

[Home](#) / [Industry](#) / [Banking finance](#) / TMB shareholders seek scrapping of proposed IPO

TMB shareholders seek scrapping of proposed IPO

Shareholders of Tamilnad Mercantile Bank (TMB) have objected to the proposed initial public offering (IPO), seeking to buy back shares owned by foreign investors...

By: [Sajan C Kumar](#) | Tuticorin (tamil Nadu) | Published: January 30, 2016 12:13 AM



Shareholders of Tamilnad Mercantile Bank (TMB) have objected to the proposed initial public offering (IPO), seeking to buy back shares owned by foreign investors (FIs) in a bid to keep the control in the hands of the community that runs it.

Emotionally-charged shareholders, most of them belonging to the Nadar community, asked the management to desist from proceeding with the proposed IPO, as it would bring in 'outsiders' into the affairs of the bank.

Shareholders said they are ready to fund the bank's capital requirements and ready to buy back shares of FIs. As per estimates, shares held by FIs may cost around R600 crore. In the last AGM held some six years ago, an FIs-backed group had secured control of the board.

At the bank's annual general meeting in Tuticorin, shareholders said if the bank goes for an IPO, it will open doors for outside investors.

“The bank was started for the welfare of Nadar community, which was deprived of various services including banking and we want the bank should continue to focus on the same,” said S Vaikundarajan of VV Minerals and one of the contenders for TMB’s board seat.

Asserting that they are ready for a compromise to buy back the stake from FIs and money is not a constraint for community members, Vaikundarajan said, “We will not let this bank, promoted by and for the Nadar community, go out of our hands.”

While the bank’s management said the IPO would help the bank meet regulator’s capital requirement, shareholders said they are ready to fund the bank. They also want the AGM’s chairman, a court-appointed judge, to remove the proposal from the agenda. However, the chairman declined to do the same and said he will take it on record that a section of shareholders objected to the proposal.

The bank that started in 1921 was called Nadar Bank, before it was renamed Tamilnad Mercantile Bank. The bank has got into various disputes, ever since FIs bought stake from businessman C Sivasankaran, who, in turn, had acquired stake when Essar Group sold its holdings in the bank.

According to bank sources, FIs and NRIs have bought shares for Rs 120 in 1990s. The bank’s share is currently trading at around R93,000 in a private market. FIIs and NRIs are holding around 42% in the bank, including 19% voting right.

“Once we did the mistake by letting outside investors, we don’t want to repeat the mistake again,” said Chandrasekaran, one of the shareholders.

“We are ready for a compromise and ready to buy the stake of from FIs and money is not a constrain for it. Community members can buy the stake and can fund the bank for future growth,” said Vaikundarajan.

T Raja Kumar, one of the shareholders and a senior member from the community, said around Rs 600 crore may be required to buy shares held by FIs and NRIs, and funds could be mobilised from within the community.

Shareholders have also asked the bank to increase proposed bonus shares from 500:1 to 1500:1 and opposed re-appointment and removal of existing auditors. The results of Thursday's election to elect 10 board members was not made public since the court told the AGM's chairman to submit the results in a sealed cover to the court.