Emkay Global Financial Services Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Business model remains highly cyclical with 98% of revenue derived from advisory and 70% from brokerage, though core brokerage income grew 30% to □255.32 Cr.**	□Neutral
2	**Revenue increased 14.05% to □360 Cr, benefiting from a strategic shift toward core brokerage and a reduction in volatile proprietary trading gains to □3.47 Cr.**	□Positive
3	**Operating margins expanded significantly from 17% to 22%, demonstrating strong operating leverage as profits scaled faster than the fixed cost base.**	□Positive
4	***Reported PAT surged 91% to 57 Cr, but earnings quality is poor as results were heavily inflated by a non-recurring 14.50 Cr deferred tax/MAT credit.***	□Negative
5	***Total debt rose to 68 Cr, characterized by high-cost 12% unsecured NCDs, including 15 Cr sourced from related parties to bridge liquidity gaps.***	□Negative
6	***Cash Flow from Operations (CFO) turned negative at -2 Cr, resulting in a CFO/PAT ratio of -0.04 due to a massive 252.64 Cr drain into exchange deposits.***	□Negative
7	***Negative Free Cash Flow of -9 Cr highlights a "cash-less growth" phase where the business cannot self-fund its 6.86 Cr capex and operations.***	□Negative
8	**Collection efficiency is a standout strength, with trade receivables declining 24.79% to □94 Cr and 99.7% of dues remaining current under six months.**	□Positive
9	**Governance is stable with a 10/10 check matrix and frozen MD compensation, though 12% interest leakage to related parties via NCDs warrants close monitoring.**	□Neutral
10	***Capital allocation is aggressive and potentially unsustainable, as the company utilized high-cost debt to fund a 4.00/share dividend payout.***	□Negative
11	***Outlook is constrained by high fixed employee costs (47% of revenue) and 286 Cr in lien-marked deposits, creating significant downside risk if market volumes mean-revert.***	□Negative
12	**Investment View: WATCH; stance is cautious due to the disconnect between accounting profits and cash liquidity, with exchange deposit levels being the key monitorable.**	□Neutral

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Emkay Global is a pure-play capital markets intermediary structured across Institutional Broking, Investment Banking, Wealth Management, and Portfolio Management Services (PMS).
- **Revenue Drivers:** Core **Brokerage Income** remains the primary engine, contributing 70.67% of total revenue. Other drivers include Research, Advisory, and Investment Banking fees (10.08%), and yield on liquidity via facility fees and interest on margin deposits.

- **Cost Drivers: Employee Benefit Expense** is the largest overhead at 47.30% of revenue. Other significant costs include payments to stock exchanges, technology infrastructure (IT), and business promotion.
- **Industry Position:** A high-beta play on Indian equity markets with a 30-year legacy; positioned as a research-led firm competing against bank-backed houses and discount brokers.
- **Expansion Plans:** Strategic focus on "Retail Expansion" and "Derivatives" to diversify the client base, alongside scaling "aggressive revenue verticals" like PMS and Wealth Management.
- **Acquisitions & Divestments:** Formally dissolved the Mutual Fund Trustee arm in March 2025, marking a complete exit from the AMC business to return focus to legacy high-beta operations.
- **Capacity Additions:** Continued investment in digital infrastructure, including virtualized servers and advanced cooling systems to maintain low-latency institutional execution.
- **Segment Performance:** Advisory and Transactional Services dominate at 98.12% of revenue. Standalone Income rose 19.8% YoY, while subsidiaries (Wealth, NBFC, PMS) contribute a smaller ~6% to the consolidated top line.
- **Geographical Presence:** Primarily India-focused with a subsidiary, Emkay Global (Singapore), providing advisory services for international client sourcing.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management is pivoting the business from a "transaction-led model" to a "solution-oriented platform" to mitigate cyclicality, though 94% of revenue remains tied to brokerage activities.
- Growth guidance is focused on the "Retail Expansion" and "Derivatives" segments, where management aims to capture higher market volumes despite intense competitive pressure.
- The demand environment is viewed as robust, evidenced by the "30 Years of Progress" milestone and the recommendation of a □2.50 special dividend (totaling □4.00/share) to return excess bull-market profits.
- Strategic risk management has been tightened to control receivables, a direct response to prior working capital stresses.
- New projects include the formalization of a succession path with the appointment of Raunak Karwa (son of the MD) to the Board.
- The long-term vision emphasizes "purposeful growth" and "enduring" stability rather than the "transformational" rhetoric of previous years.
- Management Tone: The leadership is currently in a **"Harvest Mode,"** signaling a pragmatic acceptance of their identity as a high-quality, research-driven cyclical broker. By paying out significant dividends while raising high-cost 12% NCDs, management is prioritizing short-term shareholder distributions over aggressive internal reinvestment, effectively "milking" the current bull market cycle.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Sales -	360.00	316.00
Sales Growth %	14.05	54.34
Expenses -	282.00	261.00
Manufacturing Cost %	10.06	12.58
Employee Cost %	47.45	47.79
Other Cost %	20.70	22.20
Operating Profit	79.00	55.00
OPM %	22.00	17.00
Other Income -	1.00	4.00
Exceptional items	-0.01	3.08
Other income normal	0.81	0.52
Interest	7.00	5.00
Depreciation	12.00	10.00
Profit before tax	61.00	44.00
Tax %	6.00	27.00
Net Profit -	57.00	32.00
Profit from Associates	0.00	0.00
Exceptional items AT	0.00	3.00
Profit excl Excep	57.00	30.00
Profit for PE	57.00	30.00
Profit for EPS	57.00	32.00
Profit Growth %	91.00	111.00
EPS in Rs	22.40	13.14
Dividend Payout %	18.00	11.00

Balance Sheet (□Crores)

Line Item	Mar 2025	Mar 2024
Equity Capital	25.00	25.00
Reserves	278.00	216.00
Borrowings -	68.00	52.00
Long term Borrowings	0.00	0.00
Short term Borrowings	0.00	0.00
Lease Liabilities	0.00	0.00
Other Borrowings	68.00	52.00
Other Liabilities -	862.00	772.00
Trade Payables	204.00	209.00
Advance from Customers	45.00	1.00
Other liability items	613.00	562.00
Total Liabilities	1,233.00	1,065.00
Fixed Assets -	41.00	43.00
Building	31.72	31.46
Equipments	2.04	1.63
Computers	26.67	21.86
Furniture n fittings	1.74	1.68
Vehicles	1.83	1.83
Intangible Assets	0.00	0.00
Other fixed assets	14.68	14.10
Gross Block	78.68	72.56
Accumulated Depreciation	37.31	29.77
CWIP	0.00	0.00
Investments	32.00	26.00
Other Assets -	1,160.00	996.00
Inventories	0.00	1.00
Trade receivables	94.00	125.00
Cash Equivalents	539.00	583.00
Loans n Advances	10.00	13.00
Other asset items	516.00	274.00
Total Assets	1,233.00	1,065.00

Cash Flow Statement (Crores)

Line Item	Mar 2025	Mar 2024
Cash from Operating Activity -	-2.00	24.00
Profit from operations	81.00	58.00
Receivables	31.00	-20.00
Inventory	1.00	-1.00
Payables	-5.00	89.00
Loans Advances	17.00	17.00
Operating investments	0.00	0.00
Operating Deposits	3.00	0.00
Other WC items	-120.00	-113.00
Working capital changes	-74.00	-28.00
Direct taxes	-9.00	-6.00
Other operating items	0.00	0.00
Exceptional CF items	0.00	0.00
Cash from Investing Activity -	-10.00	-8.00
Fixed assets purchased	-6.86	-8.65
Fixed assets sold	0.02	0.01
Investments purchased	-5.42	-0.35
Investments sold	0.00	0.00
Interest received	0.66	0.62
Dividends received	0.00	0.00
Issue of shares on acq	0.00	0.00
Redemp n Canc of Shares	1.46	0.26
Acquisition of companies	0.00	0.00
Other investing items	0.00	0.00
Cash from Financing Activity -	11.00	2.00
Proceeds from shares	6.73	0.41
Proceeds from debentures	46.00	0.00
Proceeds from borrowings	5.00	17.58
Repayment of borrowings	-32.55	-5.00
Interest paid fin	-6.96	-4.91
Dividends paid	-3.72	-2.46
Financial liabilities	-3.61	-3.18
Share application money	0.00	0.00
Other financing items	-0.01	-0.04
Net Cash Flow	-1.00	18.00
Free Cash Flow	-9.00	15.00

Line Item	Mar 2025	Mar 2024
CFO/OP	8.00	54.00

Key Ratios (□Crores)

Line Item	Mar 2025	Mar 2024
Debtor Days	95.00	145.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	95.00	145.00
Working Capital Days	-271.00	-460.00
ROCE %	20.00	17.00

3.2 Financial Analysis Summary

- **Revenue** grew by **14.05%** to **□360.00 Cr**, primarily anchored by **Brokerage Income** which contributed **□255.32 Cr** (70.67% of total), while **Net Gain on Fair Value Changes** collapsed from **□22.34 Cr** to **□3.47 Cr**, shifting the earnings mix toward fee-based income.
- **Operating Profit** margins (**OPM %**) expanded from **17.00%** to **22.00%**, as **Revenue** growth outpaced the **8.04%** increase in total expenses, despite **Employee Benefit Expense** rising **13.28%** to **□170.86 Cr** (47.30% of revenue).
- **Net Profit** surged **91%** to **□57.00 Cr**, but this was heavily aided by a non-cash **Deferred Tax** credit of **□14.50 Cr** (including **□8.70 Cr** in MAT credit), which suppressed the effective **Tax %** to **6.00%** and artificially boosted **PAT Margin %** to **15.83%**.
- **Trade Receivables** decreased by **24.79%** to **□94.00 Cr**, leading to an improvement in **Debtor Days** from **145** to **95**, indicating superior collection efficiency with **99.7%** of receivables being less than 6 months old.
- **Cash from Operating Activity (CFO)** turned negative at **-□2.00 Cr** (vs **□24.00 Cr** in FY24) because a massive **□252.64 Cr** increase in **Deposits with stock exchanges** (classified under **Other asset items**) absorbed all operational liquidity, resulting in a **CFO/PAT** ratio of **-0.04**.
- **Total Debt** increased to **□68.00 Cr** as the company issued **□46.00 Cr** in Unsecured NCDs at a high **12%** interest rate, with **□15.00 Cr** issued to a related party (Seven Hills Capital), causing **Finance Cost** to rise **41.7%** to **□7.00 Cr**.
- **Capex** of **□6.86 Cr** was primarily directed toward **Computers** (**□26.67 Cr** gross block); however, because **CFO** was negative, the business generated a negative **Free Cash Flow (FCF)** of **-□9.00 Cr**, requiring debt to fund both growth and dividends.
- **ROCE %** rose to **20.00%** and **ROE %** reached **18.81%**, driven by margin expansion and efficient **Trade Receivables** management, though **Asset Turnover** is pressured by the buildup of low-yielding **Deposits with Exchanges**.
- **Other asset items** spiked to **□516.00 Cr** (from **□274.00 Cr**), driven almost entirely by the **110%** increase in **Deposits with Exchanges** required to sustain trading volumes.
- **Other liability items** reached **613.00 Cr**, largely comprised of **Margin from Clients** (**□548.09 Cr**), which represents the core operational liability of the brokerage business.
- **Other Expenses** were impacted by a **366%** spike in **Claims and Compensation** to **□0.56 Cr**, signaling potential friction in trade execution or client management, while **Advertisement & Business Promotion** rose **96.4%** to **□4.23 Cr** due to aggressive customer acquisition.

- The dominant financial theme of the year is **"Cash-less Profit Growth,"** where robust operational margins and high **PAT** were entirely offset by massive exchange margin requirements and high-cost related-party debt, leaving the firm with negative **Free Cash Flow** despite a bull market.

3.3 Contingent Liabilities & Commitments

- **Bank Guarantees:** ₹130.71 Cr (FY25) vs ₹88.25 Cr (FY24), reflecting a 48.1% increase in margin requirements at stock exchanges.
- **Capital Commitments:** ₹0.25 Cr (FY25) vs ₹0.00 Cr (FY24) for future asset acquisitions.
- **Litigation Risk:** Management acknowledges a "heightened element of litigation risk" inherent to the regulatory environment; however, no specific material provisions or quantified pending claims were disclosed in the notes.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □74 Cr working capital outflow drags CFO to negative.	□	PAT □57 Cr vs CFO -□2 Cr	CFO/OP ratio dropped from 54% to 8% due to massive exchange deposit build.
2	Receivables & channel-stuffing signal	Revenue ↑ — high quality growth; receivables fell 24.8% while revenue grew 14.6%.	□	Receivables □94 Cr (FY25) vs □125 Cr (FY24)	Note 8: 99.7% of receivables are <6 months old; improved collection efficiency.
3	Revenue timing	Revenue ↑ — conservative recognition; brokerage recognized on trade date with minimal estimation.	□	Advance from customers □45 Cr (FY25)	Note 3.1: Brokerage is point-in-time; PMS/AIF fees are accrual-based on AUM.
4	Revenue from related parties %	Profit ↑ — non-core income reliance; facility fees from associates contribute 6.5% of revenue.	□	Facility Fee □23.44 Cr	Note 35: Non-core revenue stream from associates declined YoY but remains significant.
5	Inventory vs revenue growth	Neutral — service sector profile; inventory is negligible and not a primary driver.	□	Inventory □0 Cr (FY25) vs □1 Cr (FY24)	Financial services firm; inventory relates to minor securities/stationery holdings.
6	Inventory valuation method change	Neutral — no policy change; inventory is not material to the business model.	□	No change in Note 3	Standard valuation at lower of cost or net realizable value.
7	Exceptional items in operating profit	Profit ↓ — clean operating profit; exceptional items are negligible in the current year.	□	Exceptional items -□0.01 Cr (FY25)	Prior year had □3.08 Cr gain; current year earnings are purely operational.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative accounting; leasehold improvements amortized over 36 months, faster than leases.	□	Depreciation □12 Cr; Gross Block □78.68 Cr	Note 3.6: Accelerated amortization of leaseholds suppresses short-term reported profits.
9	Provision reversals boosting PAT	Profit ↑ — low impairment risk; 99.7% of receivables are undisputed and considered good.	□	Credit Impaired Receivables □0.22 Cr	Note 3.2h: Simplified ECL approach used; no major provision reversals noted.
10	Tax rate consistency	Profit ↑ — non-cash tax boost; MAT credit entitlement significantly lowered effective tax rate.	□	Tax Rate 6% (P&L) vs 30% (Statutory)	Note 41: Deferred tax credit of □14.50 Cr (including □8.70 Cr MAT) boosted PAT.
11	CWIP age and stalling projects	Neutral — minimal capital risk; no significant capital work-in-progress reported on balance sheet.	□	CWIP □0.00 Cr	Note 4.6: Capital commitments are minimal at □0.25 Cr for future assets.
12	Deferred tax asset recognition adequacy	Profit ↑ — high DTA reliance; MAT credit recognized as asset based on future profitability.	□	Other Assets (incl. DTA/MAT) □516 Cr	Note 11: Significant portion of "Other asset items" includes tax-related credits.
13	RPT quantum and trend	Profit ↓ — value leakage risk; 12% interest paid on NCDs issued to promoter entities.	□	Interest to MD □1.82 Cr; NCDs □15 Cr	Note 43B: MD acts as liquidity provider; NCDs issued to Seven Hills (promoter group).
14	Dividend paid vs FCF adequacy	Profit ↓ — dividend funded by debt; payout occurred despite negative Free Cash Flow.	□	Dividend □3.72 Cr vs FCF -□9 Cr	FCF turned negative due to □252 Cr increase in deposits with stock exchanges.
15	Auditor KAM: Level 3 Fair Value	Profit ↑↓ — valuation risk; management uses judgment for □23.87 Cr in unquoted AIFs.	□	Level 3 Assets □23.87 Cr	Note 4.3: Auditor notes reliance on independent

#	Check	Impact	Status	Evidence	Notes Detail
					models for illiquid instruments.
16	Operational Control Deficiency	Neutral — compliance friction; □1.00 Lakh fine levied by exchanges for operational gaps.	□	Regulatory Fines □0.01 Cr	Auditor Report p.78: Small value but indicates persistent internal control friction.
17	Proprietary Trading Reliance	Revenue ↓ — earnings volatility; fair value gains collapsed from □22.34 Cr to □3.47 Cr.	□	Fair Value Gain 0.96% of Rev	Note 32: Positive shift toward sustainable fee income over volatile trading gains.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** Unqualified.
- **KAM - Revenue Recognition:** Focuses on the timing and accuracy of brokerage and fee income. The auditor verified automated systems and trade date recognition to mitigate estimation risks.
- **KAM - Fair Value of Level 3 Instruments:** Management uses significant judgment for unquoted AIFs and equity (□23.87 Cr). The auditor evaluated independent valuation models and liquidity assumptions.
- **KAM - ECL Provisioning:** Judgment in credit risk for margin funding. The auditor noted that the Group considers margin trading facilities covered by collateral as "not in default," which may mask underlying credit stress if collateral values drop.
- **Statutory Dues:** The auditor reported that the Company paid a total fine of □1.00 Lakh (0.01 Cr) levied by BSE, NSE, and MCX for operational deficiencies.
- **Auditor Fees:** S.R. Batliboi & Co. LLP (re-appointed in FY23 for a 5-year term). The auditor holds a valid Peer Review Board certificate.

B. Related Party Transactions

Party	Relationship	Nature	Amount (Cr)	Concern
Krishna Kumar Karwa	Managing Director	Repayment of Borrowing	35.00 Cr	***High reliance on MD for liquidity.***
Seven Hills Capital	MD Controlled Entity	NCDs Issued (12% Int.)	15.00 Cr	***High-cost debt issued to insiders.***
Krishna Kumar Karwa	Managing Director	Interest Paid	1.82 Cr	***Interest cost increased 62.5% YoY.***
Krishna Kumar Karwa	Managing Director	Short Term Borrowing	15.00 Cr	***Continuous promoter-led funding.***
Emkay Global (Singapore)	Subsidiary	Advisory Fees Paid	15.38 Cr	Outflow for client sourcing.
Kitaab Design	MD's Daughter	Purchase of Gifts	0.25 Cr	Recurring non-core transaction.
Emkay Fincap	Associate	Facility Fees Received	23.44 Cr	Significant non-core revenue stream.

C. Shareholding

Line Item	Mar 2025	Mar 2024
Promoters	47.19%	47.19%
FIIs	0.04%	0.04%
DIIs	0.00%	0.00%
Public	52.77%	52.77%
* **Pledged Shares:** 0.00% of promoter holding.		

D. Board Composition + KMP Compensation

- **Total Directors:** 8 | **Independent %:** 62.50% | **Women Directors:** 1 (Mrs. Hutokshi Wadia - Audit Committee Chair).
- **KMP Compensation:**
  - **Krishna Kumar Karwa (MD):** ₹1.44 Cr (0% YoY growth).
  - **Prakash Kacholia (MD):** ₹1.44 Cr (0% YoY growth).
- **Analysis:** MD pay remained frozen despite a 43.64% surge in Operating Profit, showing strong alignment. However, **Share Based Payments (ESOPs)** for the group spiked from **₹1.10 Cr to ₹3.65 Cr**, indicating a shift toward equity-linked incentives. Succession planning is evident with the induction of the MD's son to the Board.

F. Capital Allocation & Capex

Action	FY 2025 (Cr)	FY 2024 (Cr)	Signal
Dividends	3.72 Cr	2.46 Cr	***Concern: Funded by debt***
Capex	6.86 Cr	8.65 Cr	**Growth: Tech focused**
Net Debt Change	13.45 Cr	19.00 Cr	***Concern: Rising leverage***
Working Capital Investment	74.00 Cr	28.00 Cr	***Stress: Exchange deposits***
Interest Payments	6.96 Cr	4.91 Cr	***Concern: 12% NCD cost***

CAPEX Analytical Notes: * **CFO Coverage of Capex:** -0.29x; the business is currently unable to fund its own maintenance or growth capex from operations. * **Nature of Capex:** Primarily **Computers (₹26.67 Cr Gross Block)**, up from ₹21.86 Cr, confirming continued investment in digital trading infrastructure. ***Capex Deployment Efficiency:** Revenue grew 14.67% while Gross Block grew 8.43%, suggesting stable asset turnover.

H. Risks

- ***RPT Dependency (High):*** Reliance on MD for ₹15 Cr liquidity via 12% NCDs. High interest burden (₹1.82 Cr) reduces PAT; liquidity risk if MD withdraws support.
- ***Market Volatility (High):*** 98.12% of revenue is Advisory & Transactional. Earnings collapse during market downturns due to high fixed employee costs (₹170.86 Cr).
- ***Lien on Liquidity (Medium):*** 59.1% of FDs (₹286.17 Cr) are under lien with exchanges. Limits ability to service the new ₹46 Cr NCDs from existing cash.
- ***Operational Errors (Medium):*** 366% spike in "Claims and Compensation" to ₹0.56 Cr. Signals potential breakdown in trade execution or client management controls.
- ***Regulatory Fines (Low):*** Discrepancies in operational deficiencies leading to fines (₹1.00 Lakh).

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	98% Rev from Advisory; 70% Brokerage	High cyclicality and dependence on market volumes despite 30-year legacy.
Financial Health	2	↓	D/E 0.22x; CFO -□2 Cr; 12% NCD cost	Negative CFO and high-cost debt issuance to fund dividends and margins.
Earnings Quality	3	↓	CFO < PAT; 6% Tax Rate; MAT Credit □8.7 Cr	Profits are non-cash and boosted by one-time tax credits and exchange deposits.
Management & Governance	3	→	12% RPT NCDs; MD son on Board; 0% MD pay hike	Strong pay discipline offset by high-cost insider funding and succession concerns.
Capital Allocation & Earnings Visibility	2	↓	FCF -□9 Cr; Div funded by debt; AMC exit	Value-neutral allocation; returning cash while borrowing at 12% signals lack of growth J-curve.

BUSINESS POSITIVES (for this company this year) * □**[Revenue Quality]:** Core **Brokerage Income** grew significantly to **□255.32 Cr**, reducing reliance on volatile proprietary trading gains (which fell to **□3.47 Cr**). * □**[Collection Efficiency]: Trade Receivables** fell **24.79%** to **□94.00 Cr** despite rising sales, with **99.7%** of dues being current (<6 months). * □**[Operating Leverage]: OPM %** expanded to **22.00%** from **17.00%**, showing the ability to scale profits faster than costs in a bull market. * □**[Shareholder Returns]:** Total dividend payout increased to **□4.00/share** (including special dividend), signaling a commitment to return "excess" profits. * □**[MD Pay Discipline]:** MD compensation remained frozen at **□1.44 Cr** despite a **43.64%** surge in Operating Profit.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**[Cash Flow Stress]: CFO** turned negative at **-□2.00 Cr** (CFO/PAT of **-0.04**) due to a massive **□252.64 Cr** drain into exchange deposits. * □**[High-Cost Debt]:** Issued **□46.00 Cr** in Unsecured NCDs at a **12%** coupon, with **□15.00 Cr** sourced from a related party, signaling expensive liquidity. * □**[Tax-Inflated PAT]: Net Profit** growth of **91%** was heavily supported by a non-recurring **□14.50 Cr** Deferred Tax/MAT credit, resulting in an unnaturally low **6%** tax rate. * □**[Poor Capital Allocation]:** Paid out **□3.72 Cr** in dividends and funded **□6.86 Cr** in capex using high-cost debt while **Free Cash Flow** was negative (**-□9.00 Cr**). * □**[Operational Red Flag]: Claims and Compensation** spiked **366%** to **□0.56 Cr**, indicating potential lapses in trade execution or client disputes.

OVERALL SCORECARD SUMMARY Emkay Global is currently demonstrating robust operational growth, but its financial health is being masked by a "cash-less" profit surge. While core brokerage margins are expanding, the business is struggling with massive liquidity lock-ups in exchange deposits, forcing it to raise high-cost 12% debt from promoters to fund dividends and operations. Governance is stable but shows signs of value leakage through high-interest RPT debt. The business is on a **stable but high-risk trajectory**, as its current "Harvest Mode" strategy leaves it vulnerable to a sharp margin contraction if market volumes mean-revert.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.71)
2	Promoter pledge = 0?	□	0.00% pledged (Screener)
3	KMP pay < 5% of PAT?	□	MD pay □2.88 Cr is ~5% of PAT □57 Cr
4	RPT quantum < 5% of revenue?	□	RPT at 4.82% of Revenue
5	Board > 50% independent?	□	62.50% (5 out of 8)
6	At least 1 woman director?	□	Mrs. Hutokshi Wadia
7	No statutory dues outstanding?	□	No major defaults reported
8	No fraud reported?	□	No fraud noted in Auditor's report
9	Audit trail enabled?	□	Confirmed in Auditor's report
10	Frequent Auditor change	□	S.R. Batliboi in 3rd year of 5-year term
Total: 10/10 □— Governance Rating: 4			

Part C: Investor Verdict

THESIS: A high-quality, research-driven cyclical broker currently "milking" the bull market to pay dividends, but facing liquidity stress and high-cost debt burdens. **OVERALL STANCE:** WATCH **RATIONALE:** While operational performance is strong, the reliance on 12% promoter debt and negative FCF makes the current dividend yield unsustainable if market volumes dip. **RE-EVALUATE WHEN: CFO/PAT** returns to >0.5x OR **Finance Costs** exceed 15% of Operating Profit. **BULL CASE:** Sustained retail participation drives brokerage income >□350 Cr, allowing the firm to repay 12% NCDs from internal accruals. **BEAR CASE:** A 20% drop in market volumes leads to a PAT collapse due to high fixed employee costs (□170 Cr) and sticky 12% interest obligations.**KEY MONITORABLE:** Deposits with Exchanges: □480.79 Cr → Watch for further spikes that drain operating cash.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Strategic Focus	Strategic retreat from AMC business; return to core brokerage.	Formal dissolution of MF arm; shift to "Harvest Mode" and retail expansion.	The company has fully abandoned its structural diversification strategy to maximize short-term returns from the current market cycle.
Capital Allocation	Positive FCF (□15 Cr); dividends covered by operations.	Negative FCF (-□9 Cr); dividends funded by high-cost debt.	Management is prioritizing aggressive shareholder payouts over balance sheet health by borrowing at 12% to fund dividends.
Margin Trajectory	OPM at 17%; heavily reliant on non-core "Facility Fees" (76% of PBT).	OPM expanded to 22%; driven by core brokerage growth and operating leverage.	While margins have improved, the underlying cost structure remains rigid and highly sensitive to market volume fluctuations.
Working Capital	WC investment of □28 Cr; receivables management improving.	WC outflow of □74 Cr; massive □252 Cr drain into exchange deposits.	Accounting profits have completely decoupled from cash flow due to the escalating liquidity requirements of the exchange-clearing model.
Funding & Debt	□20 Cr unsecured loan from MD at 8-10% interest.	□46 Cr NCD issuance at 12% interest, including related-party participation.	The cost of capital has spiked significantly, signaling a tightening liquidity position and heavy reliance on expensive insider funding.
Earnings Quality	PAT supported by "Other Income" and discontinued operations.	PAT inflated by □14.5 Cr non-cash Deferred Tax/MAT credits (6% effective tax).	The quality of the bottom line remains low as non-cash accounting adjustments continue to mask the true operational cash generation.
Internal Controls	**CRITICAL RED FLAG:** Audit trail (edit logs) disabled at database level.	Audit trail enabled and confirmed by auditors.	The resolution of the database-level audit trail deficiency significantly reduces the risk of unrecorded financial adjustments.

7.2 Persistent Patterns

- **High fixed-cost rigidity** remains a structural risk, with employee benefits consistently consuming 47-48% of total revenue regardless of the growth rate.
- **Promoter liquidity dependency** is a recurring theme, as the company consistently relies on the MD or promoter-controlled entities for emergency funding and margin support.
- **Transactional revenue concentration** persists at >98%, leaving the entire business model exposed to the inherent volatility of capital market cycles.
- **Significant off-balance sheet risk** continues via high Bank Guarantees (rising to □130 Cr) required to maintain exchange memberships and trading limits.
- **Stagnant board succession** remains a pattern, characterized by the re-appointment of aged directors and the recent induction of the MD's son, suggesting a closed leadership circle.
- **Negative Free Cash Flow (FCF) vulnerability** is a persistent trait during periods of high market activity due to the mandatory lock-up of liquidity in exchange deposits.
- **Research-heavy competitive positioning** necessitates a high baseline of technology and data spend that cannot be easily scaled down during market downturns.