LKP Corporate Presentation

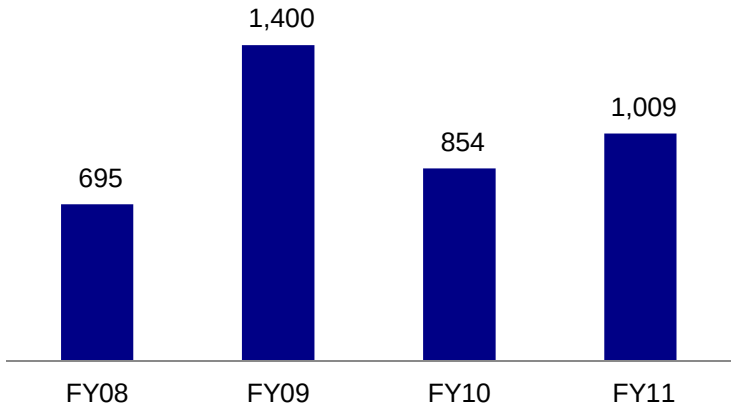
Jan 2012

LKP
Since 1948

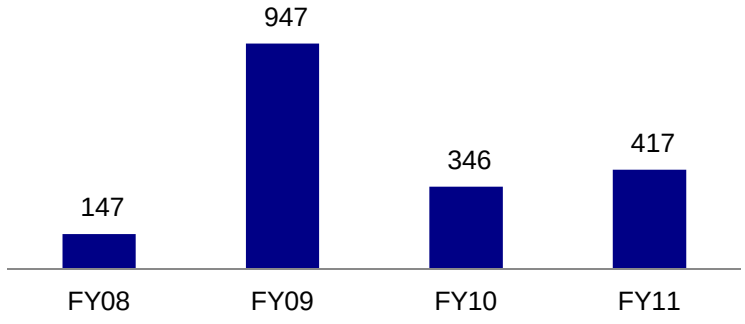
Overview

- LKP Finance (NBFC) is registered with RBI and listed on BSE.
- Established in 1948. The company went public in 1986.
- Key businesses include Equity broking and Distribution, Fixed Income, Merchant Banking and Treasury.
- Large client base of ~70,200 registered customers in broking .
- Total broking turnover of ~Rs. 201 billion in H1FY12 and Rs. 435 billion in FY 2011.
- Fixed Income volumes in secondary market of Rs.796 billion in FY2009 and Rs.1754 billion in FY2010
- Network of 708 outlets in more than 200 cities across India with 682 Sub brokers and 26 branches.
- Current staff strength of more than 400 people and growing

Consolidated Revenues (Rs. Mn.)



Consolidated EBITDA (Rs. Mn.)



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A strong balance sheet

INR Mn.	FY08*	FY09*	FY10*	FY11*	H1FY12*
Net Worth	605	1255	1428	1576	1557
Loan funds	75	589	347	970	528
Net Deferred Tax Liability	4	(26)	(59)	(57)	-46
Total Sources of Funds	684	1818	1717	2490	2038
Fixed Assets	198	173	165	155	5
Investments	77	526	526	189	388
Net Current Assets	130	244	446	1275	1224
Cash & Bank Balances	279	876	579	871	420
Total Application of Funds	684	1818	1717	2490	2038

* Consolidated Balance Sheet of LKP Finance

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Profitable

INR Mn.	FY08*	FY09*	FY10*	FY11*	H1FY12*
Revenues	694	1400	854	1009	290
Total Expenditure	547	454	508	591	214
Operating Profit	147	946	346	417	77
Depreciation	34	32	25	21	9
Interest Cost	127	52	84	66	55
Extra ordinary items	573	-	-	-	-
Profit Before Tax	559	863	238	331	13
Tax	90	76	3	68	7
Profit After Tax	470	787	234	263	6

* Consolidated Profit & Loss of LKP Finance

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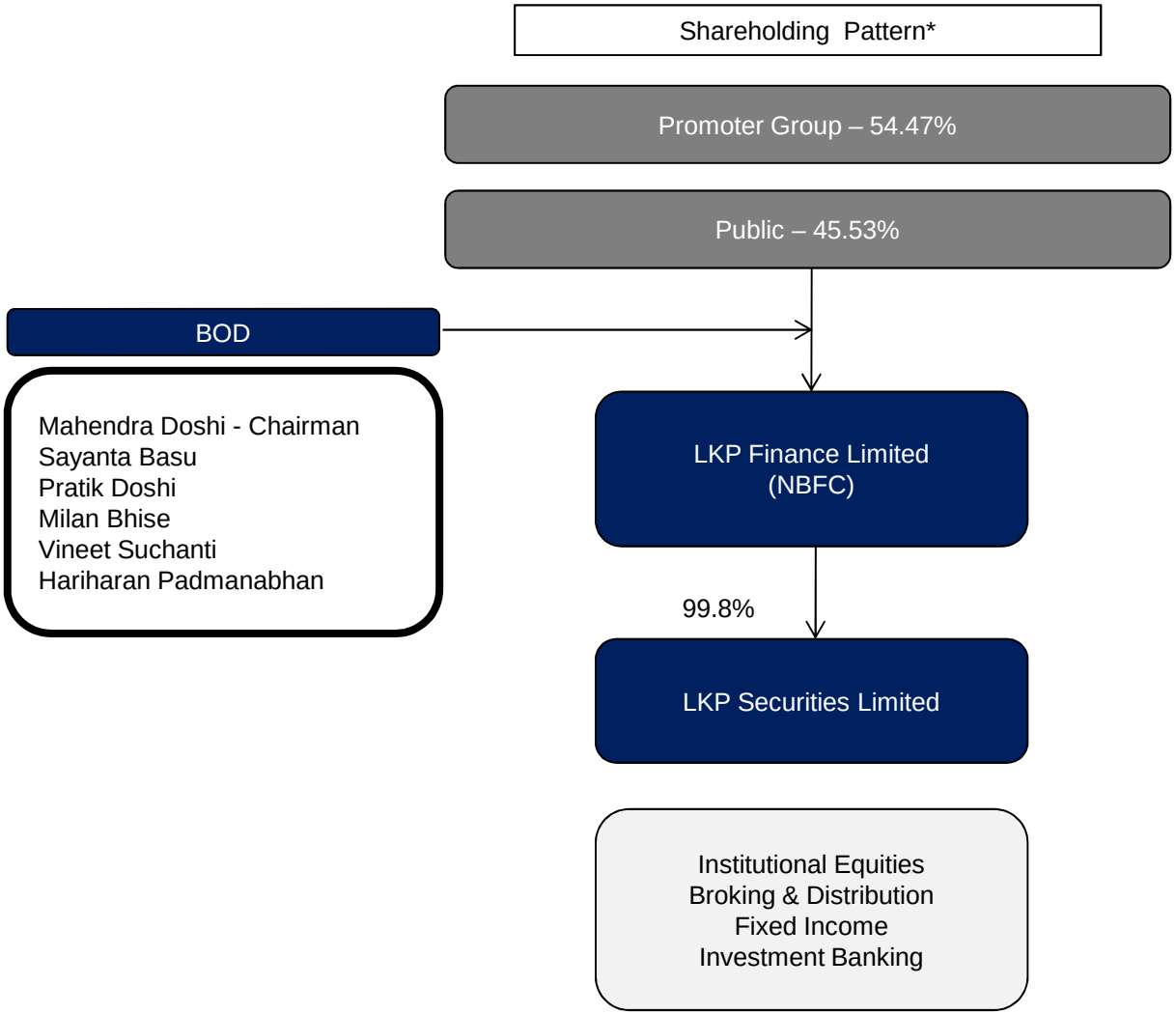
Group structure



Current management team

Board Sub Committee
Mahendra Doshi, Sayanta Basu , Pratik Doshi

Retail & Distribution	Anand Agarwal & Deepak Singh	CFO & Business Strategy	Anish Unadkat
Institutional Equities	Pratik Doshi	COO	Sudhendoo Ganddhi
Research	S.Ranganathan	Corporate Affairs	S.S.Gulati
Fixed Income	Sanjay Chitalia	IT	Sriram J

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The opportunity

- Total brokerage market: 12,000 crs per annum growing at 20% per annum with the natural tailwinds of GDP and greater domestic and foreign participation.
800 brokers and 62,000 sub-brokers. Capital key to success with regulators making life difficult for weaker players.
Retail pool 3 times bigger than the institutional pool

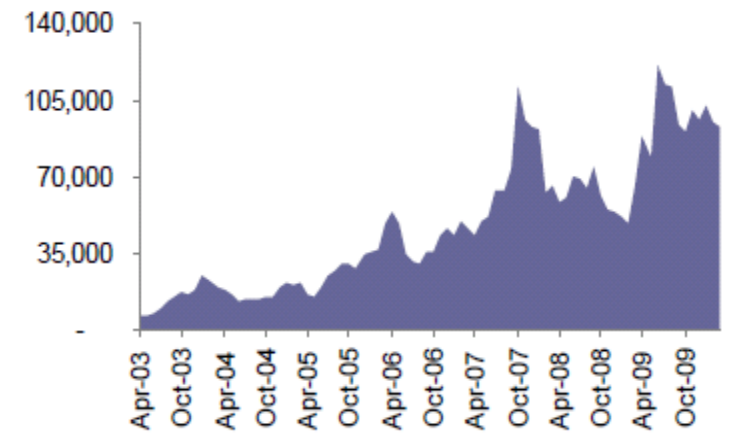
- Investment banking pool about INR 2000 crs, more than 100 players

- Consolidation of the industry a matter of time

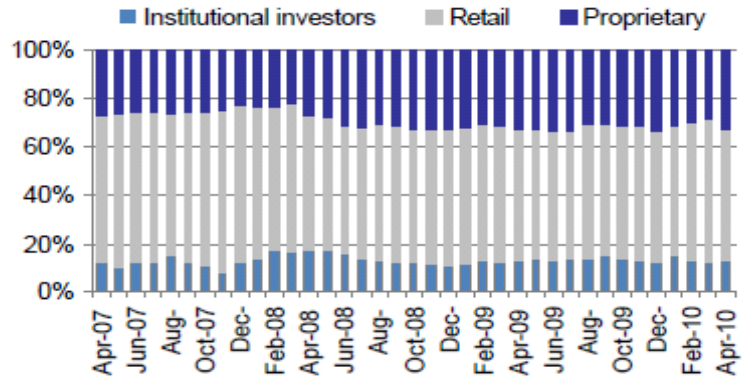
- Asset management a volume game and not attractive for brokers/investment banks

- Risks: Pro-longed de-rating of India

Overall improvement in volume



Investorwise market share (%)



Source: NSE India

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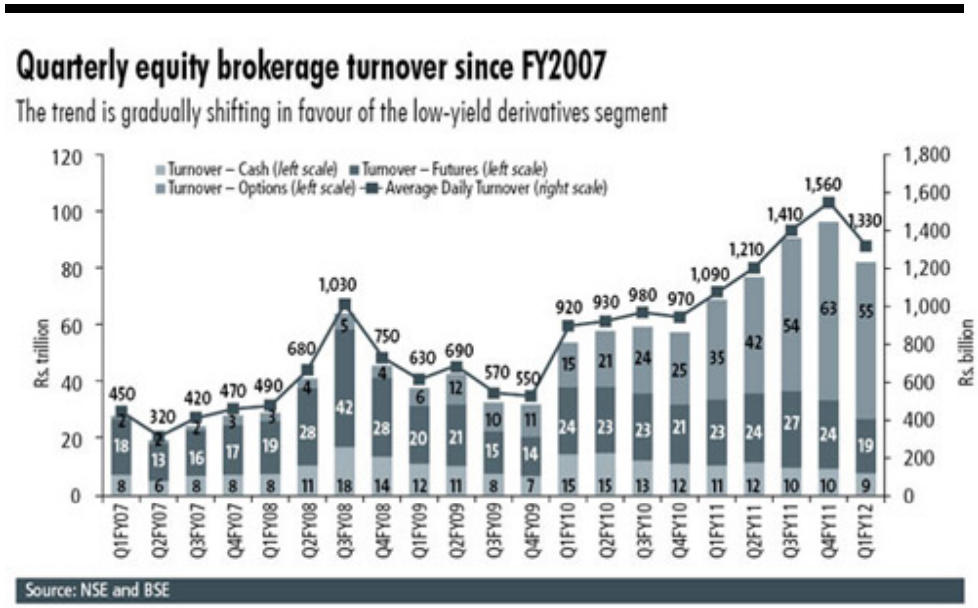
The opportunity

•Industry revenue pool from equity broking at ~Rs 13,000 cr for FY11 grew by only 13% as compared to the 46% growth in exchange trading volumes.

•The industry is likely to grow at a moderate pace unless there is a material pick up in cash volumes and increased activity from of retail investors.

•15,000 brokers and 37,000 SEBI registered sub-brokers. Among these, there are over 1,200 active brokers on NSE and over 600 on BSE. The industry is witnessing challenging times with the top brokers losing market share with competition from foreign brokerage houses and declining volumes in the cash segment. Consolidation of the industry a matter of time

• Asset management a volume game and not attractive for brokers/investment banks



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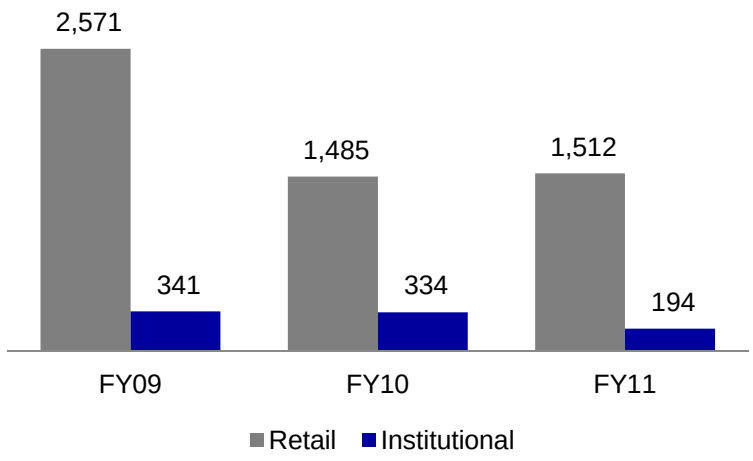
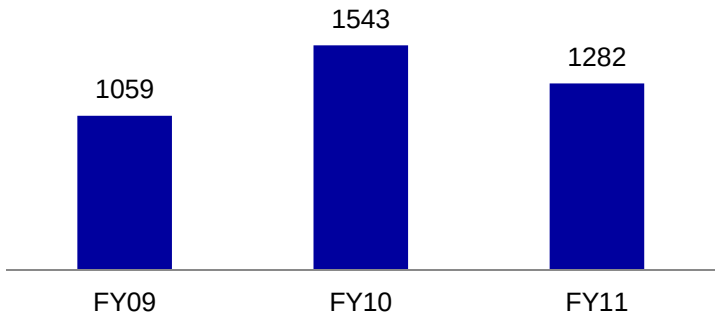
Equities: The business today

- LKP Finance (NBFC) is registered with RBI and listed on BSE.
- LKP Securities is registered Stock Broker with SEBI.
- Key businesses include Equity Broking and Distribution, Fixed Income, Merchant Banking and some Prop activity.
- Large client base of ~70,200 registered customers
- Total retail and institutional broking turnover ~Rs. 201 billion in H1FY12 and Rs. 435 billion in FY 2011.
- Network of 708 outlets across more than 200 cities in India.

Retail and Institutional Daily Turnover (Rs. Mn.)



Retail & Institutional Gross Daily Brokerage (Rs. In '000)



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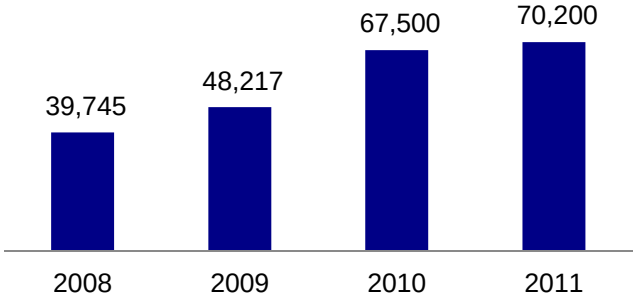
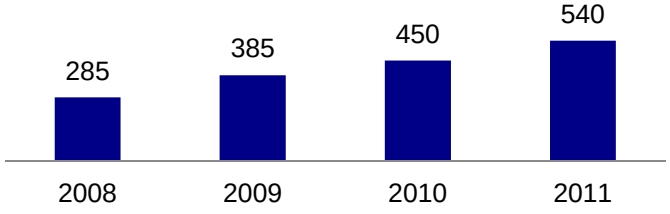
Retail Distribution

- Pan India footprint with 708 outlets in more than 200 cities
- Strong network to facilitate reach
- Large customer base of 70,200 clients
- Strong network of 682 Sub-brokers

No of Retail Clients



Branches/Outlets



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Retail Distribution … other products

Mutual Fund Distribution

- AUM worth ~Rs.1155 cr. with Rs.155cr in Equity and Rs.900cr in Debt
- Supported by a team of 23 personnel .
- Income generated by way of brokerage i.e., upfront and trail
- Mutual Fund Advisory
- Servicing Direct clients , Institutions and Sub Brokers

Insurance Products

- Forayed in the sales of General and Life Insurance products in November 2007
- Tie-up with Bajaj-Allianz for distribution of their insurance products.

Portfolio Management Services

- In-house team of fundamental and technical research analysts
- Supported by a host of financial databases and information packages like Bloomberg, CRISINFAC, Capitaline etc.
- Services available to both individuals and corporates.

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Institutional Equities

- Long track record

• Established in 1948, taken over by Mr. Mahendra Doshi in 1982

• Strong risk management culture, managed 2008 downside with minimal losses. Minimal proprietary trading activities

- Deep relationships in India

• Presence in 400+ locations, 75,000 retail and high networth clients giving nationwide access

• Ability to access block deals stemming out of our domestic institutional contacts

• More than 50 senior level employees and 504 franchises

- Strong balance sheet

• Current Networth - More than Rs. 150 cr.

• Negligible Debt

• Cash and cash equivalents – More than Rs. 40 cr

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Fixed Income: Business today

- Member of NSE and BSE WDM segment
- Empanelled with major banks, insurance companies, mutual funds, Corporates and domestic institutions
- Network – Hotline with treasuries of all major banks, mutual funds and primary dealers
- Ranked in the top 3 WDM brokers in India.
- Supported by a team of 40 personnel.
- Fixed Income volumes in secondary market of Rs.796 billion in FY2009 and Rs.1754 billion in FY2010

Products and Services
Government Securities and Treasury Bills
Certificate of Deposits & Commercial Paper
Corporate Bonds /PSU Bonds /Bank Bonds /Fertiliser Bonds/ Oil Bonds
PTC /Securitized Papers

Nature Of Clients
Nationalized, Foreign, Private, Co-operative Banks (87)
Insurance Companies (35)
Mutual Funds (33)
Primary Dealers (11)
PF (205)
Corporates (90)
Institutions (9) & FII (6)

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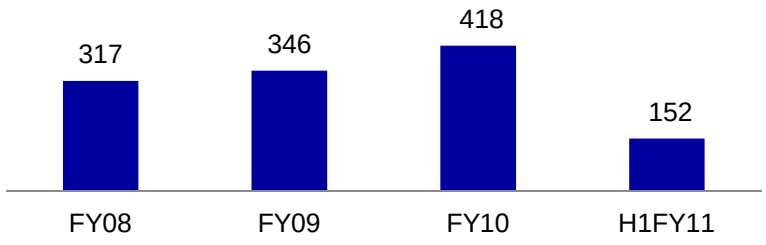
Fixed Income: Deals and Placements

- Ranked No.2 Arranger for CP & Short Term Debts and Prime League Table
- Placed Fertiliser bonds worth Rs.55 bn. for various Fertiliser companies in FY09.
- Primary placement of CPs, NCDs and CD's of ~Rs.480 bn & Rs.980 bn in FY09 and FY10 respectively. Achieved turnover of ~Rs. 800 bn in secondary debt market in FY09 and Rs 1748 bn in FY 10
- Acted as an Arranger for private placement of long term bond issues aggregating to Rs. 123 bn in FY09 & of Rs 236 bn during FY10

Primary Market Debt Raised (Rs. Bn)



Primary Market – Nature of Funds

(Rs. Bn)	FY08	FY09	FY10	H1FY11
Long Term	2	66	24	14
Short Term	315	280	394	138

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Fixed Income: Relationships with Institutions & Corporates

- We have strong relationships with over 475 Institutions & Corporates.

LKP has successfully executed deals for the above Clients

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