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Ref.No.TMB.SE.74/2026-27

05.10.2026

The Manager  
National Stock Exchange of India Limited,  
Exchange Plaza, 5<sup>th</sup> Floor, Plot No. C/1,  
'G' Block, Bandra - Kurla Complex,  
Bandra (East), Mumbai - 400 051.

The Manager  
BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001.

**Ref: Symbol: TMB / Scrip Code: 543596**

Dear Sir/Madam,

**Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Issuer rating assigned by India Ratings**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform that India Ratings & Research Private Limited vide its letter dated October 05, 2026, has assigned '**IND AA-**'; **Outlook Stable** Issuer Rating.

We are enclosing the letter issued by the rating agency with this intimation.

Kindly take the same on record.

Yours faithfully,

**For Tamilnad Mercantile Bank Limited**

SWAPNIL ASHOK

Digitally signed by SWAPNIL

YELGAONKAR

ASHOK YELGAONKAR

Date: 2026.10.05 18:55:53 +05'30'

**Swapnil Yelgaonkar**

**Company Secretary & Compliance Officer**

# India Ratings Assigns Tamilnad Mercantile Bank ‘IND AA-’; Outlook Stable

Oct 05, 2026 | TAMILNAD MERCANTILE BANK LIMITED | Others

India Ratings and Research (Ind-Ra) has rated Tamilnad Mercantile Bank Limited (TMBL) as follows:

## Details of Instruments

| Instrument Type | Regulator of Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of Issue (INR million) | Rating Assigned with Outlook/Watch | Rating Action |
|-----------------|-------------------------|------------------|-------------|---------------|-----------------------------|------------------------------------|---------------|
| Issuer Rating   | #                       | -                | -           | -             | -                           | IND AA-/Stable                     | Assigned      |

# There is no instrument being rated and hence, Regulator of instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

## Analytical Approach

Ind-Ra has taken a standalone view of TMBL while assigning the rating.

## Detailed Rationale of the Rating Action

The rating reflects an improvement in TMBL’s profitability buffers in FY26, supported by enhanced internal accruals and efficient capital utilisation, leading to an improvement in the capital base. The bank has demonstrated prudent provisioning for stressed assets, leading to an improvement in provision coverage ratio, and has been maintaining adequate capitalisation. The rating also factors in an improvement in TMBL’s asset quality, as evidenced by a steady decline in gross non-performing assets (GNPAs) and stressed assets, as well as manageable slippages along with healthy recovery. Furthermore, the bank’s granular retail deposit franchise and moderate loan-deposit ratio (LDR) ratio provide headroom for credit expansion.

However, the rating is constrained by TMBL’s modest loan book size relative to its peers, high geographic concentration, and shareholding overhang.

## List of Key Rating Drivers

### Strengths

- Stable and granular funding franchise
- Improving asset quality
- Healthy capital buffers and internal capital generation
- Robust earnings profile

### Weaknesses

- Geographic concentration may constrain growth in the long run

## Detailed Description of Key Rating Drivers

**Stable and Granular Funding Franchise:** TMBL has a well-diversified granular deposit profile, with a low reliance on bulk deposits. Its retail deposits constituted over 83.3% of the total deposits in 1QFY27 (FY26: 85.7%; FY25: 86.2%), with the overall current accounts and savings accounts (CASA) constituting 26.1% (1QFY26: 26.8%; FY26: 28.1%; FY25: 26.4%). The bank’s disciplined liability management has also enabled it to lower its funding costs, with the cost of deposits declining to 5.68% in 1QFY27 (1QFY26: 6.01%; FY26: 5.71%; FY25: 6.01%), benefiting from deposit repricing and evolving interest-

rate cycle.

That said, the deposit franchise continues to exhibit regional concentration, with Tamil Nadu (FY26: 79.5%; FY25: 73.9%) remaining the bank's dominant deposit market. Ind-Ra believes TMBL's granular deposit profile, stable CASA ratio and strong retail deposit franchise provide adequate funding stability and support its liquidity and profitability profile.

**Improving Asset Quality:** TMBL's asset quality profile remains strong, as reflected in continued decline in GNPA to 0.69% in 1QFY27 (1QFY26: 1.22%), mainly driven by healthy recovery and write-offs. While GNPA witnessed a marginal uptick during 1QFY27 due to a few legacy slippages, the overall stress pool remains low and well contained. Further, the bank's secured lending profile, significant gold loan exposure, low credit costs, and strong collateral coverage support asset quality resilience. The gold loan-related credit costs are likely to remain contained; although concentration levels and regulatory developments will remain key monitorables. The continued reduction in legacy stressed assets and manageable incremental slippages provide comfort regarding the sustainability of the bank's asset quality metrics.

**Healthy Capital Buffer and Internal Capital Generation:** TMBL's capitalisation remains exceptionally strong, with the Basel III common equity tier 1 ratio improving to 31.3% in 1QFY27 (1QFY26: 29.9%), supported by healthy internal accruals and a reduction in risk weighted asset density driven by the increasing share of gold loans in advances portfolio. Given the bank's strong provision coverage and low GNPA levels, incremental provisioning requirements are likely to remain modest; although any adverse asset quality developments remain a key monitorable. Given its comfortable capital position, the management does not foresee any requirement for raising capital in the near term.

**Robust Earnings Profile:** The bank's return on assets increased to 1.9% in FY26 (FY25: 1.8%). TMBL continues to exhibit strong profitability, supported by healthy margins, low credit costs, and a predominantly secured lending portfolio. Earnings generation remains robust, enabling steady capital accretion and supporting business growth. The implementation of the credit management centre, business rule engine, loan origination system and integrated back office has improved TMBL's productivity and scalability. While profitability benefits from the bank's strong gold loan franchise and conservative risk profile, continued diversification of the asset mix and liability franchise would be important to sustain earnings resilience over the long term.

TMBL's long-running Foreign Exchange Management Act-related share transfer dispute stems from foreign share transfers (2007-08) and a subsequent bonus issue (2016). Following the enforcement directorate's(ED) show-cause notices in 2014, an INR170 million penalty imposed in 2020 was reduced to INR34 million by the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act (SAFEMA) Appellate Tribunal in July 2026, which also dismissed the ED's confiscation claim. However, adjudication of the bonus share-related show cause notice issued in 2017 remains pending. The proceedings also included allegations against the then directors and officials for facilitating share transfers without the requisite Reserve Bank of India (RBI) approvals.

Notwithstanding these legacy issues, TMBL has strengthened its leadership with former State Bank of India ('IND AAA'/Stable) executives, including the managing director and chief executive officer, executive director, chief risk officer from Union Bank of India ('IND AAA'/Stable), head of credit and chief financial officer, who have driven transformation across governance, technology, business expansion, and people management, supporting improved growth and profitability. The bank continues to be under RBI's oversight, with two RBI nominee directors serving on the board.

**Geographic Concentration May Constrain Growth in the Long Run:** TMBL's business profile remains characterised by a high geographic concentration in Tamil Nadu, where the bank derives a substantial portion of its deposits (FY26: 79.5%; FY25: 73.9%) and advances (80.9%; 79.4%). While this concentration exposes the bank to adverse regional economic developments, the risk is mitigated by its well-established franchise, granular customer base, secured loan portfolio, and strong capitalization. While the bank has been expanding its branch network and business presence outside Tamil Nadu to diversify its geographic concentration, the sustainability and effectiveness of this strategy remain to be demonstrated over a longer operating period.

Liquidity

**Adequate:** As per the bank’s structural liquidity statement as of June 2026, the bank had no negative cumulative mismatch (outflows exceeding inflows) in the up-to-one-year bucket. Additionally, the company has an excess statutory liquidity ratio of INR21.7 billion maintained by the bank as of June 2026. Moreover, the bank had a liquidity coverage ratio of 138.6% at 1QFYE27, well above the regulatory requirement.

Rating Sensitivities

**Positive:** A sustained improvement in TMBL’s scale of operations, coupled with increased visibility regarding the diversification of its asset and liability profile beyond its core geographies, continued strengthening and stability of its funding profile, maintenance of sound through-the-cycle asset quality metrics, and sustained improvement in profitability commensurate with its risk profile.

**Negative:** Events that could, individually or collectively, lead to a negative rating action are as follows:

- a material erosion in capital buffers, with the CET1 ratio declining below 15% on a sustained basis;
- significant attrition or instability in key management personnel over a short period, leading to concerns regarding management continuity and execution;
- any adverse developments arising from the ongoing dispute, impacting the operational and financial performance of the bank;
- any significant weakening in the bank’s funding profile, deposit franchise, or liquidity position, adversely affecting financial flexibility and resilience.

Any Other Information

Not applicable

ESG Issues

**ESG Factors Minimally Relevant to Rating:** Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on TMBL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

TMBL is one of India’s oldest private sector bank, headquartered in Thoothukudi (Tuticorin), Tamil Nadu. The bank traces its origins to 11 May 1921, when it was incorporated as The Nadar Bank Ltd to serve the banking needs of the Nadar business community in southern Tamil Nadu.

TMBL has traditionally maintained a strong presence in Tamil Nadu, particularly in rural, semi-urban, and micro, small & medium enterprises-focused markets. The bank has expanded into a pan-India franchise with over 600 branches; although Tamil Nadu remains its core market. The key lending segments include micro, small & medium enterprises and trading businesses (FY26: 29% of net loans), agriculture and agri-allied activities (38%), retail loans (gold, housing, vehicle, personal loans; 28%) and corporate banking and others (5%).

Key Financial Indicators

| Particulars                  | FY26  | FY25  |
|------------------------------|-------|-------|
| Total assets (INR billion)   | 752.9 | 664.4 |
| Total equity (INR billion)   | 100.6 | 89.6  |
| Net income (INR billion)     | 13.4  | 11.8  |
| Return on average assets (%) | 1.9   | 1.8   |
| Equity/assets (%)            | 13.4  | 13.4  |

| Particulars                | FY26 | FY25 |
|----------------------------|------|------|
| Capital adequacy ratio (%) | 33.7 | 32.7 |
| Source: Company, Ind-Ra    |      |      |

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

| Instrument Type | Current Rating/Outlook |                        |                |
|-----------------|------------------------|------------------------|----------------|
|                 | Rating Type            | Rated Limits (million) | Current Rating |
| Issuer rating   | Long-term              | -                      | IND AA-/Stable |

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

**Note:** Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Complexity Level of the Instruments

Not applicable

Contact

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## About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

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Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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## APPLICABLE CRITERIA AND POLICIES

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### Financial Institutions Rating Criteria

### Rating Bank Subordinated and Hybrid Securities

### The Rating Process

### Evaluating Corporate Governance

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