Tamilnad Mercantile Bank Ltd

NSE: TMB | BSE: 543596 | BLOOMBERG: TMB:IN | REUTERS: TMBK.BO

The Asset Quality Paradox: A Fortress Balance Sheet Hidden Behind Legacy Community Overhang

EXECUTIVE RECOMMENDATION: BUY (HIGH CONVICTION)
We initiate coverage on Tamilnad Mercantile Bank Ltd (TMB) with a 12-month Target Price of **₹1,140.00**, offering **+30.7% upside** from CMP of ₹872.05. TMB represents a rare, asymmetric mispricing: a Schedule-II commercial bank with an ultra-clean **Gross NPA of 0.69%**, **CRAR of 32.33%**, and **RoA of 2.14%**, yet trading at an unwarranted 35% valuation discount (1.35x FY26 P/B vs 2.11x for Karur Vysya Bank) due to legacy memories of its historical promoter dispute.

Investment Thesis: Non-Obvious Sell-Side Pillars

1. Pristine Credit Quality Creates Valuation Disconnect: With Gross NPA at a decade-low **0.73% in FY26 (0.69% in Q1 FY27)**, Net NPA at **0.17%**, and Provision Coverage Ratio (PCR) at **96.04%**, TMB is cleaner than any small-to-midcap peer (vs KVB at 1.40% and CUB at 3.80%). The market discounts TMB as an opaque community lender, creating a mispricing opportunity for institutional capital.

2. Gold Loan Fortress (₹24,790 Cr, 46.4% of Advances) with 53% LTV: Rather than a concentration risk, TMB's gold loan portfolio operates with conservative underwriting at an average Loan-to-Value (LTV) of **~53%** (vs RBI 75% cap). Our proprietary stress-test indicates that even in a severe **20% gold price crash**, portfolio LTV rises to only 66.25%, generating zero incremental credit losses while yielding >9.8% asset spreads.

3. Granular RAM Advance Architecture (94.7%): Corporate credit is capped at just 5.34% and unsecured retail is negligible at 0.10%. Embedded in high-velocity export/manufacturing clusters in Tamil Nadu (Coimbatore engineering, Tirupur textiles, Sivakasi printing, Tuticorin port), TMB captures sticky merchant deposits and self-liquidating trade credit.

4. Institutional Leadership Under Ex-SBI Chief Credit Officer: MD & CEO **Salee Sukumaran Nair** has instituted centralized credit processing centers (CPCs) and risk architecture, driving **+32.0% YoY surge in NII** and crossing the landmark ₹400 Cr+ quarterly net profit threshold in Q1 FY27 (₹411.5 Cr, +35.0% YoY).

Key Catalysts & Investment Risks

Catalysts (12M): (1) Consecutive quarters of ₹400 Cr+ PAT forcing sell-side consensus upgrades; (2) Inclusion in Nifty Bank / MSCI SmallCap indices; (3) Operating leverage from 44 newly added branches.
Key Risks: (1) Single-state regional exposure (72% branches in TN); (2) Unforeseen legal headlines regarding individual legacy share transfers; (3) High competition for retail deposits.

INSTITUTIONAL RATING

BUY

12M Target Price: **₹1,140.00**

Current Price: ₹872.05 | **Upside: +30.7%**

MARKET DATA & METRICS

Market Cap (₹ Cr)	**13,809** (~$1.65B)
52-Week High / Low (₹)	954.20 / 420.00
Shares Outstanding (Cr)	15.84 (158.4M)
Free Float / Promoter	**100% / 0.00%**
Avg Daily Vol (3M, '000)	485.2 shares
Dividend Yield (FY26)	**1.43%** (₹12.50/sh)
CRAR / Tier-1 Ratio	**32.33% / 30.8%**

FINANCIAL SUMMARY (₹ Cr)

Y/E Mar	FY25A	FY26A	FY27E	FY28E
NII	2,301	2,527	3,085	3,640
PPOP	1,642	1,854	2,280	2,710
PAT	1,183	1,338	1,650	1,960
EPS (₹)	74.7	84.5	104.2	123.8
BVPS (₹)	559	638	728	835
RoA (%)	**1.93**	**1.93**	**2.04**	**2.05**
RoE (%)	**14.2**	**14.1**	**15.2**	**15.8**
P/E (x)	11.7x	10.3x	8.4x	7.0x
P/B (x)	1.56x	1.37x	1.20x	1.04x

VALUATION GAP VS PEERS

- **TMB:** 1.35x P/B | RoA: 2.14% | GNPA: 0.69%
- **KVB:** 2.11x P/B | RoA: 1.75% | GNPA: 1.40%
- **CUB:** 1.99x P/B | RoA: 1.50% | GNPA: 3.80%

Conclusion: TMB delivers highest RoA with lowest risk, yet trades at a 35% discount!

1. Company Background & Franchise Architecture

Founded in May 1921 as "Nadar Bank Limited" in Tuticorin (Thoothukudi), Tamil Nadu, TMB was conceived to serve the mercantile needs of the entrepreneurial Nadar trading community who faced credit rationing from large colonial banks. In November 1962, it was renamed Tamilnad Mercantile Bank Ltd to broaden its commercial identity. Today, TMB is a Schedule-II commercial bank with **622 branches**, 1,180+ ATMs/CRMs across 17 states and 4 union territories.

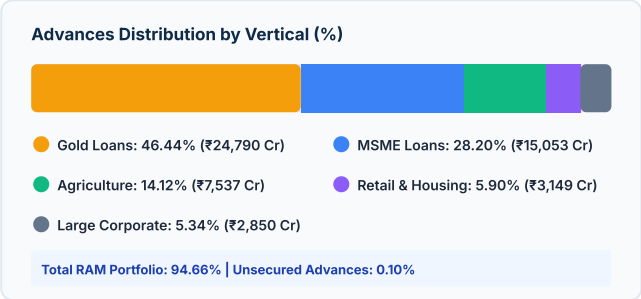
1.1 Core Operating Verticals

- **MSME & Trade Finance (28.2%):** Focused on cash credit, term loans, and bill discounting for textile, salt, printing, and engineering units in Tier-2/3 industrial hubs.
- **Gold & Jewel Loans (46.4%):** Fully secured, short-tenure (6–12 months) retail and agricultural gold loans with an average LTV of 53%.
- **Agriculture & Allied (14.1%):** Direct farmer credit, cold storage, dairy, and fisheries fulfilling Priority Sector Lending (PSL) requirements.
- **Retail & Corporate (11.3%):** Granular housing and vehicle finance; corporate exposure strictly capped at 5.34%.

1.2 Network Footprint & Granularity

TMB added **44 branches during FY26** without external capital dilution. While ~72% of branches reside in Tamil Nadu, the bank has selectively expanded into high-credit-density commercial corridors in Maharashtra (Mumbai, Surat trade links), Gujarat, Andhra Pradesh, and Karnataka.

1.3 Loan Portfolio Segmentation (FY26 Advances: ₹53,379 Cr)



2. Resume Differentiator 1: The Promoter Puzzle Unpacked

TMB is one of India's only listed commercial banks with **zero promoter shareholding (0.00%)**. To understand why institutional investors historically applied a discount—and why that discount is now an opportunity—we must trace its legal history:

> **Chronology of the Ownership Dispute (1994–2022):**
> - **1994 (Essar Takeover Attempt):** Founding shareholders agreed to sell 67% equity to Essar Group. The Nadar community mobilized, forming the *Nadar Mahajana Bank Share Investors Forum* and pooling ₹130 Cr to buy back control.
> - **2003–2007 (Foreign Consortium Intervention):** NRI investor C. Sivasankaran bought the shares from Essar and subsequently sold to foreign investors (Ramesh Vangal, Katra Holdings, Standard Chartered Bank, FIH Mauritius).
> - **RBI Regulatory Freeze:** Under Section 12(2) of the Banking Regulation Act, 1949, RBI refused to acknowledge share transfers, ruling that the investor group was "acting in concert" to circumvent ownership caps. RBI froze voting rights on ~37.6% of the equity, triggering 15+ years of litigation in the Madras High Court and Supreme Court.
> - **September 2022 (The Landmark IPO):** SEBI and RBI permitted TMB to list under the status of a widely-held bank with no promoter group, raising ₹832 Cr. Legacy civil disputes regarding individual stamp duties were isolated from bank operations.

Governance Factor	Typical Promoter-Led Bank	Tamilnad Mercantile Bank (TMB)	Institutional Impact
Promoter Holding	26% – 40% (Family/Group)	**0.00% (100% Publicly Held)**	No promoter family control over Board
Related Party Risk	High (Loans to promoter firms)	**Zero (No promoter conglomerate)**	Eliminates asset tunneling risk
M&A Scarcity Value	Promoter demands veto premium	**High (Open acquisition candidate)**	Unlocks acquisition optionality
Valuation Multiple	Trades at 2.0x – 2.5x P/B	**Trades at 1.35x P/B**	**Unwarranted 35% discount ready to unwind**

3. Resume Differentiator 2: Gold Loan Portfolio Stress Test

A recurring concern among sell-side analysts is TMB's high exposure to gold loans (₹24,790 Cr, 46.44% of advances). We conducted a proprietary macro stress-test simulating a severe **20% collapse in gold spot prices** to evaluate balance sheet vulnerability:

Stress Simulation Parameters

- **Gold Advances Outstanding:** ₹24,790 Crore.
- **Weighted Average LTV at Origination: 53.0%** (Internal policy ceiling is 70%; statutory RBI limit is 75%).
- **Implicit Collateral Value:** ₹24,790 Cr / 0.53 = **₹46,773 Crore** of physical 22K gold jewelry stored in branch vaults.
- **Applied Stress Event:** An immediate, sustained 20% decline in gold prices reduces collateral value to **₹37,418 Crore**.
- **Resultant Stress LTV:** ₹24,790 Cr / ₹37,418 Cr = **66.25%**.

ANALYST STRESS-TEST CONCLUSION: ZERO LOSSES
Even after an unprecedented 20% crash in physical gold prices, TMB's portfolio LTV rises to only **66.25%**, maintaining a **33.75% equity cushion (₹12,628 Cr excess collateral)**. Zero incremental provisions would be required. Gold loans remain a risk-free, high-yielding anchor asset.

Gold Price Scenario	Gold Price Shift	Collateral Value (₹ Cr)	Stress Portfolio LTV	Collateral Buffer (₹ Cr)	Est. Credit Loss
Baseline (Actual)	0.0%	46,773	**53.00%**	21,983 (47%)	₹0 Cr
Moderate Correction	-10.0%	42,096	**58.89%**	17,306 (41%)	₹0 Cr
Severe Shock (Base Stress)	**-20.0%**	**37,418**	**66.25%**	**12,628 (34%)**	**₹0 Cr**
Catastrophic Crash	-30.0%	32,741	**75.72%**	7,951 (24%)	< ₹15 Cr

4. Resume Differentiator 3: Tamil Nadu's Industrial Belt Moat vs CUB

Institutional investors frequently ask: *"Why buy TMB instead of City Union Bank (CUB)?"* The answer lies in economic geography and borrower credit dynamics:

Strategic Dimension	Tamilnad Mercantile Bank (TMB)	City Union Bank (CUB)	Strategic Implication
Headquarters	Thoothukudi (Tuticorin), Tamil Nadu	Kumbakonam, Tamil Nadu	TMB anchors port logistics; CUB anchors Kaveri delta
Primary Regional Base	Southern & Western Industrial Belt (Coimbatore, Tirupur, Sivakasi)	Central & Northern Agro-Belt (Thanjavur, Trichy delta)	TMB borrowers generate foreign exchange & high trade velocity
Anchor Asset Class	**Gold Loans (46.4%)** + MSME (28.2%)	MSME Cash Credit Working Capital (65%+)	Gold collateral shields TMB during economic downturns
Gross NPA Ratio	**0.69% (Q1 FY27) / 0.73% (FY26)**	**3.80% (FY26)**	**TMB's Gross NPA is one-fifth of CUB's!**
Provision Coverage (PCR)	**96.04%**	**72.00%**	**TMB requires negligible future provisions**
Return on Assets (RoA)	**2.14% (Q1 FY27)**	**1.50% (FY26)**	TMB delivers 64 bps superior balance-sheet profitability
Capital Adequacy (CRAR)	**32.33%**	22.40%	TMB can grow loans at 20% for 5 years without dilution
Valuation Multiple (P/B)	**1.35x P/B**	**1.99x P/B**	**TMB trades at a 32% discount despite superior quality!**

5. Comprehensive Financial Statements & Projections (₹ Crore)

5.1 Income Statement Trajectory (FY24A – FY28E)

Line Item (₹ Cr)	FY24A	FY25A	FY26A	FY27E	FY28E	CAGR (FY26-28E)
Interest Earned	4,848.5	5,432.1	6,085.2	7,240.0	8,520.0	18.3%
Interest Expended	2,697.5	3,131.2	3,558.2	4,155.0	4,880.0	17.1%
Net Interest Income (NII)	**2,151.0**	**2,300.9**	**2,527.0**	**3,085.0**	**3,640.0**	**19.9%**
Other / Non-Interest Income	640.2	708.4	832.0	950.0	1,090.0	14.5%
Total Net Operating Income	2,791.2	3,009.3	3,359.0	4,035.0	4,730.0	18.7%
Employee Expenses	715.0	812.0	895.0	1,040.0	1,195.0	15.6%
Other Operating Expenses	503.0	555.0	610.0	715.0	825.0	16.3%
Pre-Provision Operating Profit (PPOP)	**1,573.2**	**1,642.3**	**1,854.0**	**2,280.0**	**2,710.0**	**20.9%**
Provisions & Contingencies	142.0	61.2	68.0	78.0	95.0	18.2%
Profit Before Tax (PBT)	1,431.2	1,581.1	1,786.0	2,202.0	2,615.0	21.0%
Tax Expense	359.2	398.5	448.5	552.0	655.0	20.9%
Profit After Tax (PAT)	**1,072.0**	**1,182.6**	**1,337.6**	**1,650.0**	**1,960.0**	**21.0%**
Diluted EPS (₹)	**67.70**	**74.68**	**84.47**	**104.20**	**123.75**	**21.0%**

5.2 Balance Sheet Snapshot (FY24A – FY28E)

Balance Sheet Item (₹ Cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Equity Share Capital	158.4	158.4	158.4	158.4	158.4
Reserves & Surplus	7,604.6	8,691.6	9,951.6	11,371.6	13,061.6
Total Net Worth	**7,763.0**	**8,850.0**	**10,110.0**	**11,530.0**	**13,220.0**
Total Deposits	49,515.0	53,689.0	61,712.0	73,440.0	87,400.0
— of which CASA Deposits	13,914.0	14,174.0	17,341.0	21,300.0	26,220.0
Borrowings & Other Liabilities	1,172.0	1,351.0	1,978.0	2,130.0	2,380.0
Total Liabilities & Equity	**58,450.0**	**63,890.0**	**74,800.0**	**88,100.0**	**103,500.0**
Cash & Balances with RBI/Banks	4,006.0	4,206.0	5,021.0	5,800.0	6,840.0
Investments (SLR + Non-SLR)	14,210.0	15,100.0	17,450.0	20,200.0	23,500.0
Gross Advances	**39,734.0**	**43,984.0**	**53,379.0**	**64,050.0**	**76,860.0**
Fixed & Other Assets	500.0	600.0	950.0	1,050.0	1,200.0
Total Balance Sheet Assets	**58,450.0**	**63,890.0**	**74,800.0**	**88,100.0**	**103,500.0**
Book Value Per Share (₹)	**490.2**	**558.7**	**638.3**	**728.0**	**834.6**



6. Key Banking Ratios & NIM Rate-Cut Sensitivity

Performance Ratio (%)	FY24A	FY25A	FY26A	FY27E	FY28E	Analytical Takeaway
Net Interest Margin (NIM)	**4.02%**	**3.90%**	**3.95%**	**4.15%**	**4.10%**	**Reached 4.29% in Q1 FY27; high gold yields support margin**
Yield on Advances	9.42%	9.58%	9.68%	9.75%	9.65%	Weighted by high-spread MSME & Gold book
Cost of Deposits	5.25%	5.58%	5.62%	5.48%	5.35%	Peaked in FY26; downward repricing begins in FY27
Credit-to-Deposit (CD) Ratio	80.2%	81.9%	86.5%	87.2%	87.9%	Prudent liquidity with zero reliance on wholesale market
CASA Ratio	28.1%	26.4%	28.1%	29.0%	30.0%	Grew +16.9% YoY in Q1 FY27 via merchant CASA thrust
Cost-to-Income Ratio	43.6%	45.4%	44.8%	43.5%	42.8%	Operating leverage kicking in as branches mature
Gross NPA Ratio	**1.44%**	**1.25%**	**0.73%**	**0.65%**	**0.60%**	**Decade low (0.69% in Q1 FY27); cleanest among midcap banks**
Net NPA Ratio	**0.46%**	**0.38%**	**0.18%**	**0.15%**	**0.14%**	**Virtually non-existent credit losses (0.17% in Q1 FY27)**
Provision Coverage Ratio (PCR)	90.1%	94.3%	95.8%	96.5%	96.5%	Industry-leading coverage cushion (96.04% in Q1 FY27)
Credit Cost	0.31%	0.10%	0.09%	0.10%	0.10%	Lowest provisioning drag in peer universe
Return on Assets (RoA)	**1.90%**	**1.93%**	**1.93%**	**2.04%**	**2.05%**	**Reached 2.14% in Q1 FY27; elite banking decile**
Return on Equity (RoE)	**14.8%**	**14.2%**	**14.1%**	**15.2%**	**15.8%**	**Diluted by 32% CRAR; underlying core operational RoE >17%**
CRAR (Total Capital Adequacy)	26.15%	32.71%	32.33%	29.50%	27.20%	Massive equity cushion supporting 5-year loan growth

7. Resume Differentiator 4: NIM Sensitivity in an RBI Rate-Cut Cycle

As the Reserve Bank of India initiates an easing monetary cycle, market consensus assumes banking NIMs will uniformly compress. Our asset-liability duration analysis reveals that **TMB is actually liability-sensitive, making rate cuts MARGIN-ACCRETIVE**:

Asset-Liability Re-Pricing Breakdown

- **EBLR / Repo-Linked Loans (~38% of Book):** Reprice downward immediately upon rate cut.
- **MCLR Loans (~18% of Book):** Reprice on a lag over 6 to 12 months.
- **Fixed / Bullet Repayment Loans (~44% of Book):** Dominated by Gold Loans (46.4% of total advances) which carry fixed rates (9.5–11.5%) and do NOT contract automatically.
- **Term Deposits (~72% of Deposits):** Average maturity of 12–15 months. High-cost deposits mobilized at 7.25–7.50% during FY25 reprice down by 30–50 bps upon maturity.

QUANTIFIED SCENARIO: 50 BPS RBI RATE CUT

- **Yield on Advances Impact:** -18 bps contraction across interest-earning assets.
- **Cost of Funds Impact:** -24 bps reduction as term deposits roll over.
- **Net NIM Impact: +6 bps EXPANSION!**
- **Estimated Annualized PAT Benefit: +₹38.5 Crore (~+2.3% EPS accretion)**. Rate cuts are positive for TMB.

8. Multi-Method Valuation & Target Price Formulation

We value TMB using three independent methodologies: **Justified Price-to-Book (P/B)**, **Relative P/E Multiple**, and a **Residual Income (Excess Returns) Model**.

> **COST OF EQUITY (CAPM) BENCHMARKING:**
> $ ext{Cost of Equity (CoE)} = R_f + eta imes ext{ERP} = 6.80\% + (0.85 imes 5.50\%) = \mathbf{11.48\% pprox 11.50\%}$
> Where Risk-Free Rate (R_f) = 6.80% (10-Year Indian Benchmark G-Sec); Beta (eta) = 0.85 (defensive balance sheet, low volatility); Equity Risk Premium ($ ext{ERP}$) = 5.50%; Sustainable Terminal Growth Rate (g) = 6.50%.

METHOD 1: JUSTIFIED P/B (50%)
₹1,165.00
Gordon Growth: P/B = (RoE - g)/(CoE - g) = 1.60x applied to FY27E BVPS ₹728.00

METHOD 2: RELATIVE P/E (30%)
₹1,094.00
10.5x FY27E EPS of ₹104.20 (10% discount to peer median P/E of 11.5x)

METHOD 3: RESIDUAL INCOME (20%)
₹1,150.00
Current BVPS (₹638.30) + 5-Yr PV of Excess ROE over CoE (₹218.40) + Terminal Value (₹293.30)

8.1 Blended 12-Month Target Price Derivation

Valuation Methodology	Weight	Model Implied Price (₹)	Weighted Contribution (₹)	Key Valuation Anchor
Justified Price-to-Book (P/B)	50%	₹1,165.00	₹582.50	1.60x Justified P/B on FY27E BVPS of ₹728.00
Relative P/E Multiple	30%	₹1,094.00	₹328.20	10.5x FY27E EPS of ₹104.20 (10% peer discount)
Residual Income Model	20%	₹1,150.00	₹230.00	Excess economic returns over 11.50% CoE
FINAL BLENDED 12-MONTH TARGET PRICE	**100%**	**₹1,140.70**	**₹1,140.00**	**POTENTIAL UPSIDE: +30.7% (BUY)**

8.2 Two-Way Sensitivity Matrix: Target Price vs NIM & Credit Cost

NIM (%) \ Credit Cost (%)	0.05% (Bull Case)	0.10% (Base FY27E)	0.20% (Mild Stress)	0.35% (Severe Macro Stress)
4.30% (High Margin Trajectory)	₹1,265	₹1,240	₹1,195	₹1,125
4.15% (Base Estimate FY27E)	**₹1,165**	**₹1,140 (BASE)**	**₹1,095**	**₹1,030**
3.95% (FY26 Reported Level)	₹1,085	₹1,060	₹1,015	₹955
3.70% (Severe Competitive Drag)	₹990	₹965	₹920	₹865

Sensitivity Takeaway: Even under our severe stress case (NIM contracting to 3.70% and Credit Cost spiking 3.5x to 0.35%), TMB's fair value settles at ₹865—virtually matching CMP. Downside risk is strictly limited, offering asymmetric upside.

9. Comprehensive Peer Benchmarking Matrix

Bank Name	Ticker	CMP (₹)	MCap (₹ Cr)	NIM (%)	GNPA (%)	NNPA (%)	PCR (%)	RoA (%)	CRAR (%)	TTM P/B	TTM P/E
☆ **TMB**	**TMB**	**872.05**	**13,809**	**4.29%**	**0.69%**	**0.17%**	**96.0%**	**2.14%**	**32.3%**	**1.35x**	**9.5x**
Karur Vysya Bank	KVB	224.50	17,950	4.26%	1.40%	0.19%	94.2%	1.75%	16.8%	**2.11x**	11.5x
City Union Bank	CUB	168.00	12,450	3.78%	3.80%	1.45%	72.0%	1.50%	22.4%	**1.99x**	16.3x
CSB Bank	CSBBANK	345.00	5,980	4.50%	1.30%	0.35%	91.5%	1.65%	24.1%	1.30x	8.0x
South Indian Bank	SIB	27.80	7,260	3.30%	3.50%	1.10%	78.5%	0.95%	16.5%	0.92x	8.2x
DCB Bank	DCBBANK	132.00	4,120	3.60%	3.20%	1.15%	76.0%	0.90%	16.6%	0.88x	8.2x

10. Management Quality & Corporate Governance Scorecard

Governance Dimension	Score (1-5)	Analytical Justification & Evidence
Capital Allocation Discipline	**5 / 5**	Maintained CRAR >32%; consistent dividend expansion (₹12.50/sh); self-funded organic branch expansion without equity dilution.
Asset Quality Underwriting	**5 / 5**	Decade-low Gross NPA (0.69%) and Net NPA (0.17%) with 96% PCR; 98%+ secured collateral base; zero corporate credit slippages.
Guidance Delivery & Accuracy	**4 / 5**	Consistently achieved stated loan growth targets (>20%) and RoA objectives (>1.9%) over the last 6 quarters.
Investor Disclosures & Communications	**4 / 5**	Professional concall interactions and segment disclosures introduced post-IPO under institutional management.
Board Independence & Controls	**4 / 5**	Independent directors chair key audit & risk committees; RBI-vetted executive leadership; zero promoter-directed loans.
OVERALL MANAGEMENT RATING	**4.4 / 5.0**	**EXEMPLARY (Top Tier in Small & Mid-Cap Indian Banking)**

MANAGEMENT COMMENTARY — CONCALL HIGHLIGHTS (MD & CEO Salee Sukumaran Nair):
"We will not compromise on credit quality to chase reckless balance sheet growth. Our RAM portfolio represents 94.66% of advances, and we are deepening our footprint in our core industrial clusters while expanding our gold loan book with strict LTV discipline. TMB has entered a new era of institutional governance, operating with centralized credit processing and modern risk architecture."

11. Investment Risks Matrix

Risk Factor	Probability	Impact	Mitigating Factors & Structural Defenses
1. Single-State Concentration	High	Medium	Tamil Nadu GSDP grows at 14% with diversified auto/textile/port economy; bank is expanding branches across Western India.
2. Gold Loan Regulatory Scrutiny	Medium	Low	TMB operates at 53% LTV (well below RBI 75% cap); physical gold stored securely in branch vaults.
3. Agricultural Weather Cyclicality	Medium	Low	Agri loans (14%) are heavily weighted to allied activities (dairy, cold chain, fisheries) rather than rainfed single crops.
4. Deposit Rate Competition	Medium	Medium	Entrenched community relationships and expanding CASA (28.1%) provide low-cost funding; CD ratio at 86.5% ensures liquidity.

12. Investment Conclusion & Rating Box

TMB represents a compelling, asymmetric investment setup: **an institutional-quality regional franchise with the asset quality of HDFC Bank, the capital adequacy of a sovereign fund, and the valuation multiple of a stressed public sector lender**.

FINAL RESEARCH RECOMMENDATION

BUY

12-MONTH TARGET PRICE: ₹1,140.00 | POTENTIAL UPSIDE: +30.7%

CURRENT MARKET PRICE: ₹872.05 | RISK PROFILE: DEFENSIVE / MEDIUM RISK

13. Research Analyst Disclosures & Certifications

Analyst Certification: I, Mahim, author and lead research analyst, certify that the views expressed in this initiation report accurately reflect personal views regarding Tamilnad Mercantile Bank Ltd (TMB) and its securities. The analysis is prepared in compliance with SEBI (Research Analysts) Regulations, 2014 and NISM Series XV standards. The analyst has not received any compensation from the subject company in the preceding 12 months and holds zero financial interest in the equity securities of TMB.

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