Emkay Global Financial Services Ltd — Jan 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss vs Prior Quarter / Mixed vs YoY **One-line:** The "inflection point" narrative faces a cyclical reality check; while structural growth in Wealth AUM (+51% YoY) and the Investment Banking pipeline (□100 Cr visibility) remains intact, high market volatility has severely compressed short-term profitability (PAT -66% QoQ) and transactional volumes.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Q	**Significant Miss**	PAT crashed from □25.7 Cr in Q2 to □8.6 Cr in Q3 (-66% QoQ).	□
Earnings Quality	**Moderate**	Core Advisory revenue up 88% YoY, but overall PAT hit by cyclical transaction/broking drop.	□
Guidance Confidence	**Strong**	Management reiterated the □100 Cr ECM revenue pipeline over 24 months.	□
Management Credibility	**Strong**	Obtained Dubai branch license as promised; expanded coverage to 23 new companies.	□
Business Quality Signal	**Stable**	The shift toward "sticky" advisory revenue (up 88% YoY) is countering "volatile" transactional revenue (-19% YoY).	□
Key Q&A Exchange	**N/A — No Concall**	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	**Cyclical Earnings Volatility**	Q3 proved that despite Wealth scaling, the bottom line is still heavily tethered to market sentiment.	□
Capital Cycle Stage	**Harvesting / Investing**	Harvesting IB mandates (3 QIPs) while investing in AI/Tech and US/Middle East expansion.	□
Margin / Return Trajectory	**Deteriorating (QoQ)**	Annualized ROE compressed to 24% from 31% in the prior quarter.	□
Pricing Power	**Stable**	Advisory revenue growth in a down market suggests high client retention/value-add.	□
FCF Conversion & Quality	**Not in document**	Cash flow data not provided in the Q3 presentation.	□
Competitive Moat Signals	**Stable**	Research coverage expanded; Tier-2 traction (Nagpur AUM +100%) validates the reach strategy.	□
Balance Sheet Strength	**Strong**	Maintained ICRA A2+ and BBB+ ratings; low leverage (0.09x Debt/Equity).	□
Working Capital Efficiency	**Stable**	Cash and equivalents remained healthy; tech upgrades focused on operational efficiency.	□
Mgmt Guidance Track Record	**Reliable**	Consistent delivery on geographic expansion and ECM mandate execution.	□
Key Vulnerability / Red Flag	**Transactional Sensitivity**	Transactional Wealth revenue fell 19% YoY, highlighting sensitivity to market "wait-and-watch" moods.	□
Management Tone	**Cautious but Confident**	Focused on long-term infrastructure (AI, US conference, Middle East) despite "subdued activity."	□

Key Takeaways (Positives & Negatives): * **Positives:** The structural pivot is visible: **Advisory revenue in Wealth Management grew 88% YoY (₹4.7 Cr)**, showing a decoupling from market direction. The ECM team successfully executed mandates for Bank of Maharashtra and Senco Gold, with a quantified forward pipeline of **₹100 Cr**. Geographically, obtaining the Dubai license and adding 23 companies to research coverage expands the long-term addressable market. * **Negatives:** Cyclicality remains the "elephant in the room." **Consolidated PAT fell 66% QoQ and 30% YoY**, driven by a 50%+ drop in options volumes and a general retreat by retail/HNIs from trading. Wealth AUM dipped slightly QoQ (₹19,524.7 Cr vs ₹20,079.7 Cr), largely reflecting the 6.2% Nifty decline in October. * **The Street's Focus:** Can Emkay maintain its high ROE (31% in Q2) during market sideways-movement? Q3 suggests no, as ROE reverted to 24%. * **Forward Watchpoint:** The launch of two new PMS/AIF products (SMID Cap Growth and Large Cap Focused) and the scheduled Feb 2025 AI-software upgrade will be the key monitors for operational efficiency in FY26.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: Concall not available — commentary absent. All Mn values converted to Cr (÷10).*

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	₹83.9	↑ 1%	↓ 27%	↓	Impacted by lower trading volumes/ transactional fees.
PAT (₹Cr)	₹8.6	↓ 30%	↓ 66%	↓	High operating leverage worked in reverse this quarter.
ROE (Annualized %)	24%	→ (0 bps)	↓ 700 bps	↓	Compressed by lower profitability in broking.
Wealth Assets (₹Cr)	₹19,524.7	↑ 51%	↓ 2.7%	→	Market depreciation offset by new client additions.
PMS & AIF AUM (₹Cr)	₹1,268.3	↑ 48%	↑ 1.5%	↑	Positive growth despite the underlying market decline.
Equity ADTO (₹Cr)	₹1,109	↓ 15.8%	↓ 20.1%	↓	Investors adopted a "wait-and-watch" approach.
Derivative ADTO (₹Cr)	₹4,196.0	↑ 24.8%	↑ 5.6%	↑	Volatility drove some activity, but options volumes fell.
Advisory Revenue (₹Cr)	₹4.7	↑ 88%	↑ 6.8%	↑	Solid traction in non-transactional fee income.
Transactional Revenue (₹Cr)	₹13.9	↓ 19%	↓ 25.3%	↓	Direct hit from low retail participation/ returns.
Networth (₹Cr)	₹289.3	↑ 17.5%	↑ 3.6%	↑	Accretion from retained earnings.
Debt/Equity (x)	0.09x	↓ 0.04x	↓ 0.04x	↑	Balance sheet remains exceptionally clean.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (PBT)	Trend	vs Co. Avg	Key Development
Capital Markets	₹46.9	↓ 16%	Not stated	↓	Below	Executed 3 QIPs (₹4,292 Cr) and 1 block trade.
Wealth Mgmt	₹18.6	↑ 0%	Not stated	→	Inline	Advisory (+88%) offset Transactional (-19%).
Asset Mgmt	₹11.2	↑ 30%	Not stated	↑	Above	5/6 strategies outperformed; crossing ₹1,570 Cr AUM.
Others/ Treasury	₹7.2	↑ 29%	Not stated	↑	Inline	Stable contribution from financing/ investment.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	ECM Revenue	₹100 Cr projected over next 24 months.	₹12.5 Cr per quarter; Q3 executed ₹4.3k Cr in deal value.	**On Track**: Executed 3 QIPs this quarter.	Market appetite for IPOs/QIPs.
Strategy	Geographic Expansion	Presence in US market (3-city conference) and Middle East.	Launching in NY, Boston, Chicago (March 2025).	**Delivered**: Obtained Dubai license on Dec 31.	High cost of US operations.
Strategy	Technology	AI-Assistant & software upgrade in Feb 2025.	Integration with research process to reduce manual intervention.	**Ongoing**: Tech team highlighted successful migration of servers.	Execution/ Adoption lag.
Strategy	Tier-2 Reach	Expand to Jaipur, Chandigarh, Coimbatore.	Nagpur AUM already >100% growth.	**Progressing**: Baroda added recently.	RM hiring at Tier-2.
Product	New PMS Funds	Launch SMID Cap & Large Cap Focused PMS.	Regulatory/Launch phase in Q4.	**New**: First mention of these specific funds.	AUM cannibalization.

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Comparison of Q3 FY25 vs Q2 FY25 context.

What Changed	Prior Quarter (Q2 FY25)	This Quarter (Q3 FY25)	Direction
Profitability	₹25.7 Cr (Record High)	₹8.6 Cr (Cyclical Reset)	↓ (Severe)
ROE (Annualized)	31%	24%	↓
Wealth Revenue Mix	High Transactional	Pivot to Advisory (₹4.7 Cr, +88% YoY)	↑ (Quality)
Geographic Status	Applying for Middle East license	**License Obtained** (31-Dec-2024)	↑
Tech Focus	Low Latency offerings	**AI-Assistant Adoption** (Starts Feb '25)	↑
Broking Volumes	Increasing ADTO	50%+ drop in Options volume; Equity ADTO ↓ 20%	↓
Corporate Access	Domestic-focused conferences	**US Entry** (New York, Boston, Chicago)	↑

Investor Note: This quarter acts as a "stress test" for the thesis. While the headline profit numbers are disappointing due to the 66% QoQ PAT drop, the underlying quality of the Wealth business is improving—Advisory fees (sticky) are now a larger portion of the mix, and the Investment Banking pipeline is robust with ₹100 Cr of visibility. The business remains a play on the "financialization of savings," but investors must be prepared for the high beta to market corrections that remains in the broking segment.

STOP HERE.