal 2020 to Fiscal 2022. ROE of the Bank increased at a CAGR of 24.31% from 10.73% in Fiscal 2020 to 16.58% in Fiscal 2022. ROA of the Bank increased at a CAGR of 29.49% from 0.99% in Fiscal 2020 to 1.66% in Fiscal 2022.

KEY BUSINESS STRATEGIES

- **Continue to strengthen the product portfolios across deposits and advances**

TMB is continuously focusing on exploring and introducing new and customized fee-based products in addition to their existing products such as 'TMB Home Loan', 'TMB Affordable Home Loan', 'TMB Mahalir', and 'TMB Tractor'. They will also focus on improving experience of already available products as well as more tie ups with strategically identified third parties and leveraging their deep market expertise and relationships to leverage cross-selling opportunity, to grow deposits, improve advances sector wise and grow their fee-based income.

They also aim to expand the branch-wise targets by opening new Retail Assets Central Processing Centres ("RACPCs") with dedicated home loan sales teams posted at these locations to drive further home loan portfolio growth. As of March 31, 2022, TMB has one RACPC located at Chennai, Tamil Nadu, to which 36 branches of the Bank are linked. The housing loan portfolio of these 36 branches grew from 1,463 accounts with an outstanding amount of ₹ 290.08 crore as on March 31, 2020 to 1,634 accounts with an outstanding amount of ₹ 340.55 crore as on March 31, 2022.

With an endeavour to boost their revenue from fee-based products, TMB continue to tie up with various financial and other institutions such as **United India Insurance, Life Insurance Corporation, UTI Mutual Fund, Reliance Mutual Fund, Religare Securities Ltd, and Stock Holding Corporation of India Ltd.** They also plan to focus on and develop this revenue stream further by scaling up their promotion of the insurance and mutual fund products in Bank's digital platforms apart from dedicated business campaigns. Since the past 2 years, they have specifically focused on increasing their retail term deposit base by introducing specific programs like "TMB-My Bank" which is an employee performance based incentive program.

- **Transformation through technology to improve efficiency and customer experience**

TMB has invested in technology as a means of improving their customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with TMB. They have approximately 0.28 million customers using their internet banking facilities who made 4.99 million transactions, and approximately 0.28 million customers using their new mobile banking facilities who made 8.12 million transactions, as of March 31, 2022.

The information in relation to the digital and branch transactions for the past 3 years:

Year	Digital			Branch		
	No. of Transaction	Value (in ₹ Cr)	% of Total No. of Transactions	No. of Transaction	Value (in ₹ Cr)	% of Total No. of Transactions
Fiscal 2022	154,086,000	13,399.20	84.17%	28,986,766	47,546.50	15.83%
Fiscal 2021	98,485,069	10,200.40	76.40%	30,502,933	42,135.50	23.60%
Fiscal 2020	69,956,676	8,016.40	66.80%	34,789,651	42,892.90	33.20%
CAGR	48.41%	29.29%	-	(8.72)%	5.29%	-

Their aim is to foster continued investment and innovation towards improved network security technology and architecture by adopting the “**phygital**” approach to sustainable and scalable growth. They offer a convenient and secure application, **TMB DigiLobby**, for their customers to view all their account balances & transactions on their mobile device for each customer id.

- **Continue to improve asset quality**

TMB's aim is to continuously monitor and improve asset quality by focusing on secured advances, high loan to value ratio, diversification across loan book tenures, low concentration across branches and more stringent audit procedures for sanction of the loans specifically focusing on higher value loans. Their pre-disbursement approval procedure is also detailed with specific audits and procedures to be conducted in exposure of ₹ 3 crore or above.

INDUSTRY OVERVIEW

Peer comparison for advances and deposits

(₹ In Cr)

Parameters (FY22)	TMB	City Union	Catholic Syrian	DCB	Federal	Karur Vysya	Karnataka Bank	RBL	South Indian
Deposits	44,933.10	47,689.70	20,188.30	34,691.70	181,700.60	68,676.30	80,386.80	79,006.50	89,142.10
CASA/Total Deposits	30.50%	32.56%	33.66%	26.75%	36.94%	34.81%	33.00%	35.29%	33.21%
Advances	33,491.50	40,358.50	15,814.70	29,095.80	144,928.30	55,334.60	56,783.10	60,021.80	59,993.40
Deposits CAGR FY20-22	10.46%	8.07%	13.07%	6.88%	9.23%	7.82%	5.82%	16.90%	3.61%
Advances CAGR FY20-22	9.93%	9.07%	17.96%	7.14%	8.87%	9.56%	(0.2)%	1.71%	(3.51)%
Net Profit	821.91	760.17	458.49	287.51	1,889.82	673.27	508.61	(74.74)	44.98
Net Profit CAGR FY20-22	41.99%	26.30%	NM	(7.76)%	10.68%	69.25%	(6.62)%	NM	(34.42)%

Operating profitability of TMB and its peers

Parameters (FY22)	TMB	City Union	Catholic Syrian	DCB	Federal	Karur Vysya	Karnataka Bank	RBL	South Indian
Yield on advances	9.45%	9.36%	11.21%	10.71%	7.92%	8.47%	8.84%	12.22%	8.73%
Cost of deposits	4.91%	4.68%	4.31%	6.05%	4.28%	4.30%	4.66%	4.81%	4.75%
Net interest margins	4.10%	3.98%	5.27%	3.56%	3.16%	3.69%	3.18%	4.40%	2.62%
Cost-to-income	42.12%	40.37%	50.51%	55.40%	59.89%	53.20%	52.57%	56.90%	64.10%
Net profit margin	17.65%	15.62%	17.60%	7.30%	12.00%	10.60%	7.21%	(0.10)%	0.10%

Profitability of TMB and its peers

Parameters (FY22)	TMB	City Union	Catholic Syrian	DCB	Federal	Karur Vysya	Karnataka Bank	RBL	South Indian
Credit costs/total assets	0.27%	1.00%	0.30%	0.91%	0.50%	0.90%	0.90%	2.70%	1.30%
Return on assets	1.66%	1.32%	1.88%	0.68%	0.89%	0.87%	0.57%	(0.07)%	0.05%
Return on assets (FY20-22 avg)	1.32%	1.16%	1.00%	0.82%	0.88%	0.57%	0.62%	0.35%	0.07%
Return on equity	16.58%	12.23%	18.98%	7.37%	10.82%	9.25%	7.40%	(0.59)%	0.77%
Return on equity (FY20-22 avg)	13.17%	10.76%	10.28%	9.44%	10.79%	6.05%	9.05%	3.16%	1.33%
Tier-1 capital adequacy ratio	20.44%	19.80%	24.40%	15.80%	14.40%	17.50%	12.70%	16.20%	13.20%

Asset quality and PCR of TMB and its peers

(₹ In Cr)

Metric	TMB	City Union	Catholic Syrian	DCB	Federal	Karur Vysya	Karnataka Bank	RBL	South Indian
GNPA	570.93	1,933.18	289.51	1,289.93	4,136.74	3,431.04	2,250.82	2,728.39	3,648.09
GNPA (%)	1.69%	4.70%	1.81%	4.32%	2.80%	5.96%	3.90%	4.40%	5.90%
NNPA	317.58	1,191.10	107.00	573.23	1,392.62	1,260.79	1,376.97	806.56	1,777.77
NNPA (%)	0.95%	2.95%	0.68%	1.97%	0.96%	2.28%	2.42%	1.34%	2.97%

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2022)

Name of the Bank	Consolidated/ Standalone	Face Value	Total Revenue for FY 2022 (₹ Cr)	EPS (Basic)	NAV	P/B	P/E	RoNW (%)
Tamilnad Mercantile Bank Ltd	Restated	10	4,656.44	57.67	374.41	[•]	[•]	15.40%
City Union Bank Ltd	Consolidated	1	4,863.86	10.29	89.05	1.45	12.54	11.54%
CSB Bank Ltd	Consolidated	10	2,285.11	26.43	152.78	1.38	8.01	17.29%
DCB Bank Ltd	Consolidated	10	3,964.80	9.26	130.15	0.53	7.49	7.10%
Federal Bank Ltd	Consolidated	2	16,502.46	9.52	91.58	1.05	10.23	10.21%
Karur Vysya Bank Ltd	Consolidated	2	6,356.73	8.42	94.95	0.49	5.50	8.86%
Karnataka Bank Ltd	Consolidated	10	7,175.54	16.36	227.98	0.24	3.39	7.16%
RBL Bank Ltd	Consolidated	10	10,796.37	(2.77)	209.01	0.62	NA	(1.33)%
South Indian Bank Ltd	Consolidated	1	7,620.43	0.21	27.97	0.27	35.81	0.77%

Source: RHP; P/E Ratio has been computed based on the closing market price of the equity shares (BSE) on March 31, 2022.

AXIS CAPITAL LIMITED

Axis House, 1st Floor, Level-1, C-Wing, C-2, Wadia International Center, Pandurang Budhkar Marg, Worli, Mumbai 400 025.

Tel: +91 22 4325 2525; Fax: +91 22 4325 3000

www.axiscapital.co.in

This document has been prepared by Axis Capital Limited. Affiliates of Axis Capital Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating and target price of the Affiliates research report.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient.

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.

Axis Capital Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval.

Axis Capital Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document.

This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of Axis Capital Limited. The views expressed are those of the analyst and the Company may or may not subscribe to all the views expressed therein.

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Axis Capital Limited to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Tamilnad Mercantile Bank Limited is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed the RHP with the RoC and thereafter with SEBI and the Stock Exchanges. The RHP is available on the website of Securities and Exchange Board of India at www.sebi.gov.in, on the websites of the Stock Exchanges at www.bseindia.com and www.nseindia.com as well as on the websites of the BRLMs, Axis Capital Limited at www.axiscapital.co.in. Investors should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP. Potential investors should not rely on the DRHP filed with SEBI for making any investment decision.

Copyright in this document vests exclusively with Axis Capital Limited.