Emkay Global Financial Services Ltd — Jan 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak / Miss **One-line:** Emkay’s transition to an asset-led model is stalling as AIF AUM collapsed 50% YoY and the segment remains loss-making, leaving a shrinking institutional broking business to carry the bottom line.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss	Revenue flat QoQ (□51.1 Cr) but PAT margin squeezed; significant YoY decline (PAT down 55%).	□
Earnings Quality	Low	Asset Management segment is a drag on profits (Loss of □1.4 Cr); consolidated PAT is reliant on cyclical broking.	□
Guidance Confidence	Neutral	Management points to "AIF V" commitments (□125 Cr) to offset AIF liquidations, but timing remains uncertain.	□
Management Credibility	Neutral	Successfully returned AIF I-III funds, but failed to prevent a massive AUM vacuum in the interim.	□
Business Quality Signal	Deteriorating	Core high-margin AIF/PMS assets are shrinking; Wealth AUD growth is steady but likely lower-yield.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	AUM Attrition	AIF AUM dropped from □487.5 Cr to □247.0 Cr YoY; PMS AUM is flat vs two years ago.	□
Capital Cycle Stage	Consolidation	Retrenching in AIF while trying to scale Wealth distribution to 10 locations.	□
Margin Trajectory	Deteriorating	Consolidated PAT margin at 9.4% vs 12.5% in Q3FY22.	↓
Pricing Power	Stable	Maintaining premium advisory positioning; avoiding discount broking race.	□
FCF Conversion	Not in doc	Cash flow statement not provided in quarterly PPT.	□
Competitive Moat	Stable	Institutional coverage of 279 companies remains the primary funnel for IB and Wealth.	□
Balance Sheet Strength	Adequate	BVPS declined to □87.80 (from □111.45 in Q1) following asset base shifts.	□
Working Capital	Stable	Financial assets (□720.5 Cr) largely flat vs FY22 levels.	□
Mgmt Track Record	Mixed	Strong on IB deal execution (PE & Block deals) but struggling to scale AMC profitably.	□
Key Vulnerability	AMC Scale	Negative operating leverage in Asset Management vertical.	□
Management Tone	N/A	Section not applicable — investor presentation only.	□

Sentiment: □Negative

Key Takeaways: * **Positives:** Wealth Management continues its steady climb, with Assets Under Distribution (AUD) hitting a record □2,236.4 Cr (+17% YoY) and the client base expanding to 1,813. Investment Banking remains active in a tough environment, executing a □170 Cr block deal and a PE investment. * **Negatives:** The Asset Management thesis is broken in the short term; AIF AUM has halved YoY as older funds were liquidated without immediate replacement, causing the segment to turn loss-making (□1.4 Cr loss). Overall Revenue is down 40% YoY, reflecting the sharp slowdown in Capital Market activities compared to the FY22 boom. * **Street Concern:** Analysts will be concerned about the massive drop in Book Value Per Share (BVPS) from □111.45 in Q1 to □87.80 this quarter, suggesting a revaluation of assets or capital distribution not fully detailed in the PPT. * **Watchpoint:** Execution on the "□125 Cr AIF V commitment" — the business needs this inflow to restore AMC segment profitability and prove the "360-degree" model works.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q3FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	□51.13	↓ 40%	↓ 3%	↓	Decline driven by lower advisory/ transactional activity.
PAT (□Cr)	□4.82	↓ 55%	↑ 4%	→	Flat QoQ; YoY hit by AMC losses.
EPS (□)	□1.95	↓ 55%	↑ 4%	→	(Q3FY22 was □4.31).
Wealth AUD (□Cr)	□2,236.4	↑ 17.5%	↑ 4.6%	↑	Steady growth; now 1,813 clients.
PMS AUM (□Cr)	□351.3	↓ 1.1%	↑ 11.7%	→	Recovering from Q2 lows but flat YoY.
AIF AUM (□Cr)	□247.0	↓ 49.3%	↓ 28.0%	↓	Impacted by returning funds to AIF I, II, III.
Institutional Coverage	279 Cos	↑ 0%	→	→	Covers 48/50 Nifty & 30/30 Sensex.
Capital Adequacy	Not in doc	-	-	-	Not a bank/NBFC disclosure in this PPT.
BVPS (□)	□87.80	↓ 22% (vs Q1)	↓ 21% (vs Q2)	↓	Implied from Slide 2 and 6 data.
Capital Mkts PAT (□Cr)	□6.62	↓ 61.3%	↓ 11.7%	↓	Broking and IB profits under pressure.
Asset Mgmt PAT (□ Cr)	(□1.37)	↓ 143%	↑ 76% (loss narrowed)	↓	Remained in loss-making territory.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (PBT)	Trend	vs Co. Avg	Key Development
Advisory & Trans.	□49.38	↓ 41%	20.1%	↓	Above	Includes Broking, Dist, and IB.
Financing & Invest.	□1.74	↑ 44%	Negative	↑	Below	Interest income and treasury.
Asset Management	Not in doc	↓	Negative	↓	Below	PAT loss of □1.37 Cr.

---

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	AIF Inflows	Received commitments of nearly ₹125 Cr for AIF V.	Needs immediate deployment to arrest AUM fall.	Successful fund return (AIF I-III) delivered.	Medium
Strategy	Distribution	Onboarded Yes Bank as distribution partner for AIF V.	N/A	New partnership in Q3.	Low
Strategy	Wealth	Scale Wealth business to 10 locations.	N/A	Delivered (operating in 10 cities).	Low
Expansion	Product	Tied up with Stockal for US Equity market access.	N/A	Delivered in Q3.	Low
Technology	Transformation	Transitioning from "As-a-service" to "Business Enabler."	N/A	High spend on BKC DC and 10G infrastructure.	Medium

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 (Q1 FY23)	This Quarter (Q3 FY23)	Direction
AIF AUM Base	₹300.4 Cr	₹247.0 Cr	↓
Wealth AUD	₹1,903.2 Cr	₹2,236.4 Cr	↑
AMC Profitability	Loss (₹0.83 Cr)	Loss (₹1.37 Cr)	↓
Book Value per Share	₹111.45	₹87.80	↓
Client Reach	1,604 (Wealth)	1,813 (Wealth)	↑
Geographic Reach	9 locations	10 locations	↑
Revenue Run-rate	₹20.86 Cr (Low point)	₹51.13 Cr (Normalized)	↑
Asset Management Strategy	"ENVI" Fund Launch	"AIF V" Fundraise focus	→
Capital Allocation	Tech Investment focus	Tech Ruggedization & Security focus	→

- **Thesis Note:** The long-term thesis that Emkay can evolve into a diversified wealth and asset manager is being tested by the high "churn" in AIF assets. While they have successfully matured and returned capital for three funds, the delay in raising/deploying the next cycle (AIF V) has created a significant revenue and profit gap. The core Capital Markets business is now operating at ~40% lower revenue levels than the previous year, highlighting the extreme sensitivity to market volumes. The drop in BVPS is a major concern that requires clarification on asset valuation or capital changes. STOP HERE.