Emkay Global Financial Services Ltd — Dec 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss **One-line:** The structural transformation into a high-touch Wealth and Asset Management firm is progressing in AUM terms (+37% YoY in Wealth), but the transition is proving painfully margin-dilutive as heavy investments in international expansion and tech, coupled with a strategic exit from low-margin trading volumes, have crashed the ROE from 20.89% (FY25) to a dismal 1.95% (H1-FY26).

Dimension	This Quarter (H1-FY26)	Signal / Evidence	Sentiment
Beat/Miss vs Prior Q	**Miss**	H1 PAT of □5.2 Cr is <10% of FY25 total PAT (□56.8 Cr).	□
Earnings Quality	**Moderate**	Core fee income is growing, but overshadowed by a massive spike in fixed overheads.	□
Guidance Confidence	**Weak**	The □250 Cr IB revenue target for FY26-27 requires a massive ramp-up from current levels.	□
Management Credibility	**Neutral**	Strong on strategy execution (Dubai license, SMID fund) but weak on cost control.	□
Business Quality Signal	**Deteriorating (Short-term)**	Market share in trading volumes continues to plummet (ADTO down 60% vs FY24).	□
Key Q&A Exchange	**N/A**	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	**ROE Collapse**	ROE plummeted to 1.95%; investors fear the "high-touch" model is too cost-heavy.	□
Capital Cycle Stage	**Investment**	Heavy spending on Dubai/US offices and proprietary tech platforms.	□
Margin / Return Trajectory	**Deteriorating**	PAT Margin fell from 16.89% (FY25) to 3.58% (H1-FY26).	□
Pricing Power	**Stable**	74% of Wealth AUM remains in Direct Equity, suggesting sticky advisory relationships.	□
FCF Conversion & Quality	**Not Derivable**	Full cash flow statement not provided in H1 presentation.	□
Competitive Moat Signals	**Stable**	100% of PMS/AIF strategies continue to outperform benchmarks.	□
Balance Sheet Strength	**Strong**	Net Worth stable at □301.5 Cr; Debt-to-Equity remains low at 0.20x.	□
Working Capital Efficiency	**Stable**	Financial asset mix remains liquid (□492.8 Cr in Cash/ Equivalents).	□
Mgmt Guidance Track Record	**Mixed**	Consistent on AUM targets; significantly behind on profitability run-rates.	□
Key Vulnerability	**Operating Leverage**	Fixed employee costs (□170.9 Cr in FY25) are too high for the current revenue base.	□
Management Tone	**Confident**	PPT emphasizes "long-haul" commitment and "holistic growth" despite margin pain.	□

Key Takeaways (Positives & Negatives): * **Positives:** The pivot to recurring fees is visible: Asset Management AUM reached □156.27 Cr (+27% in 6 months) and Wealth Management AUM touched □18,414.9 Cr. The "E-QUAL" proprietary governance framework is yielding results, with all investment strategies beating their benchmarks. Successful execution of the □2,005.9 Cr IREDA QIP as Merchant Banker validates the Institutional franchise's capability to handle large-scale mandates. * **Negatives:** Profitability has effectively vanished in H1-FY26; a PAT of □5.2 Cr on a revenue of □145.1 Cr indicates that the cost of the "new model" is currently exceeding the revenue it generates. Emkay is aggressively losing volume share in the broader market, with its ADTO falling to □277.7 Cr (down from □925.9 Cr in FY23), representing a structural retreat that has not yet been offset by Wealth fees. * **The Street's Focus:** Can Emkay survive the "Valley of Death" in its transition? The market is looking for the □250 Cr Investment Banking pipeline to materialize quickly to stop the ROE bleed. * **Forward Watchpoint:** Realization of the ~□100 Cr projected revenue from secured IB mandates over the next 24 months; without this, the dividend-paying capacity and ROE will remain under severe pressure.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: Concall not available — commentary absent.

Metric	Current Period (H1-FY26)	YoY Change	Trend	Mgmt Commentary
Fee Income Growth (%)	Not Stated	N/A	□	Shift from transaction to advisory ongoing.
AUM - Wealth (□Cr)	□18,414.9	↑ 37.3%	↑	Driven by HNI/UHNI segment expansion.
AUM - PMS/AIF (□Cr)	□1,562.7	↑ 73.1%	↑	Boosted by SMID Cap Growth Engine launch.
Revenue (□Cr)	□145.1	↓ 13.5%*	□	*H1 run-rate vs FY25 avg. Volume exit impact.
PAT (□Cr)	□5.2	↓ 81%*	□	*H1 vs 50% of FY25 PAT. Sharp margin drop.
PAT Margin (%)	3.58%	↓ 1331 bps	□	High investment in human capital/geography.
ROE (%)	1.95%	↓ 1894 bps	□	Impacted by high fixed costs vs lower volumes.
ROCE (%)	7.51% (FY25)	N/A	□	H1 figure not provided separately.
Debt to Equity (x)	0.20x	↑ 0.05x	→	Remains conservative despite slight increase.
Emkay ADTO (□Cr)	□277.7	↓ 60.8%	□	Strategic exit from low-margin business.
Net Worth (□Cr)	□301.5	↓ 0.5%	→	Slight dip vs Mar-25 (□303.2 Cr).

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	H1 Mix %	Growth Trend	vs Co. Avg	Key Development
Capital Market	□81.3 (56%)	56%	□	Underperforming	Includes IREDA QIP; Broking volumes down.
Wealth Mgmt	□33.4 (23%)	23%	↑	Outperforming	19 branches; Tier-2 expansion (Nagpur/Baroda).
Asset Mgmt	□13.1 (9%)	9%	↑	Outperforming	Dubai operations set up; 100% strategies beat BM.
Other / Treasury	□17.3 (12%)	12%	□	Neutral	Linked to market yields/proprietary book.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	IB Revenue	□250 Cr (□2.5 Bn) to be realized over FY26 and FY27.	Needs □31.25 Cr per quarter for 8 quarters. Current run-rate appears significantly lower.	**Mixed**: Large mandate (IREDA) done, but consistency lacks.	Execution delays.
Guidance	Mandates	~□100 Cr (□1,000 Mn) revenue from secured mandates in next 24 months.	Needs □12.5 Cr/qtr specifically from these secured items.	**First entry**: New disclosure.	Market volatility.
Strategy	Geographic	Expand to US and UAE (Dubai).	Dubai license obtained Dec 31, 2024; US roadshows initiated.	**Delivered**: Operations commenced in Dubai.	Cost overruns.
Strategy	Product	Shift to "Family Office" / Advisory model.	74% Wealth AUM in Direct Equity indicates high-touch advisory success.	**On Track**: Transition from discount to premium model.	RM Attrition.
Strategy	Technology	Ultra-low latency infra and advanced threat detection.	Ongoing investment in SOC and Colocation.	**Delivered**: Deployed hyper-converged platforms.	Tech Obsolescence.

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Comparison based on Q1FY26 Prior Context provided.

What Changed	Prior Quarter (Q1 FY26)	This Quarter (H1 FY26)	Direction
Incremental PAT	□4.8 Cr (Q1)	□0.4 Cr (Implied Q2)	↓
PAT Margin	6.1% (Q1)	3.58% (H1 Avg)	↓
ROE (Annualized)	6.0% (Q1)	1.95% (H1)	↓
Asset Mgmt AUM	□1,468.9 Cr	□1,562.7 Cr	↑
Wealth AUM	□20,051.7 Cr*	□18,414.9 Cr	↓
Debt-to-Equity	0.15x	0.20x	□
Emkay ADTO	□231 Cr	□277.7 Cr (H1 Avg)	↑

Investor Note: The thesis remains a play on "Transformation Alpha." The massive ROE collapse this quarter is a function of the company being caught between two worlds: they have successfully shed the low-margin trading volumes of the past (ADTO down from □925 Cr to □277 Cr), but the high-margin advisory and IB fees haven't yet scaled enough to cover a fixed cost base that was expanded for international growth. The reported H1 PAT of

□5.2 Cr suggests Q2 was near break-even. **We are maintaining a "Watch" stance; the thesis is not broken, but the "margin of safety" has narrowed until the □100 Cr IB pipeline starts hitting the P&L.**

STOP HERE.