

Press Clipping

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The only gainer in the pack: Broking houses

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NOT everyone lost money on manic Monday and brokerage houses were perhaps the only section of the market that made more money during the stock market mayhem. Not only did their daily turnovers soar but it also meant more clients for them in the long run.

Typically, while on a regular day these brokerage houses witness a turnover of around Rs 3,000-4,000 crore but when indices are in a frenzy, this sees a jump of around 10-15%.

This can be easily gauged from the fact that on Monday, the BSE recorded a turnover of Rs 9,336.16 crore with 2,815 scrips being traded, compared to an average daily turnover of only Rs 7,700 crore for the September-November 2007 quarter. In fact, a brokerage firm, which refused to be identified, told ET that its institutional sales turnover alone doubled on Monday and touched Rs 200 crore.

A volatile day at Dalal Street means, more buying and selling of shares. Most brokerage houses that ET spoke to said they gain the most during this kind of a turbulent market since more trading, and higher volumes translate into more money. However, Indiabulls Securities refused to participate in the story stating that it can have negative impact on its clients.

On Monday, almost all broking houses reported an increase of more than 10-15% in their daily turnovers. "Though retail participation was very less, it was the high volatility in the institutional buying and selling space that led to high drama on the street on Monday. For the brokerage houses, it was a day that kept them on their toes with more buying and selling by day traders and investors," Jignesh Desai, head-institutional sales, SBI Cap Securities, told ET.

However, all brokerage houses sought to play down this spurt in their revenues. Kotak Securities, which has a turnover of around Rs 4,000-5,000 crore in a day, registered an increase of 10-12% after the Sensex tanked. "But a volatile day is not good even for a brokerage house. You are not a fly-by-night operator, you are here for the long-term, so you need your clients to make money," said Prashant Prabhakaran, senior vice-president, Kotak Securities.

After investors started giving panic calls, Prabhakaran said their advisory team had to, in fact, calm down their clients, specially the amateurs, to stay away from the market. "We try to act as a cushion," he added.

Religare Securities also shared the same view. "For a brokerage house, bull market is always a better source of revenue than a bearish market, because investors don't like this type of market. The high volatility witnessed on the bourses today may give you more volumes in the short-term, but if sustained for long it is not good for either the industry or the investors," said Amitabh Chakraborty, president-equity, Religare Securities. There is another take on the issue as well. Brokerage houses feel that the high drama at the bourses may also help them gain more clients, as those who invest through their own will now seek professional advice, when it comes to dabbling at the Dalal street.

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