Emkay Global Financial Services Ltd — Aug 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Weak Miss **One-line:** Emkay remains stuck in a loss-making cycle (third consecutive quarterly loss) as the profitability in Asset Management (₹10 Cr PAT) is insufficient to offset the continued bleeding in the core Capital Markets division.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss	Consolidated loss of ₹154 Cr, though narrowing from ₹191 Cr loss in Q4FY23.	□
Earnings Quality	Low	Narrowing loss driven by MTM/Asset Management; core Advisory PBT remains negative (-₹15 Cr).	□
Guidance Confidence	Neutral	"Digital Transformation" narrative continues without specific ROI or timeline targets.	□
Management Credibility	Neutral	Continued losses despite rising equity markets and 18% QoQ growth in Wealth AUD.	□
Business Quality Signal	Deteriorating	Core Capital Markets segment (Broking/IB) reported a loss of ₹143 Cr at a PAT level.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	Operating Leverage	High fixed costs (HR/Tech) preventing profitability despite a growing Wealth AUD base.	□
Capital Cycle Stage	Investment	Heavy focus on "Digital First" approach and tech infrastructure (Emkay Blitz).	□
Margin Trajectory	Improving	Net Loss Margin narrowed slightly QoQ but remains in the red.	□
Pricing Power	Stable	Maintaining premium advisory positioning over discount brokers.	□
FCF Conversion	Not in doc	Cash flow statement not provided in quarterly PPT.	□
Competitive Moat	Stable	Institutional Research coverage (279 companies) remains a key institutional hook.	□
Balance Sheet Strength	Adequate	Supported by net positive Asset Management segment performance.	□
Working Capital Efficiency	Stable	No material changes reported in clearing or settlement cycles.	□
Mgmt Guidance Track Record	Mixed	Successfully scaled Wealth to 10 locations but failing to translate AUD to group PAT.	□
Key Vulnerability	Negative Leverage	Inability to hit breakeven in Capital Markets even with a robust market backdrop.	□
Management Tone	Confident	Optimistic on tech-led acquisition and "360-degree" solution capabilities.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The Wealth Management segment is showing genuine scale, with Assets Under Distribution (AUD) growing 18.2% QoQ to ₹1,616.5 Cr. The Asset Management vertical

(PMS/AIF) is the sole driver of profitability, contributing a segment PAT of ₹1.00 Cr. Institutional Research remains a pillar of strength, covering 47/50 Nifty constituents. * **Negatives:** The consolidated business remains loss-making (-₹0.54 Cr), continuing a multi-quarter trend. The Capital Markets segment (the legacy core) is a drag, losing ₹0.43 Cr this quarter. Operating expenses appear high as the firm invests in "Digital Transformation" and expanded HR background verification. * **Street Concern:** Analysts will likely focus on when the "Investment Phase" ends. While AUD is growing, the conversion to consolidated PAT is lagging, suggesting the cost of customer acquisition or the overhead of a full-service model is currently exceeding fee generation. * **Forward Watchpoint:** Monitor the "Emkay Blitz" adoption rates and whether the Investment Banking pipeline (ECM/QIPs) can revive to swing the Capital Markets segment back to profitability.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column absent.

Metric	Current Qtr (Q1FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	₹215.4	↑ (N/A)	↑ 4%	↑	Derived from 2,154 Mn total segment revenue.
Advisory Revenue (₹Cr)	₹207.3	↑ (N/A)	↑ 3%	↑	Includes Broking, Distribution, and IB.
PAT (₹Cr)	(₹0.54)	↑ 53%	↑ 41%	↑	Narrowing loss (Q1FY23: -1.14 Cr; Q4FY23: -0.91 Cr).
Wealth AUD (₹Cr)	₹2,616.5	↑ 37.5%	↑ 18.2%	↑	Strong growth vs 1,903 Cr in Q1FY23.
Wealth Clients (Nos)	23,189	↑ 19%	↑ 3%	↑	Steady acquisition across 10 locations.
AIF/PMS % of AUD	19%	↑	↑	↑	Combined Direct Equity and AIF/PMS mix.
Insti. Coverage (Cos)	279	→	→	→	Covers 47/50 Nifty & 30/30 Sensex stocks.
Wealth Revenue (₹Cr)	₹2.7	↑ (N/A)	↑ (N/A)	↑	Represents 27 Mn reported for Q1FY24.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	PAT (₹Cr)	PAT Margin	Trend	vs Co. Avg	Key Development
Capital Markets	₹207.3*	(₹0.43)	Negative	↑	Below	Narrowed loss from Q4FY23.
Asset Management	Not in doc	₹1.00	Positive	↑	Above	Primary profit engine for the group.
Others	Not in doc	(₹0.21)	Negative	↓	Below	Includes other comprehensive items.
*Advisory segment revenue includes both Capital Markets and Wealth distribution.						

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Strategy	**Digital Transformation**	Conversion from "As-a-service" to "Business Enabler" via Emkay Blitz.	N/A	Ongoing; platform launched and being "ruggedized."	Medium
Strategy	**Wealth Expansion**	Reached 10 locations; operating as an established player.	N/A	Delivered; grew from start-up phase in < 3 years.	Low
Strategy	**Asset Management**	Celebrated 10 years; focus on sustainable returns.	N/A	Consistent; segment is currently the only profit maker.	Low
Guidance	**Tech Investment**	Proactive investment in digital assets/security (SOC, XDR).	N/A	High spend visible in current opex/losses.	High
Strategy	**Product Offering**	US Equity Markets option via Stockal tie-up.	N/A	Delivered; integrated into Wealth platform.	Low

(N/A — no concall conducted for Q1FY24; targets derived from presentation roadmap.)

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY23)	This Quarter (Q1FY24)	Direction
Consolidated PAT	(0▯91 Cr) Loss	(0▯54 Cr) Loss	↑ (Narrowing)
Wealth AUD	2▯,212.9 Cr	2▯,616.5 Cr	↑
Wealth Client Base	22,425	23,189	↑
Locations	9 Cities	10 Cities	↑
Segment Profit	Cap. Markets was -0▯37 Cr PAT	Cap. Markets is -0▯43 Cr PAT	↓
Tech Infrastructure	Building phase	Implementing SOC & XDR security systems	↑
Product Portfolio	Standard Wealth	Added US Equities via Stockal	↑

Investor Notes: * **Thesis Trajectory:** The thesis of Emkay as a diversifying financial services play is intact but testing investor patience on the bottom line. The growth in Wealth AUD is impressive (18% QoQ), yet it has not yet generated enough scale to cover the overhead of the Broking and Tech divisions. * **The "Valley of Death":** Management is clearly in an investment phase for tech and compliance (Slide 15-16). Until these costs are amortized over a larger client base, consolidated earnings will remain volatile and likely near zero. * **Asset Management Resilience:** The PMS/AIF vertical is the "jewel in the crown" this quarter, effectively subsidizing the losses of the broking business. * **Watch Item:** The disconnect between revenue growth (Advisory revenue ↑)

and the widening loss in the Capital Markets PAT (-0.37 Cr to -0.43 Cr) suggests either margin pressure in broking or increased talent/tech costs.