

Indo Thai Securities Ltd.**September 30, 2011**

Price Band	: ₹70 - 84 per share
Minimum Bid Lot Size	: 80 Equity Shares
IPO opens during	: Sept 30 – Oct 05, 2011
Book Running Lead Manager	: Corporate Strategic Allianz Ltd.
To list on	: NSE & BSE
IPO Grading	: 2 / 5 (CARE)
PE	: 65.91x (based on base price)*
	: 70.09x (based on cap price)*
Market Cap post-listing	: ₹84.0Cr or \$17.14mn (based on the cap price)
Market Cap of Free Float	: ₹41.2Cr or \$8.41mn (based on the cap price)

*Based on post IPO earnings of FY11

IPO of 4mn equity shares of ₹10each, aggregating to ₹33.60Cr or \$6.84mn (at the cap price).**Shareholding Pattern**

	Pre-Issue		Post-Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters	5094300	84.91%	5094300	50.94%
Body Corporate	118500	1.98%	118500	1.19%
QIBs (excl. Mutual Funds)	0	0.00%	1900000	19.00%
Mutual Funds	0	0.00%	100000	1.00%
Non Institutional Investors	0	0.00%	600000	6.00%
Public	787200	13.11%	2187200	21.87%
Total	6000000	100.00%	10000000	100.00%

Executive Summary

- Indo Thai Securities Ltd. (ITSL) was incorporated as a public limited company in January 1995 when it commenced its business by obtaining corporate membership of NSE and received SEBI registration.
- ITSL provides various financial services that are well diversified from trading services in equity, derivatives commodities segment and currency derivatives. The company has also started Mutual Fund Service System (MFSS) & Interest Rate Futures from the NSE to provide full options of trading under single roof.
- Operating margins and PAT margins of the company has increased consistently to 40.4% & 24.4% in FY11 from 27.8% and 15.0% in FY08 respectively. The company has posted ROE and ROCE of 13.7% and 17.6% in FY11 higher than the industry average of 11% and 13% respectively.
- In near future currency market will be the biggest market in terms of volumes because of involvement of banks, importers, and exporters etc. who can hedge their positions and can minimize currency fluctuation loss.

Our View

IPO of ITSL is priced at PE multiple 70.09x of FY11 post issue earnings which is very expensive as compared with the industry peers. The company faces intense competition from the established players. On account of limited scope for growth due to its concentration only in the central part of India and the current global economic slowdown, we advise the investors to skip the issue.

Company Background

Indo Thai Securities Ltd. (ITSL) was incorporated as a public limited company with the name “Indo Thai Securities Limited” in January 1995. ITSL provides various financial services that are well diversified from trading services in equity, derivatives commodities segment and currency derivatives. The company has also taken membership of United Stock Exchange of India Limited for currency derivatives segment. The company has membership in the cash and derivative segments of both BSE and NSE and currency derivatives segment of NSE, USE and MCX-SX. ITSL is also registered as a DP with CDSL. ITSL has also started Mutual Fund Service System (MFSS) & Interest Rate Futures from the NSE to provide full options of trading under single roof.

Promoters and Management

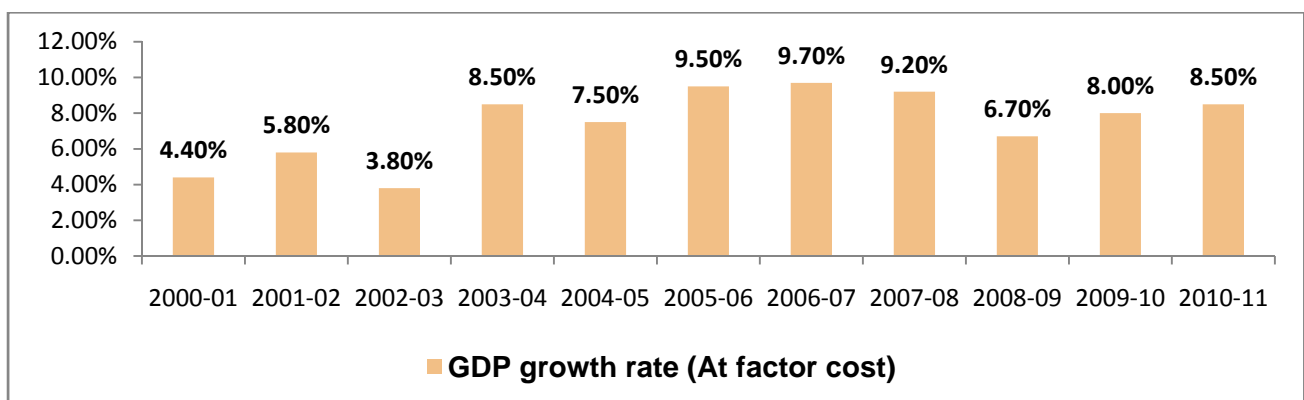
Mr. Parasmal Doshi is the Chairman, CEO and Whole Time Director of ITSL having 25 years of experience on advising for the corporate restructuring, acquisitions and mergers and expertise in international finance, NRI/FDI investments and double taxation treaties. He has been playing a supervisory and advisory role in the company since its inception and has developed a platform to trade in Securities Market from anywhere in the world through the company's website.

Mr. Dhanpal Doshi is the Managing Director and the founder member of ITSL. In the year 1995 he started the company for the business of brokerage. He is skilled in capital market analysis and expert in industry analysis and sectorial economics also having good knowledge of real estate business & commodity market.

Industry Overview

Indian Economy

Indian economy has registered a growth of 8.5% in 2010-11, as against 8.6% in advance estimates. The downward revision in the GDP growth rate is mainly on account of lower performance in mining & quarrying, manufacturing & trade, hotels, transport, & communication and financing, insurance, real estate & business services than anticipated. Economic activities which showed significant growth in 2010-11 over the corresponding period last year were agriculture, forestry & fishing 6.6%, construction 8.1%, trade, hotels, transport & communications 10.3% and insurance, real estate & business services 9.9%.



Indian Capital Market

India has a transparent technology enabled and well regulated capital market. Capital market achieves one of the most important functions of channeling idle resources to productive resources or from less productive resources to more productive resources. The capital market transactions involve lots of checks and balances with efficient

electronic trading and settlement systems. The stock markets have a range of players including mutual funds, FII, hedge funds, corporate and other institutions.

Securities and Exchange Board of India (SEBI) regulates the Indian capital markets. There are 24 exchanges (including active and non active exchanges) in India offering screen based trading system. The trading system is connected using the VSAT technology. BSE is one of the oldest exchanges in Asia. NSE is forth largest exchange in the world in terms of number of trades. These exchanges constitute an organized market for securities issued by the Central and State Governments, public sector companies and public limited companies.

Capital Market Segment

The Capital Market (CM) segment of NSE commenced its operations on November 4, 1995. The turnover in the capital market segment witnessed a compound annual growth rate of 67.50% from ₹1,805Cr (US \$574.29mn) in the year 1994-95 to ₹41,38,023Cr (\$916,709mn) in 2009-10. The CM segment of NSE provides an efficient and transparent platform for trading for various types of securities such as equity shares, preference shares, debentures, warrants, exchange traded funds as well as retail government securities.

FII turnover in Equity Market Segment

The FII turnover in equity market segment on the Indian stock exchanges (NSE plus BSE) accounted for ₹1,15,26,252mn (\$226,226mn) i.e. 14.96% of the total turnover on BSE and NSE of ₹7,70,37,880mn (\$892,538mn) during 2008-09 as compared with the turnover of ₹1,70,35,445mn (\$426,206mn) in 2007-08.

Market Capitalization

The total market capitalization of securities available for trading on the CM segment increased from ₹63,350Cr (\$115,606mn) as at 31st March 1995 to ₹60,09,173Cr (\$13,31,230mn) as at 31st March 2010. The market capitalization witnessed an increase of 107.49% during 2009-10 as compared to the market capitalization of ₹28,96,194Cr (\$568,439mn) in 2008-09. As compared with 2007-08, the market capitalization in 2009-10 increased by 23.69%.

Business Operations

ITSL is a flagship company of Indo-Thai Group. The company has commenced business by obtaining corporate membership of NSE and received SEBI registration as a trading member in the year of incorporation September, 1995. The company provides various financial services that are well diversified from trading services in equity, future & options segment and currency derivatives segment. ITSL has also taken membership of United Stock Exchange of India Limited for currency derivatives segment. The company has membership in the cash and future and options segments of both BSE and NSE and currency derivatives segment of NSE, USE and MCX-SX. The company is also registered as a DP with CDSL. ITSL has started Mutual Fund Service System (MFSS) & Interest Rate Futures from the NSE to provide full options of trading under single roof.

Strengths

- **Integrated Financial Service provider**
ITSL provides variety of services to the clients which includes equity & derivatives brokerage with membership in BSE, NSE, USE, MCX - SX and depository participant of CDSL. The wide range of services enables the company to build strong relationship with the clients and increase the volume of the business.
- **Concentrated Business Development**
The company has concentrated their efforts to develop business in Madhya Pradesh. Out of total 14 branches ITSL has developed 12 branches in Madhya Pradesh. The concentration of branches in particular region is helpful to the company to understand the clients need more specifically and provide better and personalized services. The promoter can have better interaction with the branch in charge, understand the branch needs and give personal attention frequently.
- **Strong Risk Management System**
ITSL has deployed their resources in terms of technology, people and processes to manage their risk management function. The company has established general risk management procedures for trading activities,

including instruments and strategies, position and trading limits for trading desks, business units and/or individual traders, periodic stress testing and cash flow and "Value at Risk" analysis.

- **Strong relationship with clients**

The company believes in maintaining long term relationships with the clients in terms of increased sales. ITSL's dedicated focus on client coverage and ability to provide timely solutions enables the company to resolve customer complaints, if any. This has helped to establish long-term relationships with institutional and high net worth individual clients and has helped to receive repeat business from the clients.

- **Margin Funding**

Margin funding is a big advantage given by the company to its clients. Clients have a chance to earn more through less investment and so they trade in heavy volumes, for this the company charges nominal interest.

- **Currency Segment**

Currency market has a huge Potential. In near future it will be the biggest market in terms of volumes because of involvement of banks, importers, and exporters etc. who can hedge their positions and can minimize currency fluctuation loss.

Objects of the Issue

The objects of the issue are:

1. Expansion and up-gradation of existing branches and set up network of branches.
2. Purchase of office space for Mumbai regional office.
3. Purchase & set up of office space for corporate office.
4. Brand building & advertising.
5. General Corporate Purpose.

Utilization of net proceeds

Particular	(₹Cr) Amount
Expansion and up-gradation of Existing Branches and Set up Network of Branches	2.00
Purchase of Office space for Mumbai regional office	4.00
Purchase & set up of Office space for Corporate office	4.00
Brand Building & Advertising	3.00
Augmenting Long Term Working capital requirements	10.00
General Corporate Purpose	[•]
Public Issue Expenses	[•]
Total	[•]

Investment Risks

(Please refer to the RHP for a complete listing of risk factors)

- The company is involved in several legal proceeding amounting to ₹41.45Cr against its directors/ promoters and amount of ₹4.29Cr, if determined against the company than it could affect the business as well as financial condition.
- Along with other brokerage firms, the company has experienced intense price competition in this business. In particular, the ability to execute trades electronically and through other alternative trading systems has increased the pressure on trading commissions, volume and spreads. It is expected that this trend toward alternative trading systems to continue, therefore it may experience competitive pressures in these and other areas as some of its competitors seek to obtain market share by competing on the basis of price.
- Business is concentrated in the Central Part of India and the future expansion through the funds raised through the public issue is majority in Central Part of India The growth of business and revenues will be achieved

through the development of the business all over India. The concentration of business in Central Part of India region restricts the growth and anything adverse in particular to the region will adversely affect the business of the company.

- The said business is directly related to the international and domestic financial market and economic conditions. The independent or collective fluctuation of these conditions could affect confidence in the financial markets leading to decline in investor interest and can directly and indirectly affect demand for lending finance and financial products of the company.

Restated Profit & Loss Statements

(₹ mn)

Particulars	FY07	FY08	FY09	FY10	FY11
Total Revenues	20.49	37.47	25.86	47.37	43.62
Total Expenditure	16.52	27.30	18.63	23.61	27.88
Staff cost	6.85	9.31	9.03	11.50	12.41
Operating expenses	2.17	3.40	2.45	2.25	2.99
Administrative expenses	7.50	14.59	7.16	9.86	12.48
Gross Profit	3.98	10.17	7.23	23.76	15.74
Other Income	0.40	0.23	0.47	3.18	1.87
EBIDTA	4.37	10.40	7.70	26.94	17.61
Depreciation	1.38	1.56	1.74	1.49	1.31
Interest	0.00	0.60	0.00	0.00	0.00
Earnings before Tax before extra items	2.99	8.24	5.97	25.45	16.30
Miscellaneous Expenditure	0.00	0.00	0.00	0.00	0.01
Earnings before Tax	2.99	8.24	5.97	25.44	16.29
Tax	1.20	2.61	0.60	5.91	5.67
Profit After Tax	1.79	5.63	5.36	19.53	10.62

Restated Balance Sheets

(₹ mn)

Particulars	FY07	FY08	FY09	FY10	FY11
Gross Block	16.60	35.21	36.26	36.77	36.49
Less: Accumulated Depreciation	10.10	11.16	12.90	13.74	14.57
Net Block (A)	6.51	24.05	23.37	23.04	21.92
Investments(B)	7.12	7.32	6.44	8.14	7.82
Inventories	0.98	1.58	0.35	0.21	0.83
Sundry Debtors	20.60	22.15	17.48	16.31	20.02
Cash & Bank Balance	19.48	37.80	48.70	67.34	67.69
Other Current Assets	0.00	0.00	0.00	0.01	0.00
Loans & Advances	8.56	19.68	20.80	21.01	21.34
Total Current Assets (C)	49.62	81.20	87.33	104.93	109.89
Secured Loans	0.83	12.08	16.59	17.17	15.13
Current Liabilities	22.71	52.37	49.10	47.03	44.73
Provisions	1.79	4.52	2.55	3.55	2.04
Total Liabilities (D)	25.32	68.97	68.23	67.76	61.90
Deferred Tax Liability (E)	0.15	0.18	0.11	0.03	0.11
Net Worth(A+B+C-D-E)	37.78	43.42	48.79	68.32	77.62
Represented by:					
1.ShareCapital	20.00	20.00	20.00	20.00	60.00
2.Share Application Money Pending	0.00	0.00	0.00	0.70	0.00
3.Reserves&Surplus	17.81	23.44	28.80	48.34	18.95
4.Micellaneous Expenditure	-0.02	-0.02	-0.02	-0.01	-1.34
Net Worth (1+2+3+4)	37.78	43.42	48.79	69.02	77.62

Keynote Capitals Ltd.

Member

Stock Exchange, Mumbai (INB 230930539)
National Stock Exchange of India Ltd. (INB 010930556)
Over the Counter Exchange of India Ltd. (INB 200930535)
Central Depository Services Ltd. (IN-DP-CDSL-152-2001)

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