

Just 5 questions



Dipen Shah,

VP, private client group-research, Kotak Securities

■ **How much have the trading volumes for brokerages dropped?**

If we look at the market data, trading value is down by about 40%. A part of this is because of pricing declines and part of it is volumes. So, in our opinion, trading values of broking houses will be down by a similar percentage.

■ **What would be the hit on bottomlines?**

With such a drop in the business, the impact on bottomlines can be significant. However, broking houses may look at cost rationalisation, etc to restrict impact on profitability.

■ **How much have the valuations of brokerages corrected in the past 2 months?**

The valuations have been hit because of concerns about losses suffered by broking houses due to client defaults, reduction in volumes and impact on related businesses like PMS, investment banking, proprietary trading, etc. In our opinion, prices have fallen by more than 50% in most cases.

■ **At current levels, are they attractive in relation to earnings prospects?**

If we take a longer term view, the broking houses stocks look attractive at the current levels. However, in the short term, international markets will continue to rule the sentiments.

■ **What are the caveats?**

As said above, international markets will be the major factor to watch in addition to FII fund flows, inflation and growth in earnings of corporate India.