



# MSEARCH

## IPO OFFERING

### Tamilnad Mercantile Bank (TMB)



### About Company

### Recommendation: Subscribe with Risk

South Indian based Tamilnad Mercantile Bank (“TMB”) is one of the oldest professionally managed private banks in India offering 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, TMB has 509 branches, of which 106 branches are in rural, 247 in semi-urban, 80 in urban and 76 in metropolitan centers. TMB's overall customer base is approximately 5.08 mn as of March 31, 2022, and 4.05 mn or 79.78% of customers have been associated with it for a period of more than 5 years and have contributed to Rs 35,014 Cr or 77.93% to their deposits and Rs 21,902.23 crore or 64.90% to their advances portfolios as of March 2022. It has consistently growing deposit base with focus on low-cost retail CASA.

Price Band	: Rs 500 to 525/- per share
Bid Lot size	: 28 Shares
Issue size	: Rs 792-832 Cr
Face Value	: Rs 10/-
Min App Amount	: Rs 14700/- at upper band
Issue Period	: 05 <sup>th</sup> to 07 <sup>th</sup> September 2022
Indicative credit of equity shares	: 14-09-2022
Indicative listing date	: 15-09-2022

**Important Note:** All retail applications compulsory in UPI mode\*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

**Msearch View & Recommendation:** We believe due to improved secondary markets conditions, primary markets are back in action with IPO Offers. After 2-3 years of waiting Tamilnad Mercantile Bank (TMB), a south Indian 100 year old well-recognized and trusted private banking player is up for IPO offering shares to the public. We like the strong business presence in Tamil Nadu (TN) state with a 75% contribution to the total business and rest out of TN and focused business towards MSME, agricultural and retail segments. On valuations at upper price band (₹ 525/-), the issue is asking for a market cap of ₹ 8314 Cr, with P/BV of 1.35x for FY22, when compared with listed peers banks having similar return ratio profile where the average P/B ratio comes near 0.75x, which seems the issue is reasonably priced. However, there are few investor hangover’s related to shareholder legal petition disputes regarding the bank’s share capital and anchor investment allotments at Rs 510/- per share against the price band of Rs 500 - Rs 525/-. Hence considering both pro’s and con’s of the offer, we recommend that only risky investors can “SUBSCRIBE THE ISSUE WITH RISK” for medium to long term perspective based on the financial strength which company has carried over the years except the pending legal matter in regard to OFS, while conservative investors can skip the IPO based on the risk concerns.

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BASIC FINANCIAL DETAILS			
Particulars Rs (in Cr)	2020	2021	2022
Equity Share Capital	142.51	142.51	142.51
Reserves as stated	3837.15	4437.47	5193.20
Net worth as stated	3979.65	4579.98	5335.71
Interest Earned	3466.11	3609.05	3833.86
Growth in Interest Earned (%)	-	4.12%	6.23%
EBITDA as stated	1030.10	1251.62	1566.74
Net Profit for the year	407.69	603.33	821.91
EPS (Rs )	28.61	42.34	57.67
RONW%	10.24%	13.17%	15.40%
NAV (Rs )	279.25	321.38	374.41

Data as on 31<sup>st</sup> March 2022

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)								
Companies	MCap	FV	Revenue from FY 2022	EPS	NAV	P/E	P/Bv	RoNW
Tamilnad Mercantile Bank Ltd	8313	10	4656.7	57.67	374.41	10.1x	1.38	15.40%
City Union Bank Ltd	13312	1	4863.8	10.29	89.05	12.5x	1.45	11.54%
CSB Bank Ltd	3749	10	2285.1	26.43	152.7	8.1x	1.38	17.29%
DCB Bank Ltd	2881	10	3964.8	9.26	130.15	7.4x	0.53	7.10%
Federal Bank Ltd	25317	2	16502.4	9.52	91.58	10.2x	1.0	10.21%
Karur Vysya Bank Ltd	5467	2	6356.7	8.42	94.95	5.5x	0.49	8.86%
Karnataka Bank Ltd	2292	10	7175.5	16.36	227.98	3.3x	0.24	7.16%
RBL Bank Ltd	7314	10	10796.3	(2.77)	209.01	-	0.62	(1.33)%
South Indian Bank Ltd	1705	1	7620.4	0.21	27.97	35.8	0.27	0.77%

Data as on 31<sup>st</sup> March 2022, Mcap: Cline

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