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The Manager,  
Bombay Stock Exchange limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street.  
Mumbai – 400 001.  
**Scrip Code: 543596**

The Manager,  
National Stock Exchange of India Ltd,  
Exchange Plaza, 5th Floor, Plot No. C/1,  
'G' Block, Bandra - Kurla Complex,  
Bandra (East), Mumbai - 400 051.  
**Symbol: TMB**

Dear Sir/Madam,

**Sub: Transcript of the Investor & Analyst Meet – Q4 Results**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the transcript of the Investor & Analyst meet hosted by the Tamilnad Mercantile Bank Limited on Audited Financial Results of the Bank for the quarter and financial year ended March 31, 2023, has been made available on the Bank's website at the following link:

<https://tmb.in/investor-relations.aspx>

We are also attaching the Transcript of the earnings call with this intimation.

Kindly take the same on record.

Yours faithfully,

**For Tamilnad Mercantile Bank Limited**



**Prakash Chandra Panda**  
**Company Secretary and Compliance Officer**

**TAMILNAD MERCANTILE BANK LIMITED**  
**TRANSCRIPT OF THE INVESTOR AND ANALYST MEET 2023**  
**HELD AT MUMBAI ON APRIL 24, 2023**

➤ **Moderator:**

➤ Good evening, ladies and gentlemen. A very warm welcome to all of you. We are very glad to see you all here and appreciate you for taking the time and effort to join us here today. Welcome to the investor and analyst meet of Tamilnad Mercantile Bank Limited. We also extend a very warm welcome to all those who are joining us virtually over zoom. Allow me to introduce members of the management team present here with us. We have Mr. S. Krishnan, Managing Director and Chief Executive Officer, and Mr. P.A. Krishnan, Chief Financial Officer. We will start with a brief introduction from the Managing Director followed by a presentation on the business and financial performance and talk about the future opportunities that the company is looking at going forward. This will be followed by a brief question and answer session. I request you all to keep questions at the end of the presentation. If anyone wishes to ask a question please raise your hand and we will provide you a microphone. For those joining us over zoom, request you to please put your questions in the Q&A chat. We also request you to mention your name and organization before asking the question. Thank you. I would now like to invite, Mr. S. Krishnan to give his opening remarks. Sir.

➤ **Mr. S. Krishnan -- MD & CEO, Tamilnad Mercantile Bank Ltd.:**

➤ Thank you and good evening to everyone who have come here in person and also through the digital mode. At the outset, let me say that today morning, the board of the bank adopted the audited financial results for the fiscal 22-23 and also the Q4 of 22-23. I'm very happy to share with members that the bank has registered the highest ever net profit off ₹1,029 crore, so also the operating profit is the highest and the net interest income. Besides that, the numbers on the key parameters like NIM, ROA, gross NPA, net NPA, PCR, and CRAR are one of the best in the past 10 years. The performance of the bank overall in all the parameters are very, very good and I can tell that when we gave the guidance to the street last time on various parameters the bank has surpassed or achieved the commitments that was given to the street. We said the net interest margin will be about 4 and we ended up with 4.46. ROA of 1.75 to 2 and the ROA is 1.97. Return on equity above 15, it is 16.78 and this return on equity is pursuant to the additional capital, which was raised by the bank during 22-23 and the bank came as the listed entity during that year. The gross NPA was estimated to be less than 2 and it is 1.39. the net NPA was estimated to be less than 1 and we are at 0.62. The cost to income ratio guidance was given as 42% to 44% and we ended up the year with 42.24%.

➤ This is what in a nutshell I have to say and when I met last time after the results. I was talking about the RBI's approval for expansion of the branch network and we said that we

will be opening around 25 branches during 22-23. The RBI's approval came somewhere at the fag end of Q3 and we could open 21 branches during 22-23 of which some of the branches in other states. The bank has put its first footprint in the northeastern state at Guwahati branch, which was opened recently. So, this is in very brief where the presentations are available. My colleague is there to quickly walk you through the presentation and once that is over, we will definitely be much happy to interact with you, so that we can take it forward. Thank you very much.

➤ **Moderator:**

➤ Thank you, Sir. I now invite Mr. Ashok Kumar to commence the presentation. Sir, please.

➤ **Mr. P.R. Ashok Kumar – Deputy General Manager Planning & Development, Tamilnad Mercantile Bank Ltd.:**

➤ Thank you, Sir. Yeah, we thank you very much for all of you for on our invite for having come for this event. I'll quickly take you through this presentation. Some of it has been covered by our respected MD and CEO Sir. The performance highlights of our bank for the year ended as our MD Sir has already covered, we have made the highest ever profit - net profit of 1029 crore and operating profit of 1,573 crore, net interest income of 2,094 crore. Some of the best in the performance of the bank so far in the last 10 years, the NIM which is at 4.46%. ROI has moved to 1.97%. Gross NPA which is the lowest in the last 10 years at 1.39%. Net NPA is at 0.62. PCR which is the highest in the last 10 years is at 90.90%. CRAR is at 26.26%. The shareholder's value which is the net worth book value and the EPS, the networth has grown to 6,928 crore from 5,336 crore last year and it is the best in the last five years. The book value is at ₹437.53. EPS is at 68.06. The ROA, ROE, and the capital adequacy which we have already seen, so I'm quickly jumping to the next slide.

➤ The deposits of the bank has grown by 6%, advances by 11%, total business is grown by 8%, the net profit year-on-year basis it is grown by 25%, operating profit at 4%, and net interest income is grown by 15%. Some of the key parameters and the key ratios, the net profit it is as we have already seen it is 1,029 crore to 1,573. The net income is at 2,094 and the NIM has gone to 4.46%. The gross NPA, net NPA, which we have already seen, so I'm skipping. So, on quarter-on-quarter basis this is the growth that we have made. The net interest income which has grown to 527% on a year-on-year basis, it is 7.99%. Gross NPA is at 1.39. Net NP is at 0.62. The other ratios which you have already seen. The CET 1 ratio is at 24.61%. Some of the efficiency ratios which are credit cost, which has come down from 0.63 to 0.40. The cost of fund has come down from 4.9% to 4.71%. The cost of income ratio also has come down from 42.29% to 42.24%. The cost of deposit also has marginally reduced from 4.91% to 4.71%. The yield on advances is at 9.43. The yield on investment it has slightly gone up from 6.74 to 6.85.

➤ The yield on the funds has slightly increased from 8.65 to 8.69. On a quarter-on-quarter basis, the credit cost is at 0.4% and cost of funds is at 5.15%. Cost income ratio has

slightly gone up 43.14. Cost of deposits is at 5.17. Yield on advances has slightly increased from 9.46 to 9.90. Yield on investments is at 6.85 and yield on funds it is at 9.12%. The gross NPA and net NPA, which we have already seen and its absolute value in terms of it has reduced from 570.92 to 521.46 on a year-on-year basis and net NPA has come down from 317 crore to 229 crore. The sector wise NPA on YoY basis, there has been a marginal reduction on every parameter, I mean every segment. The retail it has come down from 55.7 to 44. Agri is 48. MSME has come down from 271 to 184. In corporate slightly it is up 196 to 243 crore. The slippage ratio as such on the overall portfolio, it has come down from 1.7% to 0.82. On a segment wise basis, the absolute numbers are available, it is the PPT you can see. The movement of NPA, it is I mean the year has opened with the 570 crore and it is closed with 521 crore. There has been a cash recovery upgradation and the write off. The first edition is 271 crore as against the reduction of 320 crore. The PCR stands at 90.90. SMA on a YoY basis, I mean the overall SMA it has come down drastically from 4,191 crore to 2,447 crore in the financial year 2023.

- The sector wise SMA on a retail segment it has come down from 1,137 crore to 971 crore. Agri MSME and across all segments there has been a considerable reduction in the SMA. The stressed asset ratio it was at 4.46% last year, it has come down to 3.18% for the year. NPA as segment wise quarter-on-quarter basis there has been a considerable decrease, 47 to 44, 77 to 48 in Agri. MSME 294 to 184. In other segment slightly it has increased, but overall gross NPA it has come down from 591 in December and it has - I mean from 591 to 521. The slippage on a sector wise quarter-on-quarter basis, there also there has been a reduction in retail and agriculture. There is slight increase in the MSME and other segment it is almost the same, but overall it is from 50 crore to 70 crore. The moment of impact on quarter-on-quarter basis from Q3 it was 593. Q4 it has come down to 591 and there has been a considerable reduction through recovery and upgradation. The fresh addition compared to the reduction it is lower. The reduction has been more.
- SME on a sector wise on quarter-on-quarter basis, there is a slight increase in the retail segment. Agriculture that is a considerable reduction. MSME also there is a reduction from 1,068 crore to 924 and other segment drastically it has come down from 525 to 341. Stressed asset on quarter-on-quarter basis, there has been a considerable reduction here also. The overall percentage, it has come down from 4% to 3.18%. This is a position of restructured advances. The restructured advances on a quarter-on-quarter basis, it has come down from 896 to 785, which is around 2% of the overall portfolio. The sector wise restructured accounts, the details are visible on the screen. There also it has come down overall from 896 to 785. Retail segment, there is a reduction. Agri and corporate also there is a reduction and MSME there's a considerable reduction from 341 to 306 crore. So, on all the segments, the accounts have come down.
- The overall business mix which is deposits and advances, the deposits it has grown from 44,933 to 47,766 crore on a YoY basis and the advances 33,748 to 37,582, which is around 11%. The overall deposits portfolio contributed by CASA and term deposits term deposits it

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is 13,736 - sorry the CASA is at 13,736 and term deposits 34,030. CASA ratio is around 29% and the overall advances portfolio, retail, agri, MSME, and the corporate sector out of this, the RAM segment, which is the retail, agri, and MSME contributes to around 87% on the overall total advanced portfolio. So, various other income parameters which are there, which is available for you for doing analysis. The gross profit from 1,516 to 1,572 it has grown. The net profit on a YoY basis it has grown by 25%. In an absolute term, it has grown from 821 crore to 1,029 crore. So, the balance sheet it has increased from 52,858 to 57,895. These are some of our strategic partners and this is our branch expansion. We have around 48.49% in semi-urban, 20% of branches in urban, 16% in rural, and 14% in metro. This is our presence across the country present in 17 States and 4 Union Territories. Some of the awards and accolades which is available on the net. Thank you very much for your patience in hearing and I would request our MD Sir and also request your questions, which will be answered by our MD Sir. thank you.

➤ **Moderator:**

➤ Thank you, Sir. We'll open the floor for questions now. We request you again to mention your name and organization before asking or typing the question. We will first be taking questions from participants here and followed by participants that are joining us over zoom. Thank you.

➤ **Mr. Mayank Agarwal -- Ingrid Capital:**

➤ Hello. Hi, this is Mayank Agrawal from Ingrid Capital. So, first congrats on the good set of numbers Sir. So, my first question is on branch expansion, so what would be our branch expansion plan in FY24-25? What are the states we would be opening the branches? My second question is that large peers are heavily investing in technology and how we plan to compete with them and save our market share and what would be the impact of our branch expansion and OpEx on the our overall OpEx trajectory? My next question is on growth. So, which product would be driving our loan book growth from here on and also what would be our strategy on deposit acquisition on the current interest rate scenario? My last question is, as we have a very large agri book, how could a poor monsoon can affect our asset quality performance there?

➤ **Mr. S. Krishnan -- MD & CEO, Tamilnad Mercantile Bank Ltd.:**

➤ Thank you. As far as the branch opening is concerned, during 23-24, that is the current fiscal, we plan to open around 50 branches. The last fiscal, we opened 21 branches as I said. These 50 branches, the location will be across the country where there is a good potential available, that is the centers which we will be taking and these new branches which we are opening, yes we are conscious of the OpEx getting increased because of the new branches, but we are also consciously taking the decision and picking up the center in such a way that I'm able to have a quick break even.

- So, we will be able to manage that and this current fiscal, we plan to have around 50 branches opening. As far as the IT investment and how to be with the market, let me give you a small favor to all of you that the bank has embarked upon a large-scale digital transformation along with the business process reengineering. We have engaged one of the best consultants for the business process engineering. As in phase 1, we will be focusing on the MSME, which will include the digital also as far as the MSME space is concerned. We have also taken up other than the digital transformation like revamping of my mobile banking, net banking, and bringing a lot of digital products to my customers, so that we can be with the best available in the industry. We hope to have majority of these completed during the fiscal 23-24. As far as the growth and the strategies are concerned, the growth will be advances, we will be growing around 15% - 12% to 15% on a very conservative basis. The strategies, we will continue to focus on the RAM segment while the mix may vary. Today, I have 87 and 13. The mix may vary a little here and there, but the focus will continue to be on the RAM segment where I have totally diversified risk - no concentration risk, and that is the area where the entire nuances are well known to the bank. So, the growth percentage as I said will be around 12% to 15% and the strategy will continue to be in the RAM segment. The other question was about the monsoon and the climate change is being studied and by and large as far as our portfolio is concerned, we feel that 23-24 should be a good one. We expect good monsoon for Tamil Nadu this year, so we hope that it will be good.
- **Mr. Arun Kejriwal – Kejriwal Research:**
- Sir, Kejriwal here from Kejriwal Research. Couple of questions. Sir, we are trading roughly 20% cheaper than our IPO price. Even at the time of IPO, we had another person who was heading the bank and the bank looked very attractive where it had come, 3 quarters have gone by and our price has slipped, is there something that I am missing which the market doesn't want to understand or is there something you could enlighten us as to why we are trading where we are?
- **Mr. S. Krishnan -- MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- Probably this question you may be a better person to enlighten me. If you look into, I will say that any parameter you take this is one of the best. I don't say that we are the best in all the parameters almost we are best in every parameter that I can say. What is required for any investor stakeholder is by and large looking into the network, looking into the book value, EPS, ROA, ROE everything is good. Probably the float is what I feel, the float if it increases, it may also be, so I expect that the market will be definitely recognizing the performance and we will wait and watch.
- **Mr. Arun Kejriwal – Kejriwal Research:**
- Sir, are there any - is there any improvement on the legacy issues or is that still haunting you or what?

➤ **Mr. S. Krishnan -- MD & CEO, Tamilnad Mercantile Bank Ltd.:**

➤ No, as far as the legacy issue is concerned, the issue are subjudice, but that has nothing to do with the bank that is what I want to clarify, that is nothing to do with the bank, and even earlier also that had never come on the performance of the bank. If you look into the performance of the bank year after year, it has been extremely good, but the legacy issues are one by one is getting resolved, some of the issues have been resolved, some are subjudice before the different courts of law, so that in the due course the courts of law will decide.

➤ **Mr. Arun Kejriwal – Kejriwal Research:**

➤ Sir, last question you mentioned about the growth factor that RAM will continue to drive growth, could you be a little more specific on that RAM is already at 87%, so within RAM anything particular that you are looking forward to drive the growth?

➤ **Mr. S. Krishnan -- MD & CEO, Tamilnad Mercantile Bank Ltd.:**

➤ Okay. See, what I said was that my focus will be on RAM that is what I said. I also said that today I have 87:13 mix of RAM and corporate, but it may vary here and there, this is what I said meaning that probably from 87 I may come down to 85 or 83 or I may go to 89 like that depending on the potentials available. Why I said was that I'm not averse to the corporate, the corporate I'm selective, and if I get a good corporate definitely, I will be giving the exposure - taking the exposure of there also. Now, within the RAM where I have today if I look into around 37% of my loan book is from the MSME and there is a very good potential in India for the MSME, so we will be concentrating on that. Second, we are also concentrating on the retail. So, my strength, if we really look into, it lies on these RAM segment, which I will like to continue to utilize that strength and grow, but at the same time, I'm also open for the corporates, where I get a good corporate. That's why I said, the mix may vary here and there.

– **Mr. Arun Kejriwal – Kejriwal Research:**

– Sir, last question. We've done a payout of roughly 15% of profit. Is that a fair assessment going forward, or it could vary year to year?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– As far as the payout is concerned, no company will be able to say that will it be a constant for the future continuously; you know that payout depends on various factors, right? So, if I look back at history, if history is going to be one of the yardsticks to envisage the future, if that's the case then Yes, if you look at the history of the bank, the bank has been consistently paying good payout, a reasonably good payout. So, that continues, let us hope for that.

– **Mr. Arun Kejriwal – Kejriwal Research:**

– Thank you.

– **Mr. Ramesh Motwani – Mehta & Vakil:**

– Sir, Ramesh Motwani from Mehta & Vakil. First and foremost, you have delivered an excellent performance.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Thank you.

– **Mr. Ramesh Motwani – Mehta & Vakil:**

– And, one can see from your body language and your expression, you are also happy about it.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Absolutely. When analysts and investors are happy, I am definitely multiple times happy.

– **Mr. Ramesh Motwani – Mehta & Vakil:**

– Because, you introduced to us that this is the best performance in the last 10 years.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Yes.

– **Mr. Ramesh Motwani – Mehta & Vakil:**

– So, this is excellent and full marks to your team who has worked tirelessly and seen to it that in each and every area and segment there is a remarkable improvement. Sir at the moment, your CASA is 29%, you're adding 50 branches. So going forward, do you see this CASA ratio improving higher, say to 34-35%?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Yeah, that's the whole idea. See, if you look into the very purpose of enhancing or increasing my network numbers, is how can I tap CASA? As far as the other business is concerned, today we can do that through digital and other things, right? So, this is the whole idea – how I can do? So, my estimate is by and large to you. But again, the bank, we always give a very conservative estimate, because our... is, we give an estimate and we should surpass it; that is our practice. So, I say that, as a guidance, in 3 years we would be reaching around 35% of CASA.

– **Mr. Ramesh Motwani – Mehta & Vakil:**



- Excellent! Wonderful! And second or the last question was, you are lending across sectors and segments – MSME, corporate, retail, agriculture. You showed remarkable decline in the stressed assets. Are you seeing any concentrated stress segments, sectors, areas, or individual corporates going forward?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- See, the thing is, I will answer to you in general for the industry, and then specific to my bank. If I have to say that, in rising interest rate scenario, naturally there will be little pain. And, who are more fragile? If you ask, definitely it's the MSME or the retail who are more fragile than the corporates, who may be having deep pockets; they may be able to withstand the shocks. Then, if I extend that logic to my bank, one can always say that, you have more of retail and MSME, and you say they are fragile. But the numbers will now prove that yes, it is the TMB who has reduced the stressed assets also. Now, my experience in the last 4 decades in the industry is that, the MSME and retail are fragile, but what is required is handholding. If we are able to handhold them, guide them and take them in the right path, they will be able to do wonders. So, that's what TMB is really doing, that is how we are able to bring down the stressed assets, and educating the credit discipline is another requirement in the country. There are many people who will be able to pay, but why to pay on day 1, why not on the 90<sup>th</sup> day? Now, if we go and explain to them that this is your impact, your credit history will be spoiled, and if you pay in time, then these are the incentives that are available, and they are ready to pay.
- Now what I have done is, I have linked my rate of interest based on the credit risk score. So naturally, when we go and explain to him, they are incentivised. So, they have come forward. This is one of the techniques which we adopted. But, the only thing is, the number of customers will be more in retail loan and MSME than a corporate. So, the bank has to take larger pains which we are used to, that's how we are able to bring it down.
- **Mr. Ramesh Motwani – Mehta & Vakil:**
- Excellent sir! And going forward, we are looking at a regime of lowering of interest rates which has been indicated. This time the MPC has put the date on hold. And, we are expecting inflation to soften and come down, which has happened. So, going forward scenario, we are looking at at least 25-25-25, three times a reduction in the rate, which will be helpful in our overall strategy.
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- Absolutely!
- **Mr. Ramesh Motwani – Mehta & Vakil:**
- Thank you and all the best.
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- Welcome sir, thank you.
- **Mr. Prabal – Ambit Capital:**
- Sir, this is Prabal from Ambit Capital. Sir, when we are focusing on RAM segment, MSME is 37% of the book, but the growth there is just 6%. So, why are we not able to grow that segment?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- See, it is 6%, but if you look at last year, they were picking up, the MSMEs. I'm talking again about the whole of the industry. If you look into MSMEs, they were having lot of pain during COVID. After COVID times, they started picking up, so there will be little... New capacity is coming in, new industry is coming in, which was at a slower pace. So that's the reason it was at 6%. And, the percentage again if you look into, is based on the base number. Within my base... my base is small, but within my base, the MSME base is little more. That also constitutes. But yes, there is good scope for retail. We have been 37% in MSME. Within the RAM segment also we need to diversify. So, that was the reason why a retail push was given and we were able to take it. Nothing otherwise.
- **Mr. Prabal – Ambit Capital:**
- And, on the competition, we are seeing some of the large players becoming very aggressive in the MSME segment. They are growing more than 30% even on a larger base. How do we plan to compete with them and how do we plan to retain our customers?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- See, as far as we are concerned, we have a niche market in the MSME. And, as far as the service is concerned, the bank offers the best services. So, I do not find it as a competition. Where the competition can come is on the pricing. On the pricing, there is a possibility of some big players giving a lower price. But today when I analyse what is the pricing I and the others are giving, they are almost comparable, almost comparable. I don't say we are better than them, but it's almost comparable; I have not passed on some of their things. That is one reason, otherwise my NIM would have gone further high. I thought my NIM is good at 4.47 or 4.46, so let me have this. As far as the pricing is concerned, we have rationalised the rates, we have not passed on some portion of the rate hike, the bank has absorbed it. So, pricing too is also not a big competition, though it is a competition. But by and large what any borrower would do is, he will be satisfied if I'm able to give a timely credit delivery. They don't mind in even giving a little extra when the service is good. So, towards enhancing or improving that PAT... I said in the beginning that we are embarking upon a large-scale digital transformation, more particularly on the MSME as a BPR (Business Process Re-engineering). So, the digital state of the art will be put, LOS will be put in place. And ultimately I expect that I'm able to give end to end digital lending to my MSME borrowers in the first place so that there will be hassle free banking for them.

– **Mr. Prabal – Ambit Capital:**

– So, just on the stat, what is the TAT currently, let's say for an MSME customer?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– It depends on the type of requirement and also the quantum.

– **Mr. Prabal – Ambit Capital:**

– Let's say it's a fresh loan of Rs. 5 crores?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– On an average, it is about a week to 10 days, which we propose to bring down substantially through digital. That way, my LOS will have an interface with various agencies, be it GST, be it IT, be it Aadhaar or Udyam portal. So, I'm able to quickly give the in-principle sanctions and then there will be a centralised hub where I will have specialised people to process it, and my relationship manager will be in touch with the customer, so that I can bring that down substantially. So, towards this I was saying that we are also in partnership with one of the well-known consultants to bring the best practices across the globe.

– **Mr. Prabal – Ambit Capital:**

– And sir, what is the niche that we're targeting? What is the ticket size that we typically target?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– My ticket size today is around Rs. 25 to 50 lakhs, by and large. And in the niche market what I said is, today I have larger presence in the southern part of the country. Not only Tamil Nadu, I have larger presence in the neighbouring states like Kerala, Karnataka or Andhra, where there are lot of MSMEs. And now I have started enlarging my presence at Gujarat, where I'm reasonably good. And out of 21 branches, I have recently opened one branch at Morbi. Wherever I have, and in all the places, we have established the brand image of the bank, particularly on the service front. So, those become the niche area for me.

– **Mr. Prabal – Ambit Capital:**

– Sir, and just one last question. On this risk-based pricing, you said that now the customer who has a lower score and a higher graded score will get the benefit of the pricing. Was this not the case earlier?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– It was not earlier. In the sense, we have now strictly fixed that, particularly on the retail side and other things; it's strictly based on that. There were internal ratings also. Now, what

happens is, I want to inculcate the credit discipline, I want to educate the customers – what will happen if the credit history is spoiled In India, that is what is more important. I'm able to see the result myself in my bank. That is how the stress book has come down substantially.

– **Mr. Prabal – Ambit Capital:**

– And sir just last, have you heard from RBI that you need to increase the PCR from, let's say, 55% to 70%?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– No no.

– **Mr. Prabal – Ambit Capital:**

– Thank you sir. All the best.

– **Participant:**

– Sir, first of all I want to know, our bank name is Tamil Nadu. It gives a regional image. Your performance has been superb. Now, your focus should be on retail or SME, because that is likely to be vulnerable. That is an upcoming industry which is very likely to falter in repayment and all that. So, where would you like to focus which can give you better returns in future?

– And no. 2, you CASA, somebody has mentioned, if it is of a standard nature, it should be atleast 35-40%; many banks are reporting that. Ours is a bit lower sir. So, you should work into that. Somebody mentioned that the market has not responded. Even though this has been around, it has not really responded so well. It is anticipated it will be good, but it has not gone so much even today. So, what are the measures you're looking for, because you mentioned float is low too. How will you increase float? Are you increasing the capital or Reserve Bank is asking? Sometimes the Reserve Bank focuses and asks you to increase capital. If it is not so, what are the other measures you would like to take sir? Those are my questions. I'm in the investor category, not among the...

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Thank you. Your first question was whether it is a regional based bank since the name indicates so, right? Have I understood your question properly?

– **Participant:**

– Because today's news is, all the PSU banks are likely to be privatised; that is today's news. So, more competition is going to come in.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- Yes yes. No, today, whether it is private or public competition, the same people are there with the ownership difference. You are asking whether I am a regional bank and also you were saying the name indicates so or something like that. In the morning also I was talking to someone. I say that I want to make this bank as a pan India bank. Now, whether the name itself indicates a regional bank? I was referring to the fact that, if we take, for example, India's largest bank i.e. SBI which has a global presence... So if somebody asks that your name carries India, is it specific to a country? Definitely not. So likewise, my name cannot be taken that I'm specific to a region. Yes, it is true that a large number of my network is today in the southern part of the country. So, that is what matters more than a name. Hence, we are very conscious of this. We are expanding in our places. As I was saying, yes, now I have gone to the north-eastern state to begin with. So when we expand this year 2023-24 also, we will be focusing on the other states where I do not have a presence, where there is a good potential for the business. So these will be the factors which will be weighing merits, while I decide on the place and the number of branches.
- Now, coming to the other question of my CASA, undoubtedly CASA is lower at 29%. But ironically, if you look at the industry as a whole, wherefrom the CASA geographically comes more, if you analyse, mostly it will be from belts like North-east and states like Uttar Pradesh. If one analyses. I know that there are lot of analysts here who would be having more data than me. That is where it is coming from. So, that is another reason why I'll be expanding. Somebody asked earlier, will the network be increasing for CASA purpose? Yes. Otherwise, today brick & mortar is not required, I can digitally connect with people. So going forward, we will be expanding in those places where I have good potential for CASA. And as I said, as a conservative guidance to the street, we will be taking the CASA to 35% in another 3 years or so.
- The other regarding where I would be focusing within the RAM segment, to know whether it is under retail or MSME, let me again give a flavour of my loan book. Today my loan book within RAM if I look, the retail represents 20% of my loan book, around 30% is agriculture and around 37% is MSME. That is how it is distributed. As I was saying, yes in MSME we will be continuing to focus on. We are also focusing on retail and agriculture where again I have a good foothold, where again I will be having good margins. So, we are looking into that. That's how my growth in retail, if you look at, it was the highest growth in Q4. If I look at it year on year, the growth is around 16% in retail, agriculture is around 15% and MSME is 5%. I hope this answers your question
- **Participant:**
- But one thing sir, how will you control NPAs in the future? Because, NPA is again one thing which is creating doubt in the minds of the people regarding the growth. NPA earlier nobody was bothering about, but now it has become a parameter while looking into any balance sheet. And, CASA deposits I told you about already. So, these are the things which give a better impression to the investor community or anybody who wants to open a new account? And lastly sir, which is giving you the least NPA – retail, MSME or any other segment?

- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- See, as far as NPA is concerned, yes, it is very very important, one, which is for a banking company. But, from the data you would've seen that my NPA year after year is coming down, and it has come down to 1.39 in 2022-23.
- Coming to which sector has the least slippage? I can say that my overall slippage itself is less than 1%, it is just 0.82%. So, when my overall slippage itself is 0.82%, that gives a lot of comfort as to, should I go further and drill down? If I drill down, in absolute numbers, retail had a slippage of 18 crores during 2022-23 against 66 crores. Agri is almost flat, I can say, with a slippage of 47 crores against 42 crores; a marginal increase of 5 crores. MSME, which normally people would think is risky, which you were also expressing, the numbers speak otherwise. My MSME slippage is just 170 crores against 355 crores. And of course, as far as corporate is concerned, I have a very small portion – slippage is only 37 crores. So, this clearly indicates that though per se if I compare, it is only retail where an increase of 5 crores over the previous year is there, 5 crores is miniscule, as good as flat. And MSME, which is considered as risky, prone to slippages and other things, it is proved in TMB that my slippages are much less.
- How this has happened is, only through effective monitoring, close monitoring, increasing the collection efficiency. So that is how we are able to maintain the asset quality.
- **Mr. Sandeep – Unifi Capital:**
- Sir, this is Sandeep from Unifi Capital. Sir, my question is on the dividend policy. Sir, you mentioned that there are lot of parameters on which you decide what the payout is going to be. Sir, can you just discuss a bit as to what kind of parameters are actually stopping you to declare a higher dividend payout? For eg. We have large banks which are actually growing higher than you and have a low capital base compared to you, and they are still declaring a higher dividend payout compared to you. So, what is stopping you from declaring a higher dividend payout? And also, our growth expectation is around 12 to 15%. So, there is lot of room to declare a higher dividend payout. So, can you just speak on this a bit?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- I have noted your point of higher dividend payout. See, if you look into it, I have paid 100% dividend i.e. Rs. 10 dividend has been paid for Rs. 10 share, including the interim dividend; it is not paid, it is proposed. The final dividend has been recommended by the board today. Now, whether it is to be 100, it is to be 110, it is to be 150 or it is to be 80 or 90, these are all matters which can be discussed. I only say that, if you look into the past history of the bank, the bank has been consistently paying dividend year after year, and maybe it has also been increased over a period of time. I take your point. Probably going forward we can think what can be... we will deliberate it more.
- **Mr. Sandeep – Unifi Capital:**

– Sure, understood sir. Sir one more question, it is on growth. Sir, you did mention that your focus is actually to improve the RAM segment, and within RAM your focus is on MSME. Sir, can you just speak a bit on this as well? I mean, the MSME book has grown by almost 6%. You mentioned one thing, that you were actually adding branches, you are actually doing end to end digital loans to your MSMEs. Sir, apart from this, what kind of efforts are you actually taking to improve the loan growth in the MSME segment, because it consists of almost 35% of our book. So, what kind of efforts are you actually making. For eg. Adding frontline staff and all? So, what kind of efforts are you taking over here?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Sir, I will be having a separate marketing team in the bank. As of now, that is specifically not there. So, there will be a sales team who would be scouting for good business. There would be a funnel where all leads would come. So, when I said that I'm going for state of the art loan originating system, that will include the lead management also. So, just like any other good bank, there would be lot of references put to the funnel, there will be screening from that and I will be able to take it forward. So, there would be a separate marketing team with relationship managers and other things. We are in the pipeline of working that out. I also said that we are in the process of Business Process Re-engineering, for which we have also engaged one of the good global renowned consultants. And going forward, I expect that this will increase my sales force.

– **Mr. Sandeep – Unifi Capital:**

– Is this going to be a major reason to increase your MSME book?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– One of the reasons, which will increase.

– **Mr. Sandeep – Unifi Capital:**

– Okay, understood. Sir, one more question on the corporate book. In the last quarter, you actually mentioned that almost 20% of decline in your corporate book was actually because few of the corporates didn't renew their credit limits. And this quarter, we have actually seen some improvement. So, are these the same customers or are these completely new customers which are on board?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– No, I will correct that. I didn't say that some of the corporates have not renewed. I only said, it got matured. This is the exact words I remember to have used. It got matured during the last quarter, and I said that, yes, going forward, whenever their requirements are there, definitely we are there to serve them and they are there to bank with us. So that's what I said. It's not that they have not renewed with me. But yes, as far as your question is

concerned, whether this increase is out of those customers? That could be a part, could be new also.

– **Mr. Sandeep – Unifi Capital:**

– Okay, thanks.

– **Mr. Arun Kejriwal – Kejriwal Research:**

– Sir, there are three types of institutions who are serving the MSME – NBFCs, banks and SFBs. If I am an SME, what prompts me to go to either of these three? Is it the interest rate, is it quick servicing, is it banking at my doorstep, if you could give us some flavour? That's because, every day we find that the competition here seems to be heating up.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

It is a mixture of that. If you ask me, it is a mixture of that. What the MSMEs want is... many of the MSMEs, even today, in the country, they may not be able to reach out to banks. Despite the fact that there is a financial inclusion, there is inclusive banking, still there are money lenders in the country which cannot be disputed. Why it is happening is that, still there are people who are not aware of the banking channel who are not able to come. Now the question is, how these people are able to reach out to them and take their business? So, some of the MSMEs, well, now they have grown, well informed of what is their banking and other things. There are still many people who are yet too. So, it is a mixture what will drive them to approach whether the SFB or NBFC or SEB is a mixture of that which includes the TAT, the timely service, service at their doorsteps, educating them, helping them. Many of the MSMEs they do not know. They know how to do the business but they do not know how to give the presentations, how, what is required. They will simply say that 'I want this. If I have this much money, I can do this much', this is what they will say.

– Now, the question comes on educating the customer. So, if we are able to play all these roles with competitive pricing, probably, we will be on the top of it. So, a mixture of that is required.

– **Participant:**

– So, our loans are what? These are all secured loans?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Yes.

– **Participant:**

– We have a lot of loss against it? I mean, how does it work?



- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- I can say that the unsecured lending in our bank is miniscule. It's less than 1%.
- **Participant:**
- So, it is mainly loan against property, loan against some building.
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- No, it is not only loan against the property but they are secured in a sense we give for the Working Capital. A lot of my MSMEs are for the Working Capital purpose, but we do have the security. There are people who say that they have security, they don't mind. Instead of keeping the title deeds in their house, they lodge with me as a security.
- **Participant:**
- And this portfolio that we have, what would be the average yield for just the MSME segment?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- I can ask my people to give it.
- **Participant:**
- Sure, thank you.
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- Welcome.
- **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**
- Sushil Choksey, Indus Equity.
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- Yeah.
- **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**
- Sir, congratulations on the result. Sir, first is, what is our presence in the southern States if you can break up?

- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- Okay.
- **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**
- Business. I don't mean branches.
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- Okay. Business will be by and large...one minute, I'll give you. See, I have a total business of around 85,000, both the deposit advances put together. Out of that, around 65,000 is from the state of Tamil Nadu. So, that alone answers your question.
- **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**
- Okay. Sir, next is, what percentage of your customers have touch points on cross-sell? because you have RAM, you have agriculture and you have MSME? Does your MSME touch up on any other product then borrowing from you?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- Yeah, we are now doing, in fact, if you look into, we have entered into tie ups with the third party also. And the cross selling for the MSME where their requirement is there for their own purchase of house or like that. We also do that. So, by and large, now it is maybe...I cannot say that I have much of the cross selling. Each customer may be having around 1.5 to 1.75 products.
- **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**
- Sir, my direct question is, you have Chola, Sundaram, Muthoot, Manappuram. I can keep adding and if you look at their Balance Sheets or even West based affordable housing or gold loan companies, tractor financing companies, possibly that is the missing link where your advances are concerned; possibly.
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- We are working on those areas. So, probably, FY23-24 should give us. We also have a detailed strategy, meeting of the Board slotted for the next month where we will be deliberating at length as to what are all these things and I hope that when I meet you all

again, if not earlier at least immediately after the Q1 results, I wish to meet you even before that, I'll be able to throw much more light on those things.

– **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**

– So, the question there is, will you make sure that the expertise is inhouse or you will do it with cross selling by DA or by doing co-lending?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– See, I will be doing it with direct DSA. Already it is in process. I will also be having co-lending which is in the discussion stage with me. So, as far as the inhouse talent is concerned, yes, currently we are using the inhouse talent and in addition to that I am planning to have the DSAs and also the co-lending.

– **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**

– So, now the technology spent, looking at those businesses and the current business synergy which you are on expansion mode or you will be coming to west or east, what kind of spend we are envisaging over a period of three years?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– See, as far as the industry is concerned, the technology industry is concerned over a period of three years, probably I may be investing around Rs.200 crores to Rs.250 crores.

– **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**

– Okay. Now, you may be working with Boston McKenzie or whoever, doesn't matter. They are the frontends. The backends who are working...

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– For technologies?

– **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**

– Not only technology but on the partnership and people who work behind them.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Yeah-yeah. Yes.

- **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**
- They are people who are with rich experience like yourself. Your previous roles, I have seen myself in various organizations, what stops you from doing 80% retail or 75% RAM and 25% corporate?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- No, I was telling, Mr. Choksey, that, yes, it is not the current 87:13 is not a rigid ratio. That is what I was telling. There will be a little...If you look into that, probably if you ask me, you said 75:25 and I will say that 80:20 to begin with will be a better proposition. So, we are working on that. That is why I said that this ratio is not very rigid; 87:13 is not a rigid one. I may be going here and there. So, that is how and we are very much open for taking good corporates.
- **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**
- What do you think will be the biggest enabler for your business to do better than what you are doing today? If I ask you 2-3 steps besides technology and opening branches and make sure that CASA is one of the function of that, what will enable Tamilnad Mercantile Bank to do much better than where we stand today in three years?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- See, one is, I'm also having a HR transformation in the bank, right. You said that barring the technology, you have already excluded the technology which will be a good enabler, so apart from the technology what will be and I said that we are also doing a business process for engineering. Today, the bank is a 100 years old bank, so there are processes which may be required to be totally transformed, reprocessed so that I'm able to give the best services within a short span of time. So, that business process engineering will also help me to a great extent coupled with the HR transformation.
- **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**
- Because the States where your business is 85%-90% today is agriculture, there is manufacturing and the major part is services business and one State has a huge amount of tourism too. Now looking at diverse segments, how do you capitalize on...What are the one or two areas of expertise which the bank will develop first?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- See, as far as the expertise is concerned, today I have expertise on agriculture, I have expertise on Retail and Services. So, definitely we will be capitalizing those things and the

State which you referred, yes, good scope is there, excellent opportunities are there. In fact, today in the same hall earlier part when somebody was talking that we have larger concentration in the State of Tamil Nadu will you like to have. I said that, yes, within the number of network what I have, if I look into I have larger concentration but if I look into what is the potential in Tamil Nadu, have I tapped the entire potential, definitely it is not so and still I have untapped and I can still do there.

– **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**

– Sir, what percentage of our loans, agriculture loans, are backed by gold?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Backed by gold? Around Rs.10,000 crores is backed by gold issued loans.

– **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**

– Sir, is it possible in future that your Housing Loans and Auto Loans, all this segment retail can be broken up in the presentation?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Yeah, definitely. Sure, we can.

– **Mr. Sushil Choksey - Managing Director, Indus Equity Advisors Pvt. Ltd.:**

– Thank you for answering all my questions.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Thank you. Yeah.

– **Participant:**

– Sir, you made quite a few valid points in the course of the Q&A. One thought came to my mind.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Yes.

– **Participant:**

- Are you seriously looking at micro finance in Tamil Nadu itself? Or in your MSME segment, the M which stands for 'Micro' is an upgradation from the microfinance itself?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- Yeah, I can say it is an upgrade of that. It is an upgrade of that. So, already if you say that way, I am financing lot of micro; micro industries. So, it is a Micro Finance you can say but the microfinance company per se who will be concentrating on different types of customers where they will be able to reach the last mile. If you ask me, am I going to do that? I may be doing some, a portion, in the areas where I have this or the other one which the other gentleman was asking that 'What are you into?', one is the co-lending. So, I will definitely be taking that route where we have a synergy.

– **Participant:**

- Wonderful, Sir! Thank you. All the best.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- Thank you.

– **Mr. Gaurav - Tunga Investments:**

- Hello, Sir. This is Gaurav here from Tunga Investments. Sir, I have one question on the MSME. As I think somebody asked earlier, there have been a lot more focus from large private sector bank on the MSME segment. One thing which has happened in the last 3-4 years is the availability of GST data, right, which has democratized a lot of that and now we are thinking about digitalizing the bank and like we will catch up to that thing what these large private sector banks are already doing. What would be our edge going forward? Like we are in the catchup mode, if I can say so, what will remain our edge considering the MSME is a large segment for us?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- See, as far as the technology, the digital front is concerned, we are in the catchup mode. We need to catch up, which is a statement of fact. But there is enough business in the market. It is not that only those banks who have already got the technology are able to get the business. There is enough market is available. As far as my edge is concerned, as I said, that we have a great experience in dealing with the MSME. Because since your question is specific to the MSME, we have a great experience of a century of financing the

MSMEs and when we have serviced for 100 years we have come across the cycle many times. So, we know the climate, we know the cycle how it will be. So, we will be able to. Added to that, when I'm going to have the technology, I will have a great edge amongst all the people and this technology will not take much of that time. I expect that it will be completed as quickly as possible.

– **Mr. Gaurav - Tunga Investments:**

– But, Sir, can you just talk about what is this edge? Like what exactly are we doing? Is it a doorstep or knowing something specific about those industries? Is there some qualitative thing that you're talking about? What exactly is this thing?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– No. See, I was telling you that what is today required for MSME is handholding. When I say handholding, it is starting from educating them as to what is to be done and having a personal relationship, meeting them, greeting them and when you visit the customer very frequently, you come to know of the pulse of the business, the so called EWS – Early Warning System, whatever software I have, this will be a better EWS and when my person visit very often, discuss with him and understand what are the pain points, where we are going to have the pains so that we can take the corrective measures and that helps the MSME entrepreneur that he doesn't fall into any of the problems because if he falls into the problem, I fall into the problem and if I stop him from falling into the problem, he is very happy. So, that is what we do and that is the great edge that I have.

– **Mr. Gaurav - Tunga Investments:**

– And, Sir, just one more question here on the same point. If these large private sector banks continue to drive down the pricing will, will we continue to match them or is there some other niche that will be focusing on then?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– No. Again, see, I told you that when I did a comparative study of the pricing, particularly of the MSME segment, of various banks I am not an outlier. I was telling that I have not passed on some of the rate hikes which I absorbed because, yes, I do have the capacity today. So, I absorbed some of the rate hikes though I have passed on a portion of the rate hikes. So, I am not an outlier today as far as the pricing is concerned.

– I also said that it is not the pricing alone which is going to drive a customer to decide in favor or against of a particular bank though it is one of the important drive. So, when I am not an outlier, added to that when I have a good service, when I understand and handhold him, I don't find that I will have any difficulty.

– **Mr. Gaurav - Tunga Investments:**

- Got it, Sir. And, Sir, in this MSME segment like suppose we have Rs.100 of book, like when we talk about growth is it largely existing clients which grow this book or is this new client? What is the typical proportion?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- We do have the new customers. We have the concept of new customer acquisition. So, it is a blend of that, both the existing and their new customers. Existing customers alone may not be able to drive you a large growth, so we do have the new customer acquisition.

– **Mr. Gaurav - Tunga Investments:**

- Would you be able to just give a directional comment how it would be? I don't want exact number but...

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- I can ask people to work out and give you, okay.

– **Participant:**

- Sir, I just realized that our book value is almost Rs.400 today, with this addition of New Year and our market value is very pitiable. Now, what are the reasons, you can find out yourself, Sir. So, one thing I would suggest, if you don't mind.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- Yeah-yeah, please. Please-please.

– **Participant:**

- Your face value Rs.10 today, without change in your Balance Sheet you can just split the stock split. That will give your float automatically, your value will increase. That is the one thing, Sir. And secondly, Sir, as I thought more branches come in an area where CASA can increase, they will carry a message to this bank that this is the one bank because results are fantastic, I found, but the valuation wise it doesn't look to be very handsome. Well, this is my suggestion. If you can look into it that will be best.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- Sure. Sure, sure. Thank you. Thank you for your suggestion.



– **Participant:**

– In the interest of the investors.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Definitely, Sir. Definitely. Thank you for your suggestion.

– **Participant:**

– Thank you.

– **Mr. Sandeep - Participant:**

– Sir, hi. This Sandeep again Sir, you mentioned a few things. For example, you mentioned that you are actually looking to tie up with DSAs and actually looking to do co-lending and you'll be adding branches, you have recently added a marketing vertical plus HR transformation. You mentioned these few things. Sir, in this context, considering your size, how do you see your guidance of 12% to 15% growth? Is it conservative?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Very, very conservative. I told you that we normally give a very conservative estimate and surpass that, that is what. I myself said that it is a very conservative estimate that we are giving.

– **Mr. Sandeep - Participant:**

– So, what is the aspirational number for you then?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Good question. The aspirations are always very high. Probably my aspiration will be to reach the sky. That may be the aspiration. But definitely, yes, we will be matching with the industry.

– **Mr. Sandeep - Participant:**

– Oh! Okay. So, what's your estimate on industry growth then for FY24?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- You may be a better person to tell, Sandeep. Is it not? Yeah, we will be matching with the industry.

- **Mr. Sandeep - Participant:**

- Okay. Understood, Sir. Sir, one more question is on yields. Sir, your yields have actually improved by 45 basis points on a quarter basis. Your yields were almost similar for the last 2-3 quarters, so what has actually led to this increase?

- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- See, the rates were increased; the Repo Rates. Today I have around 48% to 50% of my loan book are linked to the Repo Rate and, earlier, some of the Repo Rates were this one and there is a time lag of three months in our bank to pass on. So, that got matured, hence there is an increase in the Q4. That is how it has come.

- **Mr. Sandeep - Participant:**

- Okay-okay, understood. So, is that large amount of pass on is completed or it is still...

- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- Pardon?

- **Mr. Sandeep - Participant:**

- Is a large amount of pass on off rates is completed or there is still something left for now?

- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

- Maybe now another three months will be there. The ALCO has to take a call. I cannot comment here. On 1<sup>st</sup> of May or 30<sup>th</sup> of April or so the ALCO of the bank will be meeting and they'll be taking a call.

- **Mr. Sandeep - Participant:**

- Sir, I'm asking this question because our yields are almost been stable over the last 2-3 quarters and the yield started increasing right from May onwards but still till December the rates were almost stable. So, actually the question is that the customer segment to which you are lending, okay, are they okay to take a price hike? For example, your MSME

segment, the discussion some time back was actually that there has been not much pricing increase in that segment. So, are these customers now okay to take that price hike?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– No, I told you that I made a comparison of the pricing of the different banks and also mine and I'm not an outlier. So, I don't find that I am an outlier and then there is a concern. Rather I'm comparable with most of the peer banks.

– **Mr. Sandeep - Participant:**

– Okay-okay, understood. Sir, just one last question on your slippages. Sir, this time MSME slippages were almost 90% of our overall slippages, what contributed to these kind of slippages? Whether large amount of this came from restructured book? And is there anything which you anticipate in the coming quarters from MSME book?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– See, I don't anticipate much of the slippages. I will only request that to look into the holistic picture. My slippage ratio is less than 1. It is 0.82% and when it is 0.82% I don't think that there is a great this one. Going forward, I said the guidance that, I will be containing less than 1%. That is what the guidance I gave and if you look into the SME book, the SME book has also improved a lot. It has come down substantially from around 12% to 6 point something. So, there is not much of a thing. I don't envisage great slippages.

– **Mr. Sandeep - Participant:**

– Okay, thank you.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Welcome.

– **Mr. Ashok - Participant:**

– Good evening, Sir.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Very good evening, Ashok.

– **Mr. Ashok - Participant:**

- Sorry, I'm late. I was online with other bank and then...
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- I'm very happy to see you here.
- **Mr. Ashok - Participant:**
- Sir, we have the ad hoc provisioning of this COVID ad hoc of Rs.300 crores, which has not been utilized and rather it is increased from Rs.250 crores to Rs.300 crores. Do you think you will be requiring, looking at the composition of your portfolio and when you say that the slippages are very-very low, so are you going to use some of this in the coming quarters to give a better end results; the bottom line?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- No, as of now, we don't have such a plans. I have kept it as a contingency, right. So, as you observed that I don't expect the slippages also. Good results built, which will be used for the rainy days.
- **Mr. Ashok - Participant:**
- And, Sir, I might have missed your replies, but you know the composition of the book which he was also talking, how exactly do you plan to come to that 2080 and thereafter maybe 2575 because ultimately for a bank like yours now, which is a public listed bank, you cannot indefinitely just dependent on the retail loan book only of such a high percentage? So, what exactly is the roadmap? What is basically the thinking, first? And how are you going to achieve that so that your business gets spread, growth also takes place and the bottom line increases?
- **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**
- Yes. See, if I have to answer your question specifically, what are the plans, how I'm going to gradually change the mix, probably, I may be starting with the mid corporates where I may have exposure of say Rs.100 crores or Rs.200 crores or Rs.300 crores like that instead of going to the large corporates with say Rs. 1000 crores or like that. So, I will be slowly growing from this to the mid corporate and then to the large corporates also. This will be one path which I will be adopting. At the same time, as I was telling before you came, that we are very keen on good corporate also where we are comfortable, where we understand the business, where it suits our policies of the bank. We are with open mind and we are in dialogue for that. So, hopefully this year we will be able to pick up a few of the corporates also where it fits into my policies and slowly, gradually change the proportion from these 89 or 87 to bring down to 80:20 and then 75:25.

– **Mr. Ashok - Participant:**

– What about going through the NBFC route which reaches to the last mile?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– I told that we are also planning to have the co-lending. That's what when Mr. Choksey was asking, I told that we also have a plan to go for the co-lending and we will also be having the DSAs which will help me to improve the retail front. But this NBFCs will be having the co-lending partnership where I can improve the business.

– **Mr. Ashok - Participant:**

– On the Treasury side, Sir, now since the rates are stable now and you have a good...I think the modified duration. How much is the modified duration?

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– It has come down. 2.9.

– **Mr. Ashok - Participant:**

– 2.9. It needs, I think, a little more. So, there what are the plans? I mean, now the Treasury should start giving some good income on the...

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Yes, I expect this year it will give good income. Last year was bad for the Treasury. So, we were having some mark to market and other things. This year, I expect that it will give me a good income which will add to the bottom line.

– **Mr. Ashok - Participant:**

– Do you plan to put some money in the Treasury, in the CPs of the companies where the yields are much higher? You know, still the CPs, the corporates are borrowing from 8.5% to maybe 9.25% or good rated companies for three months, six months, nine months or a year, so there, I think, you can make some good income there.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Good income also, yes-yes.

– **Mr. Ashok - Participant:**

– I think some funds can be deployed there also.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Yes, sure-sure-sure.

– **Mr. Ashok - Participant:**

– Anyway, Sir, thank you very much Sir and compliments to you for good results.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Thank you. Thank you. Thanks a lot.

– **Mr. Ashok - Participant:**

– Of course, the bank still has a long way to go under your leadership.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Sure.

– **Mr. Ashok - Participant:**

– So, thank you.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Thank you.

– **Moderator:**

– Thank you everybody. Thank you for joining us in our Analyst Meet today. Since there are no more questions, I invite all of you to join us for high tea and any informal discussions with the management. Thank you.

– **Mr. S. Krishnan - MD & CEO, Tamilnad Mercantile Bank Ltd.:**

– Thank you. Thanks a lot for sparing your valuable time and coming over here. Thank you.

**End of Transcript**

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