



Tamilnad Mercantile Bank Limited – IPO Note

IPO Recommendation – Subscribe to the issue for Investment

About the Company:

Tamilnad Mercantile Bank Limited (TMB) is one of the oldest private sector banks in India. It offers an array of banking and financial services to retail customers, micro, small, and medium enterprises (MSMEs), and more. TMB has a strong portfolio of advances and deposits from a diversified customer base including retail customers, agricultural customers, and MSMEs. As of March 31, 2022, the bank has a strong branch network of 509 branches and a total customer base of 5.08 million. TMB has a significant market presence in the state of Tamil Nadu with 369 branches, and is also present in 15 other states and 4 union territories of India.

Company Promoters:

TMB is a professionally managed bank and does not have identifiable promoters.

TMB IPO Snapshot:

Open Date	Sep 5, 2022
Close Date	Sep 7, 2022
Face Value	₹10 per equity share
Lot Size	28 Shares
Issue Price	₹500 to ₹525 per equity share
Issue Size	₹831.60 Cr
Listing At	BSE, NSE
Listing Date	Sep 15, 2022 (Tentative)

Objects of the Issue:

The net proceeds from the issue will be utilized for the following purposes;

- To augment tier-I capital base to meet future capital requirements.
- Meet offer issue expenses.
- To receive the benefits of listing the shares on the stock exchanges.

Competitive strengths

- Long-term track record with almost 100 years of history.
- Diversified and loyal customer base i.e., retail, MSMEs, and agricultural.
- Proven financial performance track record.
- Consistently growing customer deposit base with a focus on low-cost retail CASA.
- Professionally managed Bank by experienced senior management team and board of directors.

Risk factors to be considered:

- Pending legal cases at different forums.
- Regional concentration risk. Bank is largely present in Tamilnadu and south India and has lesser presence in other parts of the country.
- Restriction on new branch opening until listed. Expansion requires RBI approval.
- Shareholding of directors and their close relatives in the bank.

Financials:

Period Ended	31-Mar-20	31-Mar-21	31-Mar-22
Total Assets	42758.8	47527.17	52858.49
Total Revenue	3992.53	4253.4	4656.44
Profit After Tax	464.89	654.04	901.9

Reasons to invest/ subscribe for the issue:

- Superior revenue growth when compared with immediate listed peers in the segment.
- Consistent financial performance.
- EPS of 57.67 as of 31st March 2022 is best amongst immediate listed peers in the segment.
- Highest return on equity and return on assets with lowest cost to income amongst immediate peers.
- Increasing revenue and profitability on a consistent basis.
- Reasonably priced issue.

Investment rationale:

Taking into account all the factors, investors can consider investing in this IPO. TMB on all counts, except the pending legal matter in regard to OFS, this issue is fairly priced. Steady growth track record and sound fundamentals of the bank augur well for considering the reasonably priced issue from a medium to long-term perspective.

Information sources:

Information gathered in this document is from company's Red Herring Prospectus (DHRP) filed by the company with SEBI and from other freely accessible web sources.

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