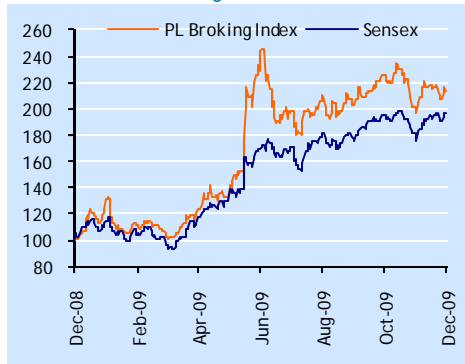


December 3, 2009

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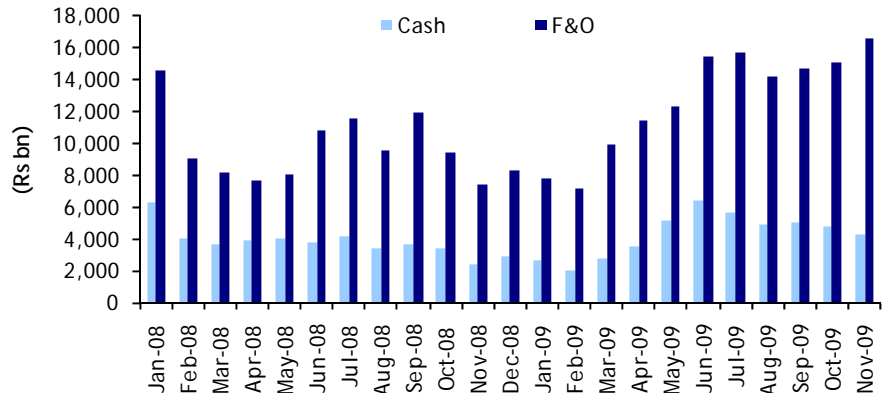
Sensex v/s PL Broking Index



Source: Bloomberg

■ Cash volumes back to pre-rally levels, but F&O maintain uptrend: Cash equity volumes are showing marginal signs of improvement since the bump up in May 2009, driven by the General Election outcome and a global equity rally. In fact, at Rs4,264bn in November 2009, the monthly cash volumes are now back to pre-May levels. However, delivery volumes have been steadily improving since May, indicating that much of the speculative activity has moved to the F&O segment. Thus, even as cash volumes are getting flaccid, F&O volumes are maintaining a rising trend. At Rs16,618bn, F&O volumes in November 2009 are up by about 10.0% MoM and 45.3% as compared to April 2009 (pre-rally) levels. Year-on-year comparisons are now going to become meaningless over the next couple of months for analyzing momentum, given the extreme disruptions seen during this period.

Cash and F&O Volumes

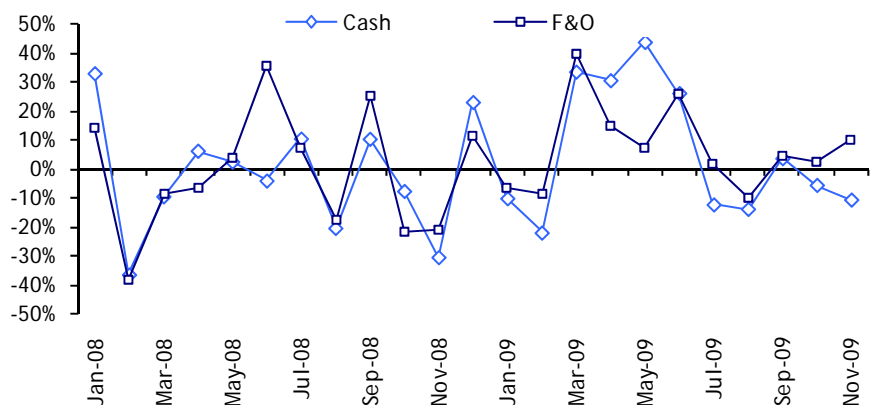


Source: BSE, NSE, PL Research

Absolute Stock Performance

(%)	1M	6M	12M
Sensex	11.6	15.7	96.6
Broking Index	8.5	(12.9)	114.0
Indian Infoline	9.1	(13.4)	246.5
Edelweiss Capital	8.1	(2.9)	101.6
Motilal Oswal	14.2	(5.2)	196.3
Geojit BNP Paribas	1.0	(25.1)	75.7
Religare Ent.	12.2	(17.5)	38.2

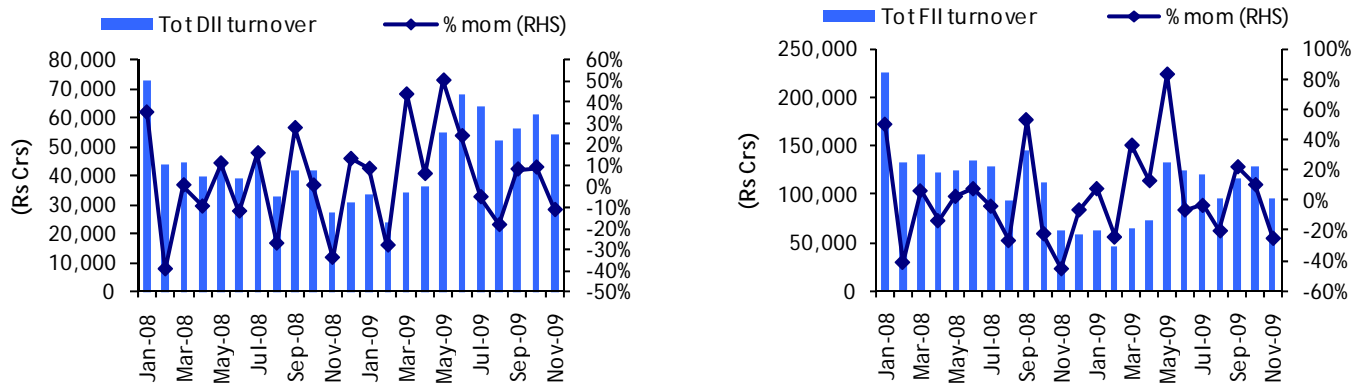
MoM growth in Cash & F&O volumes



Source: BSE, NSE, PL Research

Institutional cash volumes show no improvement since May levels: The decline in the overall cash volumes is accompanied by similar trends in Institutional volumes. DII and FII volumes declined by 11.4% MoM and 25.2% MoM, respectively in November 2009. DII volumes largely remain unchanged from May levels, while FII volumes are down by about 27.5% from May 2009.

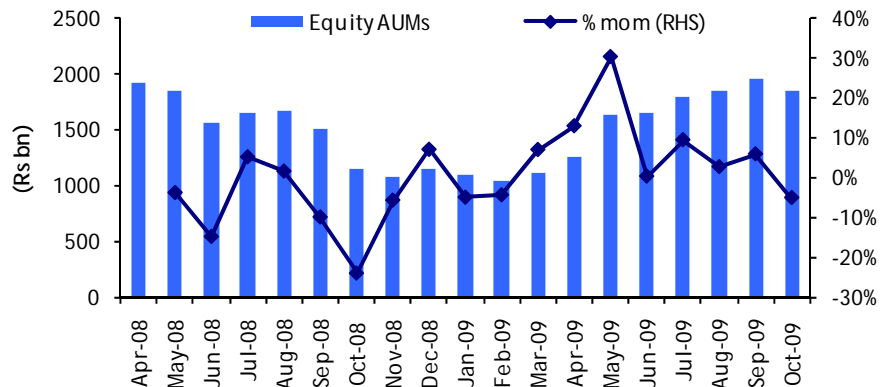
DII and FII Volumes



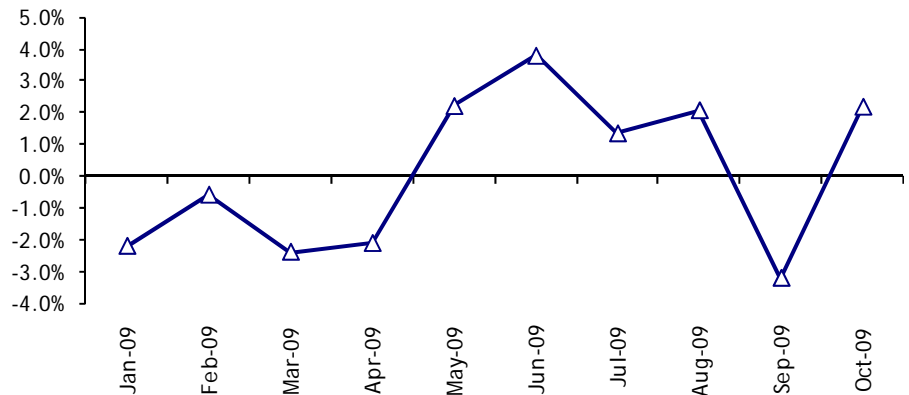
Source: BSE, NSE, PL Research

Domestic Mutual Funds see only modest inflows despite rising markets: DII weak volume trend is almost surely an outcome of weak AUM growth of the domestic mutual fund industry and low trading intensity of Insurance players (whose AUMs are still growing). The equity AUMs of the mutual fund industry have grown by 47.3% YTD October end, versus 35.6% rise in the Nifty over the same period, indicating only modest inflows. This is partly because the investors have not entirely overcome the trauma of 2008 and partly due to the regulatory issues regarding commissions for the distributors. We see no change in this situation over the next couple of quarters at least.

Domestic Equity AUMs



Source: AMFI, PL Research

AUM growth over Nifty growth


Source: PL Research

Improvement in overall trading and fund raising activity crucial for Brokerage stocks: We have been positive on the Indian Brokerage sector based on an improvement in all the key revenue segments for the sector. Clearly, for stocks in this sector to outperform the broader market, improvement in trading activity and corporate fund raising is going to be crucial and will be monitored closely. Edelweiss Capital remains our top pick in this space.

Key Financials

(Rs m)

Companies	Revenue			PAT			EPS (Rs.)		
	FY09	FY10E	FY11E	FY09	FY10E	FY11E	FY09	FY10E	FY11E
India Infoline	9,607	12,764	15,449	1,447	2,596	3,255	5.1	8.5	10.0
Edelweiss	8,965	10,194	12,730	1,844	2,616	3,306	24.6	34.9	44.0
Motilal Oswal	4,583	6,434	7,978	963	1,592	1,955	6.5	10.8	13.3

Source: PL Research

Profitability & Valuation

Companies	EBITDA Margins (%)			RoE (%)		PER (x)		P/BV (x)	
	FY09	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E
India Infoline	30.2	39.6	40.5	13.7	14.2	15.6	13.3	1.9	1.6
Edelweiss	53.1	57.3	59.9	13.1	13.3	14.0	11.1	1.6	1.4
Motilal Oswal	37.5	40.0	41.1	17.8	18.5	16.1	13.0	2.6	2.2

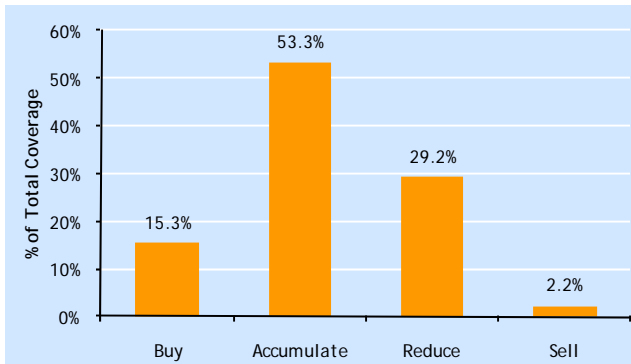
Source: PL Research

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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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