

## Indo Thai Securities : Weak Issue ; Avoid

**IPO Note: Stiff competition from established Players, Small Scale Operation**

**Ranking:\***

### Issue details

Price band (Rs)	Rs. 70-84
IPO Opening Date	30/09/11
IPO Closing Date	05/10/11
Issue Size	Rs.28.00 - 33.60 Crore

### Valuations & Recommendation

The company has small scale of operations in highly competitive broking industry and it has low market share. The geographical concentration with limited branch network and high dependency on capital markets which are inherently volatile leading to uncertainties in its earning profile. The company will face challenges due to strong competition from national brokers with a pan-India presence. Moreover, the company is relatively unknown outside the M P and may find it difficult to penetrate the other markets. **After the IPO the expanded equity of the company will be Rs.6.00 crore. At Rs 70-84, the offer is being around 25 PE on its FY 11 earnings, on the post issue capital. Which is quite high while establishing players such as Edelweiss Capital, Motilal Oswal and Emkay Global and others have disappointed the investors. Hence we recommend to Avoid this issue.**

### Highlights:

- The company is into equity broking and is a member of NSE, BSE, MCX-SX and USE.
- The Indore head quartered company has 14 branches, out of which 12 in Madhya Pradesh and 2 in Maharashtra. ITSL has also 60 business associates mainly concentrated in the state of M. P.
- The primary object of IPO is for working capital requirement, set up of regional and corporate office premises, expansion of branches.
- In FY11, ITSL has achieved total income Rs.4.74 crore and PAT of Rs.1.95 crore.
- IPO grade 2 by CARE.
- Small scale of operations in highly competitive broking industry
- low market share and limited revenue diversification.
- The geographical concentration with limited branch network
- high dependency on capital markets which are inherently volatile leading to uncertainties in ITSL's earning profile. The company's expansion plan faces challenges.
- The company will face challenges due to strong competition from national brokers with a pan-India presence. Moreover, the company is relatively unknown outside the M P and may find it difficult to penetrate the other markets.

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