Emkay Global Financial Services Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss **One-line:** The pivot to a fee-based Wealth and Asset Management model is gaining scale (AUM +37% YoY), but the P&L remains trapped in a "J-curve" where aggressive international and talent investments have crushed 9M-FY26 ROE to 3.79% (vs 20.89% in FY25).

Dimension	This Quarter (9M-FY26)	Signal / Evidence	Sentiment
Beat/Miss vs Prior Q	**Miss**	9M PAT of □9.5 Cr is ~16% of FY25 total PAT; Q3 PAT (~□4.3 Cr) shows only marginal sequential recovery.	□
Earnings Quality	**Moderate**	Core operational revenue is stabilizing, but overheads (Employee costs are 54% of total revenue) remain high.	□
Guidance Confidence	**Neutral**	Management remains committed to the □100 Cr IB revenue pipeline, but quarterly conversion is slow.	□
Management Credibility	**Strong**	Successfully operationalized the Dubai branch and completed the US six-city roadshow as promised.	□
Business Quality Signal	**Stable**	PMS/AIF strategies are delivering high alpha (all outperformed benchmarks); Wealth AUM is sticky (72% Direct Equity).	□
Key Q&A Exchange	**N/A**	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	**Return Ratio Decay**	ROE/ROCE have collapsed from double digits to <4% as the firm builds for the long term.	□
Capital Cycle Stage	**Investment**	Significant spend on Dubai infrastructure, US market entry, and technology upgrades.	□
Margin / Return Ratio Trajectory	**Improving (Slightly)**	PAT Margin improved to 4.09% (9M avg) from 3.58% (H1 avg).	□
Pricing Power	**Stable**	Maintaining premium positioning in SMID research; not competing on price in broking.	□
FCF Conversion & Quality	**Not Derivable**	Cash flow statement not provided in 9M presentation.	□
Competitive Moat Signals	**Stable**	"E-QUAL" governance framework remains a key differentiator for the Asset Management arm.	□
Balance Sheet Strength	**Strong**	Net Worth increased to □369.2 Cr; Debt-to-Equity remains low at 0.22x.	□
Working Capital Efficiency	**Stable**	High liquidity maintained with □855.3 Cr in Cash and Equivalents.	□
Mgmt Guidance Track Record	**Mixed**	High delivery on strategic milestones (Dubai, Tech); lagging on bottom-line profitability.	□
Key Vulnerability	**Operating Leverage**	The fixed cost base requires a massive jump in IB/Fee income to restore ROE to historical levels.	□
Management Tone	**Confident**	Emphasizes "Human Capital" and "Long Haul" commitment to client returns over short-term P&L.	□

Key Takeaways (Positives & Negatives): * **Positives:** The structural growth in Asset Management (AUM at □1,703.4 Cr) and Wealth Management (AUM at □17,681 Cr) validates the pivot away from pure broking. The Investment Banking pipeline is robust, with ~□100 Cr revenue projected from secured mandates over the next 24 months. International expansion is now operational, with a branch license in Dubai and active US marketing. * **Negatives:** Profitability remains stressed; employee benefits (□134.4 Cr) for 9M-FY26 are already 78% of the full-year FY25 spend, indicating heavy hiring of high-cost talent (Relationship Managers). Return on Equity (3.79%) is currently below the cost of capital, making the business dilutive in the short term. * **The Street's Focus:** Can the Investment Banking division deliver the □50 Cr expected revenue from the 8 IPO mandates filed to offset the high overheads? * **Forward Watchpoint:** The conversion of the □1,086 Cr Equity ADTO and □413,322 Cr Derivative ADTO into higher-margin wealth fees as the client mix shifts toward UHNIs.

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2. BUSINESS PERFORMANCE

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

Metric	Current Qtr (9M-FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	□246.6	↑ 11.2%	↑	↑	Driven by Wealth & IB mandates.
PAT (□Cr)	□9.5	↓ 68.3%	↑	□	Q3 PAT ~□4.3 Cr vs H1 avg ~□2.6 Cr.
PAT Margin (%)	4.09%	↓ 1,280 bps	↑	□	Slight recovery from H1 (3.58%).
ROE (%) - Annualized	3.79%	↓ 1,710 bps	↑	□	Improving vs H1 (1.95%).
ROCE (%) - Annualized	1.91%	↓ 1,178 bps	↓	□	Impacted by high operating expenses.
Wealth AUM (□Cr)	□17,681	↑ 37.3%	↓	□	Slight dip vs H1 (□18,414.9 Cr).
PMS/AIF AUM (□Cr)	□1,703.4	↑ 73.1%	↑	↑	Strong growth in SMID strategies.
Emkay ADTO (□Cr)	□320.3	↓ 54.8%	↑	□	Stabilizing after strategic exit.
Net Worth (□Cr)	□369.2	↑ 21.8%	↑	↑	Strengthened by retained earnings.
Debt to Equity (x)	0.22x	↑ 0.08x	↑	□	Slight leverage increase to fund growth.
Fee Income (IB) (□Cr)	Not Stated	N/A	N/A	□	IB Revenue projected at □100 Cr / 24m.
Employees Benefits (□Cr)	□134.4	↑ 18.2%	↑	□	High cost of senior talent acquisition.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	Mix %	Growth Trend	vs Co. Avg	Key Development
Capital Market	□140.6	57%	□	Neutral	Broking □118.2 Cr; ECM □3,106 Cr value.
Wealth Mgmt	□56.7	23%	↑	Outperforming	36,983 clients; Tier-2 market expansion.
Asset Mgmt	□19.7	8%	↑	Outperforming	Dubai operations; 100% BM outperformance.
Other / Treasury	□29.6	12%	□	Neutral	Contribution from "Other Income" & Prop.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	IB Revenue	□100 Cr (~□1,000 Mn) over the next 24 months.	Needs □12.5 Cr per quarter. FE (□13.1 Cr) suggests this is feasible.	**On Track**: Completed IREDA QIP and other mandates.	Market Volatility.
Guidance	IPO Pipeline	□50 Cr to be realized from 8 filed IPO mandates over FY26-27.	Needs ~□6.25 Cr per quarter from IPO fees specifically.	**Pending**: 8 mandates filed with SEBI.	SEBI Approval delays.
Guidance	AUM Growth	PMS/AIF to reach significant scale by 2030 (Industry trend).	Current 9M growth (73% YoY) is well above industry avg.	**Strong**: AUM increased from □122.5 Cr to □170.3 Cr.	Performance dip.
Strategy	Geographic	Establish operations in Dubai and the US.	Dubai branch license obtained Dec 31, 2024. US 6-city roadshow done.	**Delivered**: Operations commenced in Dubai.	RM Attrition.
Strategy	Technology	Ultra-low latency and HFT/MFT support.	Deployment of N-Prime, Hawkeye, and Protector systems.	**Delivered**: Scaled hardware and SOC monitoring.	Tech Obsolescence.
Macro	Market Share	Move away from discount broking to high-touch.	Broking revenue mix (90%) still dominated by institutional.	**Slow transition**: Non-institutional mix only 10%.	Competitive pricing.

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Comparison based on H1-FY26 (Prior Context) vs 9M-FY26.

What Changed	Prior Quarter (H1-FY26)	This Quarter (9M-FY26)	Direction
Implicit Qtr PAT	~□2.6 Cr (H1 Avg)	~□4.3 Cr (Q3 only)	↑
PAT Margin	3.58%	4.09% (9M Cumulative)	↑
ROE (Annualized)	1.95%	3.79%	↑
Emkay ADTO	□277.7 Cr	□320.3 Cr (9M Avg)	↑
Asset Mgmt AUM	□156.27 Cr	□170.34 Cr	↑
Wealth AUM	□18,414.9 Cr	□17,681.0 Cr	↓
Net Worth	□301.5 Cr	□369.2 Cr	↑
Debt to Equity	0.20x	0.22x	□
International	License Pending	Dubai License Obtained	□

Investor Note: The thesis of "Structural Transformation" is entering the crucial execution phase. While the prior quarter (H1) marked the bottom for return ratios, 9M-FY26 shows the first signs of bottom-line stabilization with Q3 PAT (~□4.3 Cr) nearly doubling the H1 quarterly average. The recovery is driven by a stabilization in broking volumes (ADTO up to □320 Cr) and the initial realization of Investment Banking mandates. However, the high-cost structure (Employee costs at 54% of revenue) remains a significant hurdle; the business requires the projected □100 Cr IB revenue to materialize to return to a 15%+ ROE profile. We move from a "Deteriorating" short-term signal to "Stabilizing," with the key watchpoint being the realization of the 8 filed IPO mandates in FY27.

STOP HERE.