

One Stop Investment Avenue



**GEPL**  
CAPITAL

## IPO Note

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# Tamilnad Mercantile Bank Limited

05th September, 2022





Date: September 5th, 2022

**Details of the Issue**

Price Band	₹ 500 - ₹ 525
Issue Size	₹ 831.68 Cr
Face Value	₹ 10
Bid Lot	28
Listing on	BSE, NSE
Post Issue Mcap	₹ 7918 Cr - 8314 Cr
Investment Range	₹ 14,000- 14,700

**Important Indicative Dates (2022)**

Opening	05 -Sep
Closing	07- Sep
Basis of Allotment	12- Sep
Refund Initiation	13- Sep
Credit to Demat	14- Sep
Listing Date	15-Sep

**Lead Manager**

Motilal Oswal Investment Advisors Limited.
SBI Capital Market
Axis Capital Markets Ltd

**No of shares**

Fresh Issue of Shares	15840000
Offer for Sales	0
Total No of Shares	0

**Offer Details**

Offer Size	₹ 831.68 Cr
Fresh Issue	₹ 831.68 Cr
OFS	₹ 0 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	1188000	623.70	594	75%
NIB	2376000	124.74	118.80	15%
Retail	1584000	83.16	79.20	10%
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Total	15840000	831.60	792	100%

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	0	0.00%	0	0.00%
Public	142,511	100%	158,351	100%
Total	142,511	100%	158,351	100%

**Company Profile**

Tamilnad Mercantile Bank was incorporated on May 11, 1921. Tamilnad Mercantile Bank (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.

During fiscals 2022, TMB 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.

**Business Highlights & Services**

1. TMB is one of the oldest and leading old private sector banks in India with a history of almost 100 years. TMB offer a wide range of banking and financial services primarily to micro, small and medium enterprises (“MSME”), agricultural and retail customers.
2. Services and Product offer by the TMB can be divided into 2 categories Asset Product and Deposit Product.
3. Assets product consist of advances. TMBs advances Portfolio consists of lending to Retail Customer 20.39%, Agriculture customer 29.705, MSMEs Customer 37.38%, Cooperate Customer 12.53%.
4. Services offer by TMB to Retail customer are home loans, vehicle loans and Loan Against Property (LAP).

Offer to co-operate costumer with 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.

Agriculture customer consist of Famer and Non–Famers.

MSMEs costumer consist of TMB Vyapari, Traders , Traders and Services loan , TMB MSME Credit , TMB Pharma Trade Finance Scheme, TMB Loan against Properties, TMB Mahalir .

5. Deposit Portfolio consist of term deposit, recurring deposit, saving and current bank account. TMBs current and saving account contributed ₹ 95,180.50 million or 25.85% and 137,0751.64 million or 30.50% respectively. Retail and Term deposit contributed ₹ 243,362.20 million or 89.12% and ₹ 272,048.89 million or 87.12% respectively .

**Company’s Promoter**

Tamilnad Mercantile Bank is a professionally managed bank and does not have an identifiable promoter group in terms of SEBI ICDR Regulations and the Companies Act, 2013.

**Utilization of IPO Proceeds**

The total issue size is 831.68Cr, The Net Proceeds are proposed to be utilised towards augmentation of Bank’s Tier-I capital base to meet capital requirements which are expected to arise out of growth in Bank’s assets, primarily its loans/advances and investment portfolio and to ensure compliance with regulatory requirements on capital adequacy prescribed by the RBI.

**Board of Directors**

It boards of directors include K V Rama Moorthy and Krishna Sankarasubramaniam who are Managing Director and CEO of the company. Niranjana Sankar A, S R Ashok, Ashok Kumar P C G, Niranjana Kani D N, the Non-Executive Director on the Board of the company. Balakrishnan Prabakaran, Chiranjeevi Raj C, Ezhil Jothi S, Nagarajan K, Vijayadurai B, B S Keshava Murthy, the Independent Director on the Board of the company.

**Bank's Competitive Strength :**

- Strong legacy, loyal customer base and focus on improving servicing framework
- Strong presence in Tamil Nadu with focus to increase presence in other strategic regions.
- Advances with focus on MSME, agricultural and retail segments.
- Consistently growing deposit base with focus on low-cost retail CASA .
- Professionally managed Bank with experienced senior management team and board of directors.
- Strong asset quality, underwriting practices and risk management policies and procedures.
- Consistent financial performance .

**Key Strategies Implemented by Bank**

- Continue to strengthen product portfolios across deposits and advances .
- Transformation through technology to improve efficiency and customer experience.
- Continue to improve asset quality.

Particulars (Rs. Cr.)	2022	2021	2020
Equity Share Capital	142.51	142.51	142.51
Reserves	5193.20	4437.47	3837.14
Net worth as stated	5335.71	4579.98	3979.65
Interest Earned	3833	3609	3466
Growth in Interest earned %	6.23	4.12	-
Net Profit for the period	821.9	603.3	407.7
EPS (₹ )	42.34	28.61	18.14
RoNW (%)	15.4	42.3	28.6
Net Asset Value (₹ )	374.41	321.38	279.25

**Valuations and Recommendation:**

- Tamilnad Mercantile banks is one of the oldest bank in Indian with an year of establishment in 1921, its presence is largely penetrated in the state of Tamilnadu .
- The banks has lending experience in the space of retail, MSME etc, Its net NPA positioning is 0.95% (best as compared to peers).
- However the Bank has a contingent liabilities of Rs 8797.6 Cr and a trackrecord of legal outstanding proceedings worth Rs 4066 Cr against bank and Rs 6218 Cr by the Bank. This liabilities are higher than its post listing Market Capitalization. Its 37.73% of paid-up equity share capital or 53.76 million Equity Shares are subject to out standing legal proceedings which are pending in connection with proceedings against the Bank have been initiated by various regulatory authorities including the RBI the Directorate of Enforcement (ED)
- Considering the Serious nature of the risk factors, We Assign "AVOID" rating to the issue.



## Notes

**GEPL Capital Pvt. Ltd**

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