

September 1, 2022

IPO Note | Sector: Banks

Tamilnad Mercantile Bank

Settling into a healthy and stable return ratio profile makes IPO valuation attractive

We rate the upcoming IPO of Tamilnad Mercantile Bank (TMB) a SUBSCRIBE due to the following key reasons: (1) We find the asset quality outcomes of TMB having reached a stage which can be regarded as stable and benign (2) We find the loan growth performance and outlook of TMB as reasonable (3) We find the operating expense control outcomes to be reasonable as well (4) While cost of deposits is relatively on the higher side, the net interest margin outcome is healthy. It may be noted that this report contains an exhaustive comparative analysis of 11 mid and smallcap private sector banks, including TMB, across a variety of parameters and based on data obtained from outside the Red Herring Prospectus (RHP).

We find the asset quality outcomes of TMB having reached a stage which can be regarded as stable and benign

Based on our exhaustive comparative analysis of 11 mid and smallcap private sector banks, we note that TMB has the lowest GNPA ratio of 1.7% as of FY22, compared with 1.8-8.7% for the remaining peers. The annualised slippage ratio for TMB of 1.6% in FY22 was the 3rd lowest in our comparison universe, with 8 banks ranging between 3.1-6.9%. The annualised credit cost for TMB of 0.4% in FY22 was the 4th lowest, with 7 other banks ranging between 0.4-5.2%. Even so, the PCR including technical write-offs for TMB as of FY22 at 87.9% is the second healthiest in our comparison universe, behind only CSB. TMB's exposure to corporate loans is low at 12.5% and while the corporate NPL cycle is currently benign, this low exposure also implies a granular loan book leading to greater asset quality stability, ceteris paribus. Furthermore, exposure to higher-risk unsecured retail segments such as credit cards and microfinance is very small with unsecured loans, as a whole, being just 0.83% of total loan book.

We find the loan growth performance and outlook of TMB as reasonable

The 3-year FY19-22 loan CAGR for TMB at 8.1% is the 4th best in our 11-bank comparison universe. This performance is also to be viewed in the context of the pandemic, when the general lending environment was constrained. TMB has a clear strategy of focusing on the RAM (Retail, Agri, MSME) bucket, which has delivered a 2-year CAGR of 13% for TMB. TMB has a low loan book base of Rs 335bn, which is the 3rd smallest in our comparison universe and, therefore, growth opportunities should be less onerous to find, ceteris paribus. Furthermore, capital is not a constraint for growth at all since common equity tier 1 ratio at 20.4% as of FY22 is the second healthiest in our comparison universe. We do acknowledge that TMB's growth pattern, historically, has been contiguous, being concentrated within Tamil Nadu (76% of advances) and hence, intention and execution of growth outside Tamil Nadu would be a key monitorable from a perspective of gauging long-term scalability of the balance sheet.

We find the operating expense control outcomes to be reasonable as well

The cost to assets for TMB at 2.2% for FY22 are mid-range and the 5th lowest in our comparison universe, with 6 worse-placed banks ranging between 2.4-5.5%. The cost to income ratio for TMB at 42.1% for FY22 is the second best in our comparison universe.

While cost of deposits is relatively on the higher side, the net interest margin outcome is healthy

Cost of deposits for TMB at 4.9% for FY22 is the second highest in our comparison universe, although not necessarily high in the absolute sense. DCB's cost of deposits of 6.1% for FY22 would be regarded so. Thanks to a reasonable yield on advances of 9.5% for FY22 for TMB, which is the 5th highest in our comparison universe, the bank achieved a NIM of 4.1% for FY22, which is the 4th best in our comparison universe.

Factoring in all aspects, we rate the upcoming IPO of TMB a SUBSCRIBE

At the upper end of the price band, TMB would trade at an FY22 P/B of 1.4x. For FY22, TMB has delivered an RoA of 1.7% and an RoE of 16.6%. Importantly, given the business model of TMB, we do not see these return ratios as volatile, going forward. Consequently, we find the IPO valuation for TMB as eminently attractive.

Recommendation	: SUBSCRIBE
IPO Price Band	: Rs 500-525
Issue Opens	: 5 Sept 2022
Issue Closes	: 7 Sept 2022

Issue Details

Face Value, Rs	10
Issue Size, Rs bn*	8.32
Fresh Issue, Rs bn*	8.32
Offer for Sale, Rs bn*	Nil
Shares offered, mn	15.84
Current Outstanding shares, mn	142.5
Post issue outstanding shares, mn	158.4
Post issue M-Cap, Rs bn*	83.14

*at upper price band

Shares Reserved (of net offer)

QIP	Not less than 75%
Non-Institutional	Not more than 15%
Retail	Not more than 10%

Issue Manager

BRLM	Axis Capital, Motilal Oswal Investment Advisors, SBI Capital Markets
Registrar	Link Intime India Private Limited
Listing	BSE & NSE

Company Management Team

Mr. K.V. Rama Moorthy	Managing Director and CEO
Mr. Niranjan Sankar A.	Non-Executive Director
Mr. S. R. Ashok	Non-Executive Director
Mr. Asok Kumar P.C.G	Non-Executive Director
Mr. Nirranjan Kani	Non-Executive Director
Mr. P. A. Krishnan	Chief Financial Officer

Financial Summary

(Rs mn)	FY20	FY21	FY22
NII	13,195	15,375	18,152
PPOP	9,950	12,022	15,268
Net Profit	4,077	6,033	8,219
Growth (%)	57.7	48.0	36.2
EPS (Rs)	28.6	42.3	57.7
BVPS (Rs)	279	321	374
P/E (x)	18.4	12.4	9.1
P/BV (x)	1.9	1.6	1.4
ROE (%)	10.7	14.1	16.6
ROA (%)	1.0	1.3	1.7
Tier-1 (%)	15.9	17.9	20.4

SHIVAJI THAPLIYAL

Head of Research
& Lead Analyst

shivaji.thapliyal@ysil.in

+91 22 6885 0521



SIDDHARTH RAJPUROHIT, Analyst

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COMPREHENSIVE PRE-IPO CON-CALL TAKEAWAYS

Key IPO aspects

- ✓ Roughly, Rs 8.32bn is being raised at the upper end of the price band.
- ✓ The price band is Rs 500-525.
- ✓ The IPO opens on the 5th of September and closes on the 7th of September.
- ✓ The bank is offering 10% shareholding, which is the minimum required in an IPO, all in the form of fresh issuance.

Customer base

- ✓ The bank has a customer base of 5mn.
- ✓ 80% of the customers have been with the bank for 5 years or longer.

Loan book growth and mix

- ✓ Loan book mix
 - 88% of the loan book is RAM i.e. Retail, Agri and MSME.
 - The share of MSME loans is 37%.
 - The share of Agri loans is 29%.
 - The share of Retail loans is 20%.
 - Most of the Agri loans are gold-backed and the gold loan book amounted to Rs 85bn.
- ✓ Loan growth and RAM focus
 - The RAM loans have grown at an FY20-22 CAGR of 13%.
 - The bank had ventured into corporate lending with focus on the infrastructure space in 2013 but learnt its lessons and started to focus on RAM lending.
 - In fact, the bank is focused on making small-ticket loans with ticket size ranging between Rs 0.1-0.5mn.
 - The bank does not plan to go back to corporate lending in the near to medium term.
- ✓ Geographical mix
 - The share of Tamil Nadu in loan book is 76% but the bank is expanding outside the state.
- ✓ Community banking aspects
 - The bank is no longer regarded as one focused on the Nadar community.

Return ratios

- ✓ In FY22, the bank had an RoA of 1.66% and an RoE of 16.58%

Asset quality

- ✓ NPA ratio
 - The Net NPA ratio is 0.96%.
- ✓ Provision coverage ratio
 - The PCR including write offs is 88%.
 - The PCR excluding write off is in the range of 45-50%.

(Con call takeaways continue on the next page)

Tamilnad Mercantile Bank

✓ Restructured book

- The restructured book amounts to 2.84% of loan book.
- The slippage from the restructured book recently has amounted to Rs 0.18bn.

Operating expenses

- ✓ The cost to income ratio for FY22 is 42%, declining from 46%.
- ✓ The share of digital transactions is 85%, which is up from 75%.

Net interest margin

- ✓ The NIM has improved from 3.64% to 4.1%.
- ✓ Management stated that the bank would be able to maintain NIM in the 3.85-4% range.

Miscellaneous income

- ✓ Miscellaneous income has risen in FY22 on the back of recovery from written off accounts amounting to Rs 2.21bn.

CEO departure

- ✓ The CEO is departing soon from the bank.
- ✓ The CEO explained that he had joined TMB for a period of 3 years initially in 2017 and then agreed to extension.
- ✓ He now feels someone else should take over the reins for the next phase of growth.

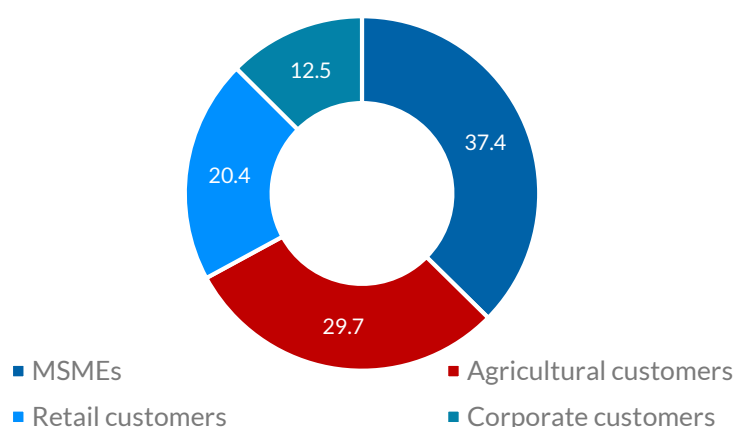
Capital adequacy

- ✓ The capital adequacy will rise from 22% to 25% due to the IPO proceeds.

KEY ASPECTS OF TAMILNAD MERCANTILE BANK

The following charts represent key information about Tamilnad Mercantile Bank gleaned from the Red Herring Prospectus (RHP). An exhaustive comparative analysis with 10 other mid and smallcap banks follows immediately after and is based on data sources outside of the RHP.

Exhibit 1: Loan Book Composition – FY22 - %



Source: Company RHP, YES Sec – Research

Exhibit 2: Loan Book - Segment-wise 2 year CAGR, Loan outstanding and % Share

Particulars	2 Year CAGR (FY20 to FY22), %	Outstanding Gross Advances (FY22), Rs mn	As % of Gross Advances (FY22), %
Home Loans	19.2	40,612	12.0
Loan Against Property	3.2	4,326	1.3
Vehicle Loans	6.1	4,520	1.3
Other Retail	4.4	19,367	5.7
Total Retail Customers	12.5	68,825	20.4
MSME	8.6	126,152	37.3
Agricultural Customers	19.7	100,229	29.7
Corporate Customers	8.9	42,277	12.5
Gross Advances	9.3	337,482	100.0

Source: Company RHP, YES Sec – Research

Exhibit 3: Home Loan LTV Data

Particulars	LTV Ratio should not exceed			
	Loans up to Rs 3 mn	Loans up to Rs 5 mn	Loans up to Rs 7.5 mn	Loans above Rs 7.5 mn
TMB Home Loans & TMB Home Loans for NRIs	90%	NA	80%	75%
TMB Affordable Home Loans	90%	80%	NA	NA

Source: Company RHP, YES Sec – Research

Exhibit 4: Home Loan Interest Rate Data

Particulars	Interest Rate
Prevailing RLLR* for home loans	7.95%
Rate of interest for home loan	4%^ to 14.75%

Source: Company RHP, YES Sec – Research, *Repo Linked Lending Rate, ^in respect of differential rate of interest ("DRI")

Exhibit 5: Loan Against Property Credit Range

Particulars	Credit Range
Loan Against Property	Rs. 0.1 mn to Rs. 50.0 mn

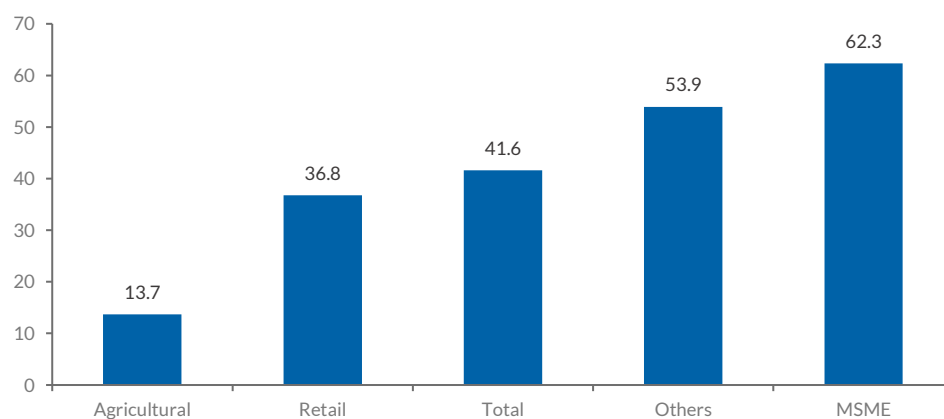
Source: Company RHP, YES Sec – Research

Exhibit 6: Vehicle Loan LTV and Interest Rate Data

Vehicle Loans	LTV Ratio	Interest rate range	Margin
Commercial vehicles			
New vehicles (body building by manufacturer)	85%	8.45%	15%
New vehicles (body building by outsourced units)	75%	to	25%
Second hand vehicles	60%	14.75%	40%
Tractor			
For loans up to Rs 0.16 million (nil margin)	85%	8.25% to 12.00%	15%
PV Car Loan			
New vehicles (on road price)	85%	8.45%	15%
Second hand cars (purchase or market value, whichever is lower)	70%	to 12.25%	30%
Two-wheeler vehicle			
On road price of the vehicle up to a maximum of Rs. 0.10 million	75%	13.45% to 14.70%	25%

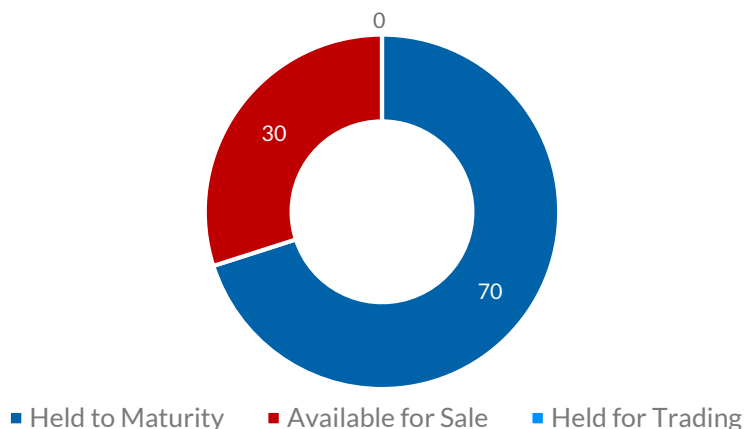
Source: Company RHP, YES Sec – Research

Exhibit 7: Moratorium accounts* - % of availed amount to loan book - FY22 - %



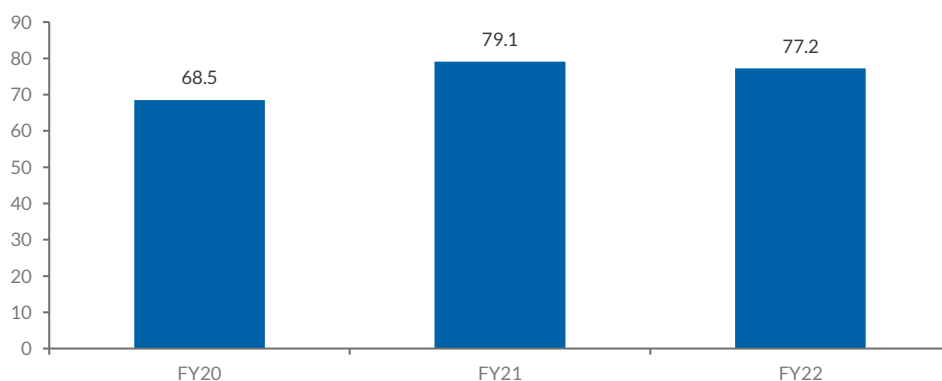
Source: Company RHP, YES Sec – Research; *N.B. These accounts are not under moratorium as of FY22 but once availed it

Exhibit 8: Investment Book Composition - FY22 - %



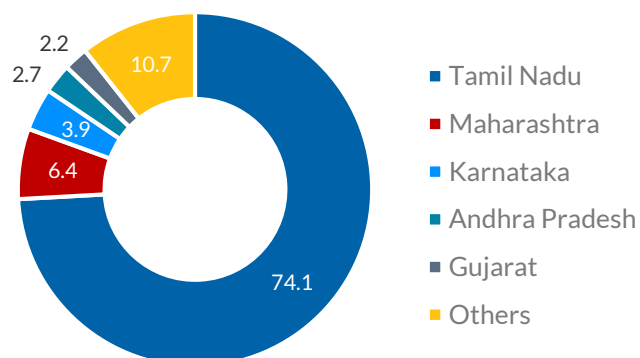
Source: Company RHP, YES Sec - Research

Exhibit 9: Priority Sector Credit as % of ANBC - FY20, FY21, FY22 - %



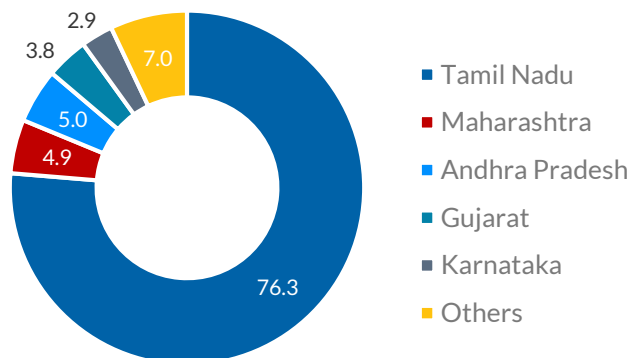
Source: Company, YES Sec - Research

Exhibit 10: State-wise share in Deposits - FY22 - %



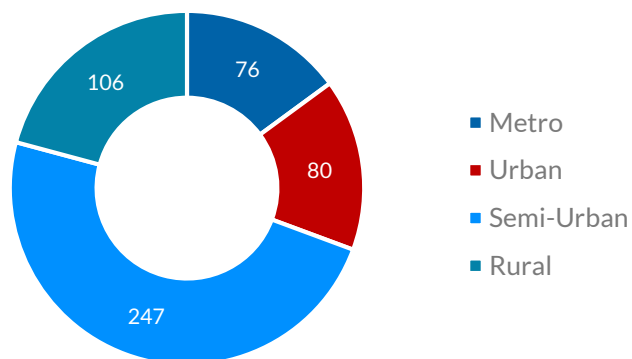
Source: Company RHP, YES Sec - Research

Exhibit 11: State-wise share in Advances- FY22 - %



Source: Company RHP, YES Sec – Research

Exhibit 12: Branch Network Distribution- FY22 - Nos.



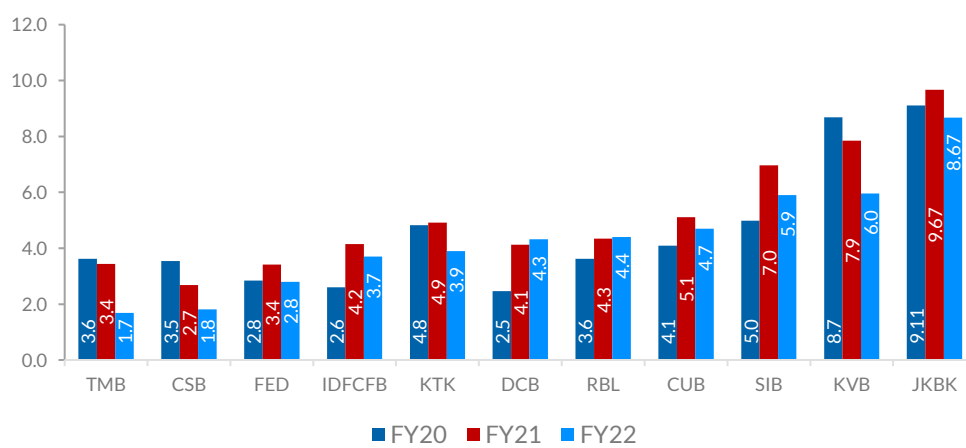
Source: Company RHP, YES Sec – Research

COMPARATIVE ANALYSIS WITH OTHER MID AND SMALLCAP BANKS

This is an exhaustive comparative analysis with 10 other mid and smallcap banks and is based on data sources outside of the RHP.

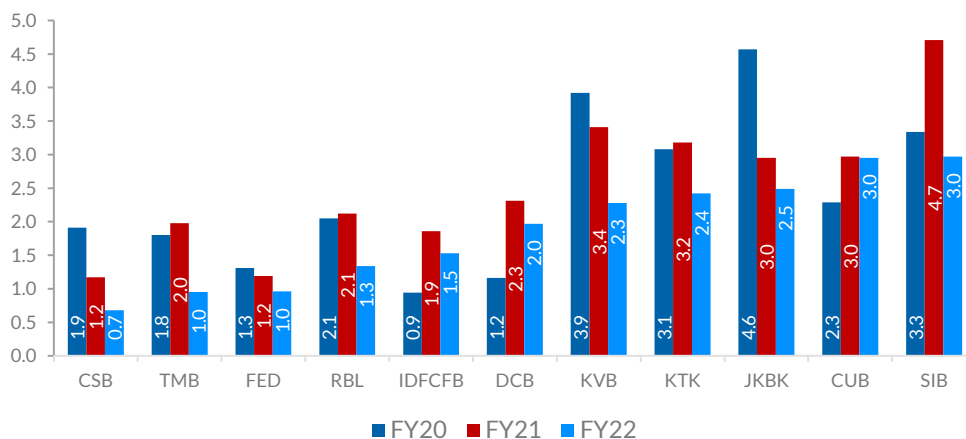
Asset Quality metrics

Exhibit 13: GNPA ratio - FY20, FY21, FY22 - %



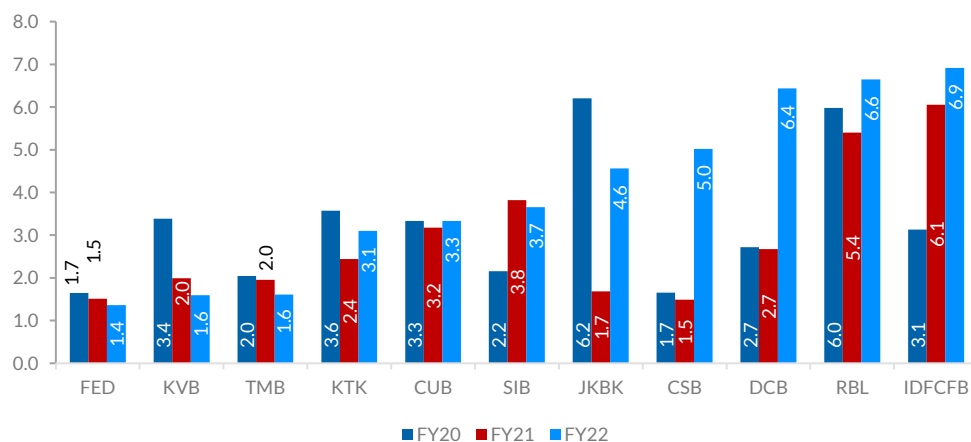
Source: Companies, YES Sec - Research; Sorted on FY22

Exhibit 14: NNPA ratio - FY20, FY21, FY22 - %



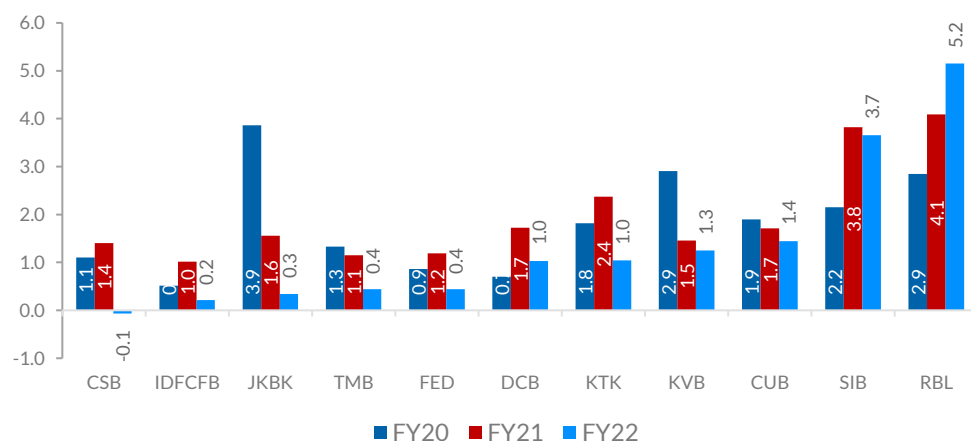
Source: Companies, YES Sec - Research, Sorted on FY22

Exhibit 15: Annualised slippage ratio – FY20, FY21, FY22 - %



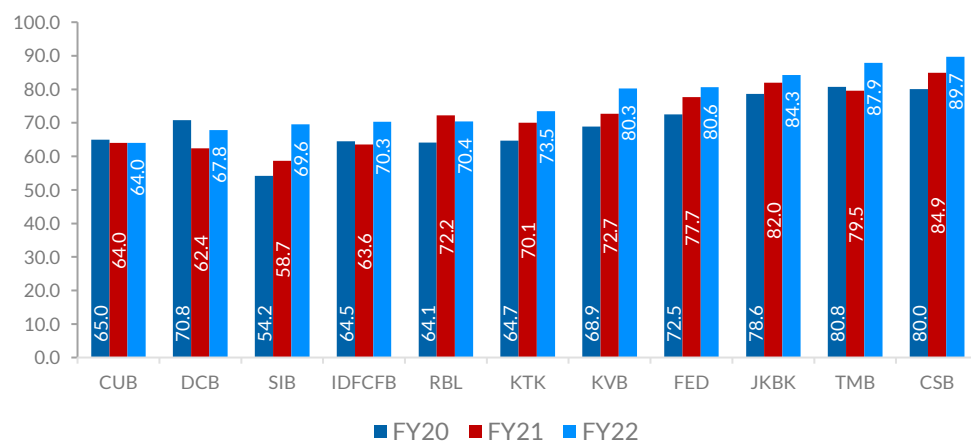
Source: Companies, YES Sec – Research; Sorted on FY22

Exhibit 16: Credit costs – FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research; Sorted on FY22

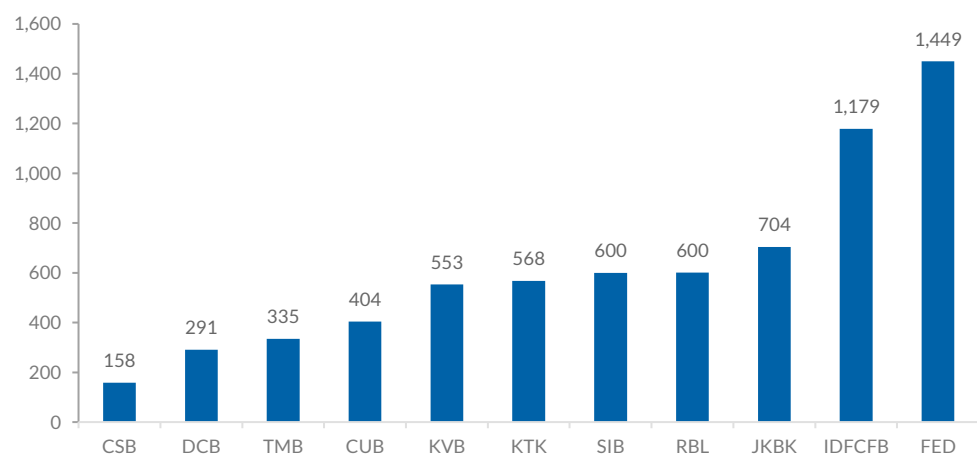
Exhibit 17: PCR including technically written off accounts – FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research; Sorted on FY22

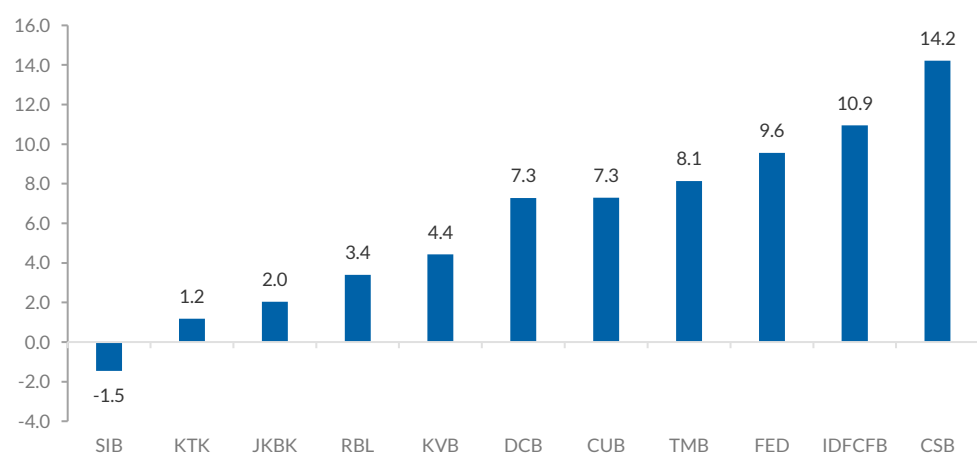
Loan book size and growth

Exhibit 18: Loan book size (Rs bn) – FY22



Source: Companies, YES Sec – Research

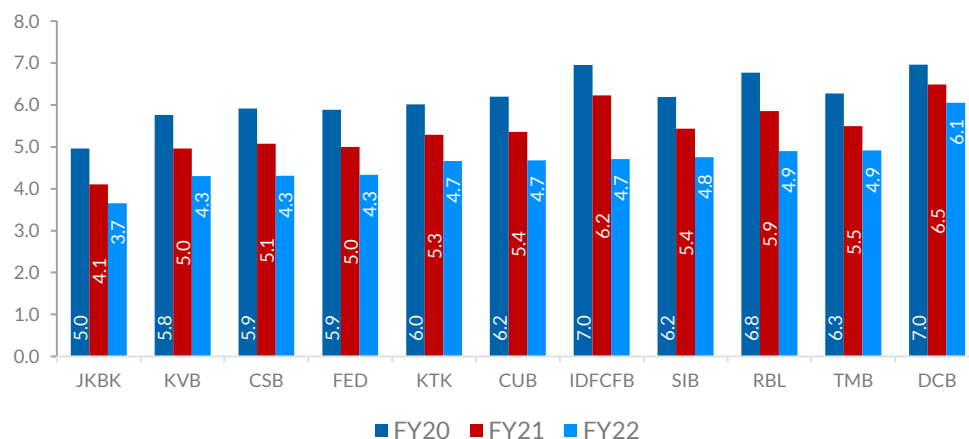
Exhibit 19: 3 year loan growth CAGR – FY19-22 - %



Source: Companies, YES Sec – Research

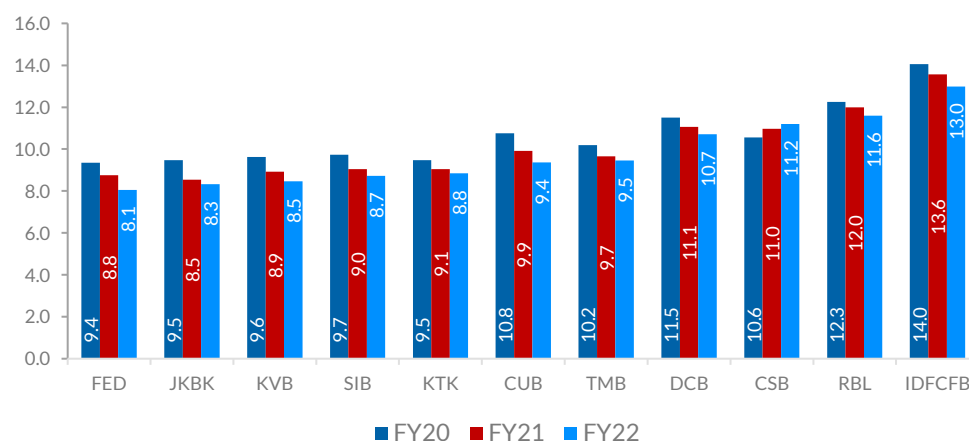
Net interest margin aspects

Exhibit 20: Cost of deposits - FY20, FY21, FY22 - %



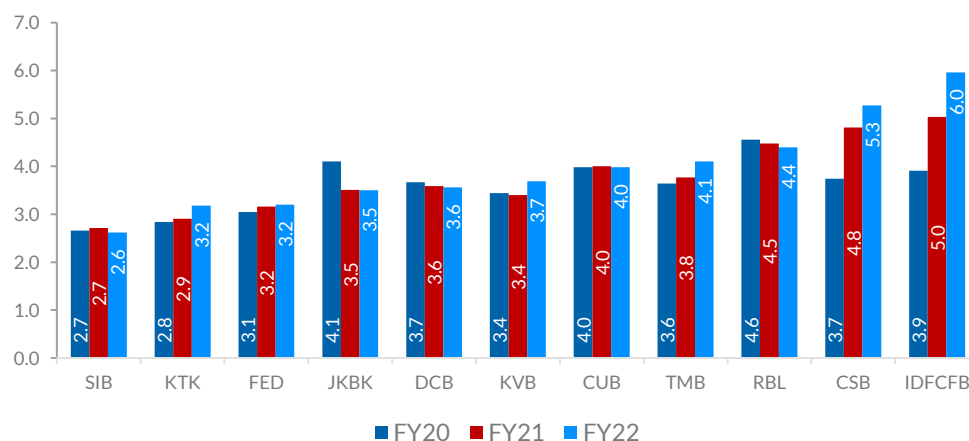
Source: Companies, YES Sec – Research; Sorted on FY22

Exhibit 21: Yield on advances - FY20, FY21, FY22 - %



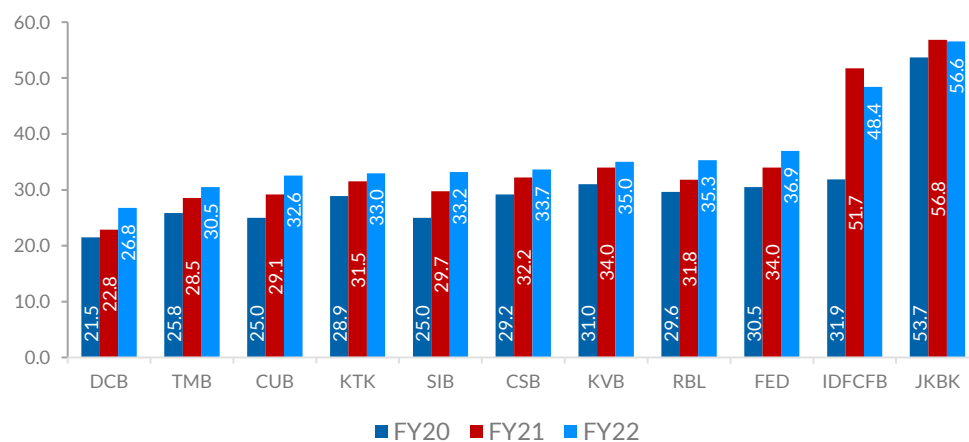
Source: Companies, YES Sec – Research; Sorted on FY22

Exhibit 22: Net interest margin - FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research; Sorted on FY22

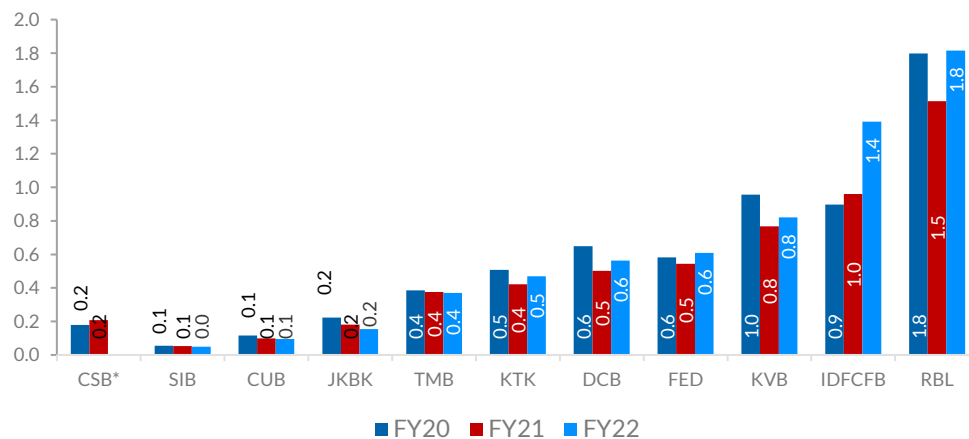
Exhibit 23: CASA ratio - FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research, Sorted on FY22

Fee Income aspects

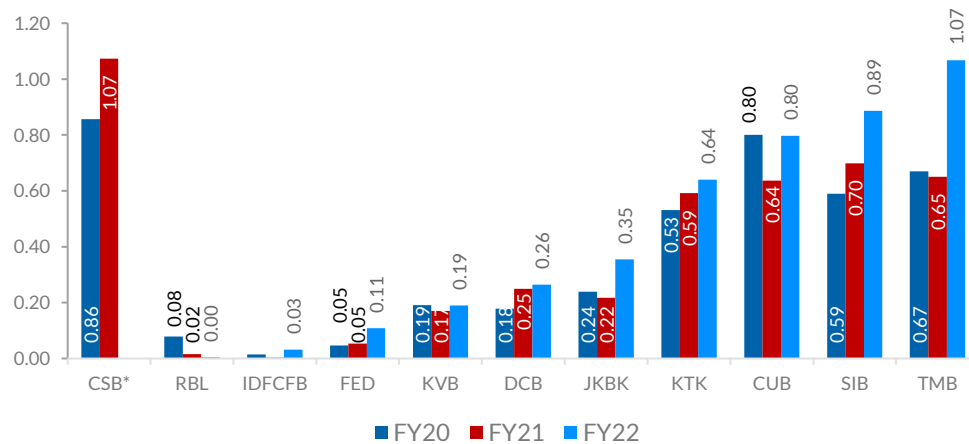
Exhibit 24: Commission, Exchange and Brokerage to Average Assets – FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research, Sorted on FY22, * FY22 data not available yet

Commission, Exchange and Brokerage is a key component of core fee income.

Exhibit 25: Miscellaneous Income to Average Assets – FY20, FY21, FY22 - %

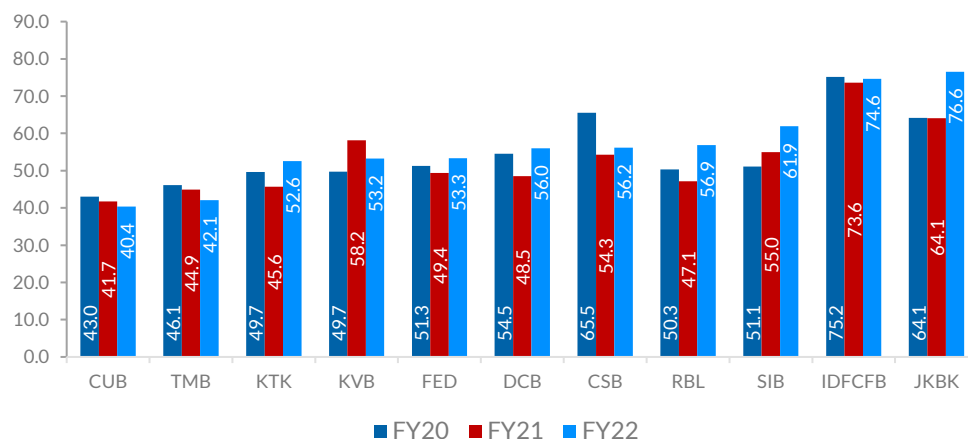


Source: Companies, YES Sec – Research, Sorted on FY22, *FY22 data not available yet

Miscellaneous Income is Total Non-Interest Income less Commission, Exchange and Brokerage and market-related income such as Treasury Profit. It includes Bad Debts recovered.

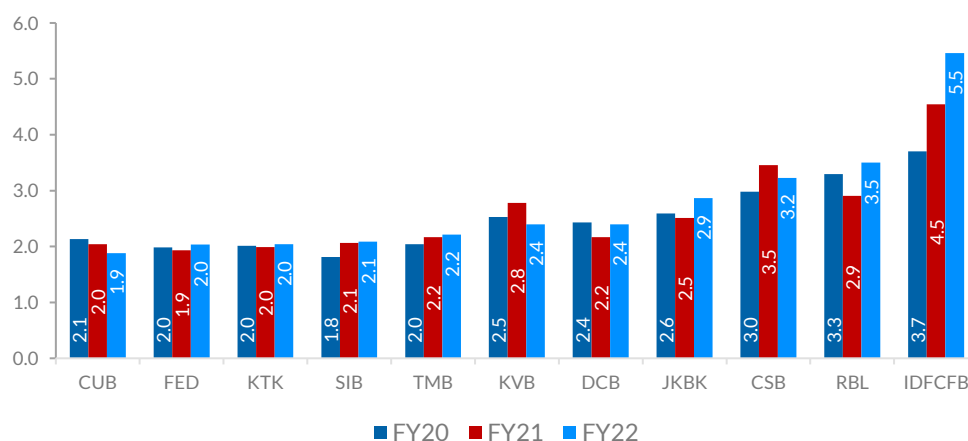
Operating expense metrics

Exhibit 26: Cost to Income ratio – FY20, FY21, FY22 - %



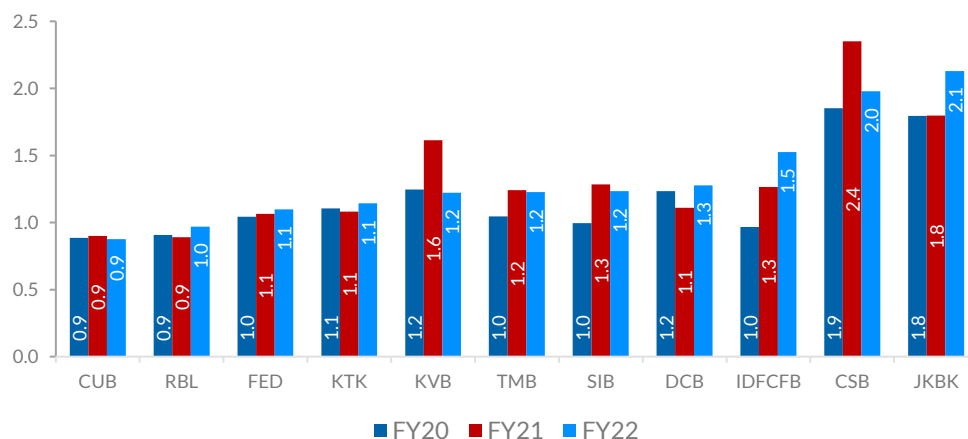
Source: Companies, YES Sec – Research, Sorted on FY22

Exhibit 27: Cost to Average Assets – FY20, FY21, FY22 - %



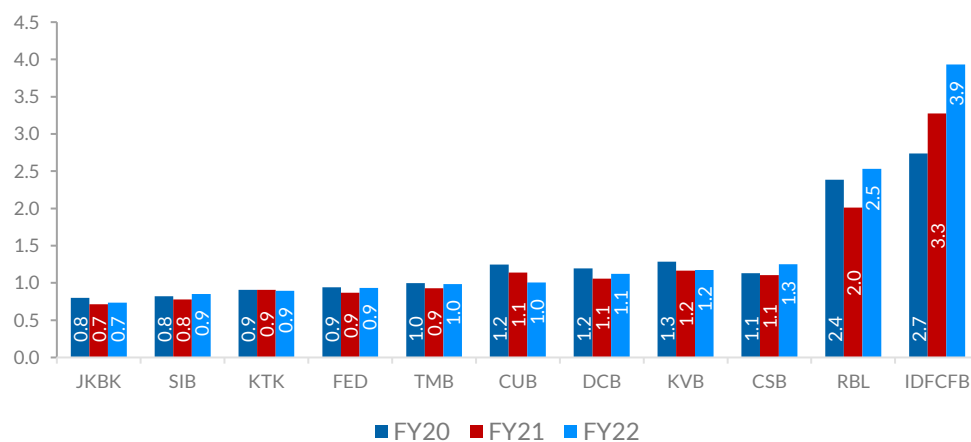
Source: Companies, YES Sec – Research, Sorted on FY22

Exhibit 28: Employee Expense to Average Assets – FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research, Sorted on FY22

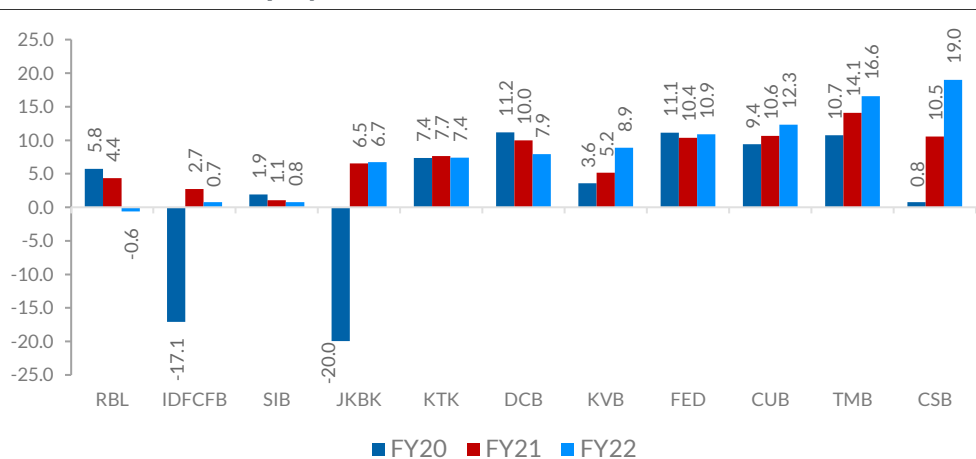
Exhibit 29: Other Opex to Average Assets - FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research, Sorted on FY22

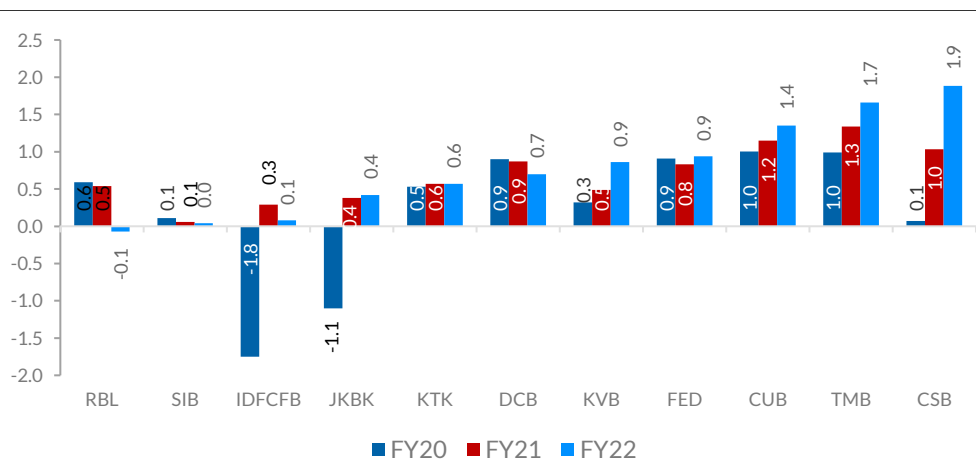
Return Ratios - Actuals

Exhibit 30: Return on Equity - FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research, Sorted on FY22

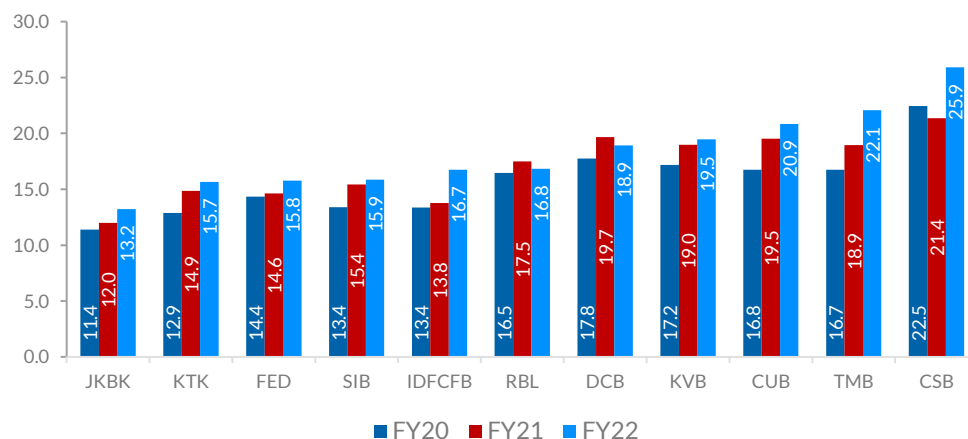
Exhibit 31: Return on Assets - FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research, Sorted on FY22

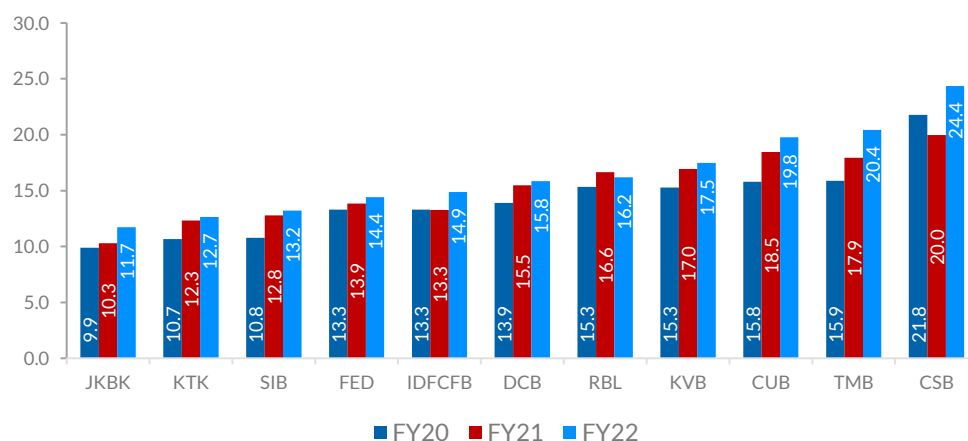
Capital Adequacy Ratios

Exhibit 32: Total Capital Adequacy Ratio – FY20, FY21, FY22 - %



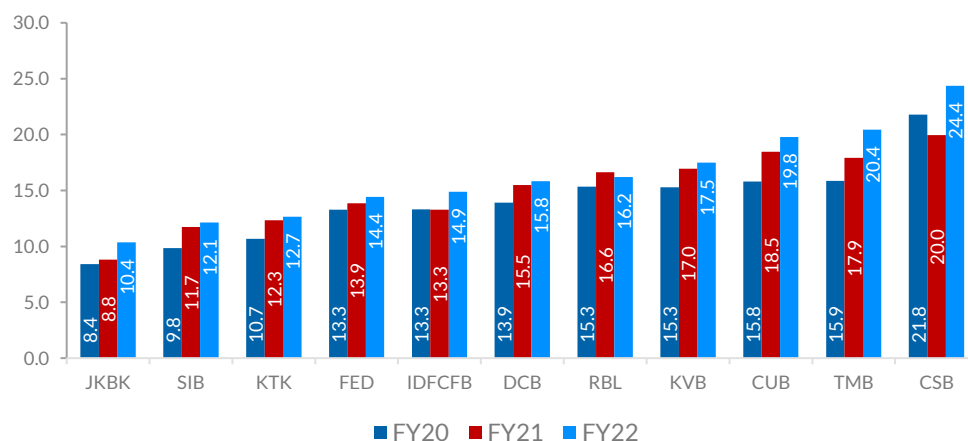
Source: Companies, YES Sec – Research, Sorted on FY22

Exhibit 33: Tier 1 Capital Ratio – FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research, Sorted on FY22

Exhibit 34: Common equity tier 1 capital – FY20, FY21, FY22 - %



Source: Companies, YES Sec – Research; Sorted on FY22

MANAGEMENT TEAM

MR. K.V. RAMA MOORTHY, MANAGING DIRECTOR & CEO

Mr. K.V. Rama Moorthy is a MD & CEO of the Bank. He holds a bachelor's degree in science (agriculture) from Andhra Pradesh Agricultural University, Hyderabad and is a certified associate of Indian Institute of Bankers. He has over 40 years of banking experience, including in Bank of Baroda and as an Executive Director in United Bank of India. He was also associated with Shahjahanpur RRB as Chairman during June 2005 to January 2006. He was Chief Executive, Territorial Head, UAE Dubai of Bank of Baroda during 2011-2014. He was nominated as a director on the board of in Nainital Almora Kshetriya Gramin Bank by the Bank of Baroda from February 2014 to June 2014. Prior to joining us, he was Executive Director in United Bank of India till 2017.

MR. P. A. KRISHNAN, CHIEF FINANCIAL OFFICER

MR. PRAKASH CHANDRA PANDA, COMPANY SECRETARY

MR. P. SURIARAJ, GENERAL MANAGER, HRD, ESTABLISHMENT, INTEGRATED TREASURY

MR. D. INBAMANI, GENERAL MANAGER, RECOVERY, MIS, LEGAL

MR. R. ARUMUGAPANDI, GENERAL MANAGER, CREDIT DEPARTMENT

MR. V. JAYARAMAN, GENERAL MANAGER, INFORMATION TECHNOLOGY

BOARD OF DIRECTORS

MR. K.V. RAMA MOORTHY, MANAGING DIRECTOR & CEO

Mr. K.V. Rama Moorthy is a MD & CEO of the Bank. He holds a bachelor's degree in science (agriculture) from Andhra Pradesh Agricultural University, Hyderabad and is a certified associate of Indian Institute of Bankers. He has over 40 years of banking experience, including in Bank of Baroda and as an Executive Director in United Bank of India. He was also associated with Shahjahanpur RRB as Chairman during June 2005 to January 2006. He was Chief Executive, Territorial Head, UAE Dubai of Bank of Baroda during 2011-2014. He was nominated as a director on the board of in Nainital Almora Kshetriya Gramin Bank by the Bank of Baroda from February 2014 to June 2014. Prior to joining us, he was Executive Director in United Bank of India till 2017.

MR. NIRANJAN SANKAR A., NON-EXECUTIVE DIRECTOR

Mr. Niranjan Sankar A. is a Non-Executive Director of the Bank. He holds a bachelor's degree in textile technology from Indian Institute of Technology, Delhi and a post graduate diploma in management from Indian Institute of Management, Bengaluru. He has over 22 years of experience in small scale undertakings. He is also an Executive Director of Pioneer Jellice India Private Limited since November 1, 2019 and has been associated with Sree Ayyanar Spinning and Weaving Mills Private Limited in various capacities from 1999 to 2020.

MR. S. R. ASHOK, NON-EXECUTIVE DIRECTOR

Mr. S. R. Ashok is a Non-Executive Director of the Bank. He is a doctor by profession. He holds a bachelor's degree in medicine and surgery from Madurai Kamaraj University, Madurai and a diploma in orthopaedics from Gulbarga University. He presently serves at the Thoothukudi Medical College Hospital. He served abroad, under the Ministry of Health, Kingdom of Saudi Arabia from June 2005 to May 2008 and served as a senior resident at the Pondicherry Institute of Medical Science from May 2010 to October 2013.

MR. ASOK KUMAR P.C.G., NON-EXECUTIVE DIRECTOR

Mr. Asok Kumar P.C.G. is a Non-Executive Director of the Bank. He completed his senior school certificate leaving examination in 1976. He is a partner at M/s Asok Sparklers Factory, a micro undertaking, and has over 25 years of experience investing in the stock market.

MR. NIRANJAN KANI D.N., NON-EXECUTIVE DIRECTOR

Mr. Nirranjan Kani D.N. is a Non-Executive Director of the Bank. He has a master's degree of arts from the University of Madras. He is a director in VVD & Sons Private Limited.

MR. BALAKRISHNAN PRABAHARAN, INDEPENDENT DIRECTOR

Mr. Balakrishnan Prabaharan is an Independent Director of the Board of the Bank. He has a bachelor's degree in technology (metallurgical and materials engineering) and a master's degree in biomedical engineering from Indian Institute of Technology, Chennai. He also holds a doctorate in biomedical engineering from Rensselaer Polytechnic Institute, Troy, New York, U.S.A. He is a technical Director of M/s Sree Ayyanar Spinning and Weaving Mills Private Limited since 1989.

MR. CHIRANJEEVI RAJ C., INDEPENDENT DIRECTOR

Mr. Chiranjeevi Raj C. is an Independent Director of the Bank. He holds a bachelor's degree in commerce from Ayya Nadar Janaki Ammal College, Sivakasi, is a Fellow Member of the Institute of Chartered Accountant of India. He has been practicing as a Chartered Accountant since 2005. He is a Partner at M/s S Chandrasekaran & Co, Chartered Accountants.

MS. EZHIL JOTHI S., INDEPENDENT DIRECTOR

Ms. Ezhil Jothi S. is an Independent Director of the Bank. She holds a bachelor's degree in commerce from Lady Doak College, Madurai, is a fellow member of the Institute of Company Secretaries of India and a registered valuer with the Insolvency and Bankruptcy Board of India. She is also a member of the management committee of the Madurai chapter of the Institute of Company Secretaries of India.

MR. NAGARAJAN K., INDEPENDENT DIRECTOR

Mr. Nagarajan K. is an Independent Director of the Bank. He has a bachelor degree in law from Bangalore University. He has been a practicing advocate since 1984 and has over 30 years of experience at the bar.

MR. VIJAYADURAI B., INDEPENDENT DIRECTOR

Mr. Vijayadurai B. is an Independent Director and part-time chairman of the Board of the Bank. He holds a master's degree in commerce from Madurai Kamaraj University. He is also a fellow member of the Institute of Chartered Accountant of India and has completed a post-qualification course in Information System Audit. He is a practicing Chartered Accountant for more than 23 years.

MR. B.S. KESHAVA MURTHY, INDEPENDENT DIRECTOR

Mr. B.S. Keshava Murthy is an Independent Director of the Bank. He holds a bachelor's and a master's of science in zoology from Bangalore University. Prior to joining the Bank, he was associated with Indian Overseas Bank for more than 37 years.

MR. BABU SURESH KUMAR S., RBI NOMINEE DIRECTOR

Mr. Babu Suresh Kumar S. is an RBI Nominee director of the Bank. He has a master's degree in commerce from the Loyola College, Chennai and is a certified member of Indian Institute of Bankers. He has more than 33 years of experience in various functions of Central Banking at different centers, especially in supervision of commercial banks and non-banking financial companies, human resources management and with brief exposures in foreign exchange regulation, public debt management and economic policy research.

MR. NATARAJAN GOPAL, RBI NOMINEE DIRECTOR

Mr. Natarajan Gopal is an RBI Nominee director of the Bank. He holds a bachelor's degree in commerce from Bangalore University and is a member of the Information Systems Audit and Control Association. He has also passed the intermediate level examination conducted by the Institute of Cost and Work Accountants of India. He has 37 years of experience at the RBI.

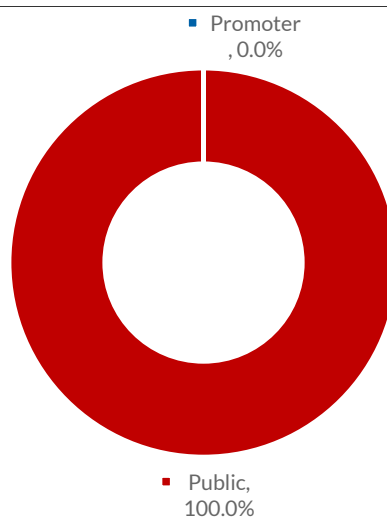
INFORMATION ON SHAREHOLDING

Exhibit 35: Top Shareholders

Sr. No.	Shareholder	(%)
1	Robert and Ardis James Company Limited	4.95
2	Starship Equity Holdings Limited	4.72
3	Subcontinental Equities Limited	4.64
4	East River Holdings Limited	3.72
5	Swiss Re Investors (Mauritius) Limited	3.56
6	FI Investments (Mauritius) Limited	1.90
7	C.S. Rajendran	1.48
8	Hibiscus Enterprises LLP	1.40
9	Investor Education and Protection Fund Authority	1.34
10	Meenakshi R.	1.33
11	Senthil G.M.	1.22
12	Asok Kumar P.C.G.	1.12

Source: Company, YES Sec – Research

Exhibit 36: Shareholding Pattern (Pre-IPO)



Source: Company, YES Sec – Research

ANNUAL FINANCIALS

Exhibit 37: Balance sheet

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22
Total cash & equivalents	37,366	27,051	38,520
Investments	94,673	117,032	130,355
Advances	277,158	310,696	334,915
Fixed assets	1,285	1,372	2,108
Other assets	17,107	19,121	22,686
Total assets	427,588	475,272	528,585
Net worth	39,796	45,800	53,357
Deposits	368,250	409,704	449,331
Borrowings	3,240	0	0
Other liabilities	16,301	19,768	25,897
Total liabilities incl. Equity	427,588	475,272	528,585

Source: Company RHP, YES Sec – Research

Exhibit 38: Income statement

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22
Interest income	34,661	36,091	38,339
Interest expense	(21,466)	(20,715)	(20,186)
Net interest income	13,195	15,375	18,152
Non-interest income	5,264	6,443	8,226
Total income	18,459	21,819	26,378
Operating expenses	(8,509)	(9,797)	(11,110)
PPoP	9,950	12,022	15,268
Provisions	(4,101)	(4,039)	(4,022)
Profit before tax	5,849	7,984	11,246
Taxes	(1,772)	(1,950)	(3,027)
Net profit	4,077	6,033	8,219

Source: Company RHP, YES Sec – Research

Exhibit 39: Du Pont Analysis (RoA tree)

Y/e 31 Mar	FY20	FY21	FY22
Interest income	8.3	8.0	7.6
Interest expense	-5.2	-4.6	-4.0
Net interest income	3.2	3.4	3.6
Non-interest income	1.3	1.4	1.6
Total income	4.4	4.8	5.3
Operating expenses	-2.0	-2.2	-2.2
PPoP	2.4	2.7	3.0
Provisions	-1.0	-0.9	-0.8
Profit before tax	1.4	1.8	2.2
Taxes	-0.4	-0.4	-0.6
Net profit	1.0	1.3	1.6

Source: Company RHP, YES Sec – Research

Exhibit 40: Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22
Growth matrix (%)			
Net interest income	7.3	16.5	18.1
PPoP	12.5	20.8	27.0
Net profit	57.7	48.0	36.2
Loans	4.6	12.1	7.8
Deposits	4.8	11.3	9.7
Profitability Ratios (%)			
Net interest margin	3.6	3.8	4.1
Return on Average Equity	10.7	14.1	16.6
Return on Average Assets	1.0	1.3	1.7
Per share figures (Rs)			
EPS	28.6	42.3	57.7
BVPS	279	321	374.4
ABVPS	244	278	352
Valuation multiples			
P/E	18.4	12.4	9.1
P/BV	1.9	1.6	1.4
P/ABV	2.1	1.9	1.5
NIM internals (%)			
Yield on loans	10.2	9.7	9.5
Cost of deposits	6.3	5.5	4.9
Loan-deposit ratio	75.3	75.8	74.5
CASA ratio	25.8	28.5	30.5
Opex control (%)			
Cost/Income ratio	46.1	44.9	42.1
Cost to average assets	2.0	2.2	2.2
Capital adequacy (%)			
Tier 1 capital ratio	15.9	17.9	20.4
Asset quality (%)			
Gross slippage ratio	2.0	2.0	1.6
Gross NPL ratio	3.6	3.4	1.7
Credit cost	1.3	1.1	0.4
Net NPL ratio	1.8	2.0	0.9

Source: Company RHP, YES Sec – Research

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Investments in securities market are subject to market risks, read all the related documents carefully before investing.

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YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House,
Off Western Express Highway, Santacruz East,
Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House,
Lok Bharti Complex, Marol Maroshi Road, Andheri East,
Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in
Website: www.yesinvest.in

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ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 |
Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT
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Details of Compliance Officer: Name: Aditya Goenka,
Email id: compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

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Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit

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ADD: Upside between 10% to 20% over 12 months

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