Emkay Global Financial Services Ltd — Jan 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss **One-line:** While the AUM transition toward Asset Management (+34% YoY) is structurally sound, the quarter represents a significant financial miss as the cost base has expanded (Employee costs +26% YoY) far ahead of revenue realization, leading to a thin 1.74% PAT margin and a continued ROE struggle.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	**Miss**	9M PAT (□9.5 Cr) is only ~17% of FY25 PAT (□56.8 Cr); way behind run-rate.	□
Earnings Quality	**Moderate**	Core operational revenue is up 9% YoY, but PAT is heavily supported by "Other Income."	□
Guidance Confidence	**Weak**	The □250 Cr IB revenue target for FY26-27 requires a massive jump from current levels.	□
Management Credibility	**Neutral**	Successful execution of Anant Raj QIP validates IB, but cost control remains poor.	□
Business Quality Signal	**Stable**	PMS/AIF strategies continue to outperform; Wealth AUM contraction is the primary worry.	□
Key Q&A Exchange	**N/A**	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	**Cost Overhang**	Massive rise in fixed costs (Employee/Tech) before revenue scale-up.	□
Capital Cycle Stage	**Investment**	Heavy hiring in Tier-2/3 cities and tech platform upgrades ongoing.	□
Margin / Return Trajectory	**Deteriorating**	PAT Margin crashed to 1.74% (Q3) from 4.66% (Q2) and 16.89% (FY25).	□
Pricing Power	**Stable**	Retained 100% benchmark outperformance in investment strategies.	□
FCF Conversion & Quality	**Not Derivable**	Cash flow statement not provided in Q3 PPT.	□
Competitive Moat Signals	**Stable**	Differentiated "SMID" and "Emerging Stars" strategies attracting inflows.	□
Balance Sheet Strength	**Strong**	Net Worth improved to □369.2 Cr; Debt-to-Equity remains low.	□
Working Capital Efficiency	**Deteriorating**	Trade receivables jumped to □116.8 Cr from □76.8 Cr in Mar-25.	□
Mgmt Guidance Track Record	**Mixed**	Consistent AUM growth in PMS; significantly behind on bottom-line recovery.	□
Key Vulnerability	**Negative Operating Leverage**	Fixed costs are growing while Wealth AUM is consolidating (-9% YoY).	□
Management Tone	**Confident**	PPT focuses on structural "financialization" and "quality shift."	□

Key Takeaways (Positives & Negatives): * **Positives:** The pivot to Asset Management is gaining traction with AUM crossing □1,703.4 Cr (+34% YoY) and the launch of Series VII of Emerging Stars. The Institutional Equities franchise demonstrated capability by acting as the Merchant Banker for a □1,100 Cr QIP. Tech modernization is complete with a new multi-asset trading platform and AI-driven talent sourcing live. * **Negatives:** The financial profile is under extreme duress; Q3 PAT fell 67.6% QoQ (from □13.3 Cr to □4.3 Cr) as expenses rose to □235 Cr. Wealth AUM has shrunk 9% YoY to □17,681 Cr, and client investment activity remains "subdued" due to global trade uncertainties. * **The Street's Focus:** The market is increasingly skeptical of the high cost-to-income ratio. The focus is on when the "Family Office" advisory model will reach a revenue scale that offsets the heavy investment in Tier-2/3 expansion (Baroda, Ranchi, Pune) and tech infrastructure. * **Forward Watchpoint:** The trajectory of the □250 Cr Investment Banking pipeline; without a massive skew of deal closures in Q4, the company will end FY26 with a fraction of its FY25 profitability.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Concall not available — commentary absent.*

Metric	Current Qtr (Q3FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Wealth AUM (□Cr)	□17,681.0	↓ 9.4%	↓ 4.0%	↓	Consolidation/volatility led to subdued client activity.
PMS & AIF AUM (□Cr)	□1,703.4	↑ 34.3%	↑ 6.2%	↑	Driven by strong SMID strategy interest.
Equity ADTO (□Cr)	□47,556.4	↑ 13.3%	↑ 16.0%	↑	(Industry-wide ADTO benchmark).
Emkay's ADTO (□Cr)	□1,067.0	↓ 3.8%	↑ 2.9%	→	Strategic exit from low-margin volumes stabilization.
Revenue (□Cr)	□246.6	↑ 29.8%	↓ 13.6%	□	Operational revenue up 9% YoY; Treasury vol. down.
Employee Cost (□Cr)	□134.4	↑ 26.3%	↑ 4.8%	□	Aggressive hiring and Tier-2 city expansion.
PAT (□Cr)	□4.3	↑ 48.3%	↓ 67.7%	□	Sharp QoQ drop due to rising costs vs lower revenue.
PAT Margin (%)	1.74%	↑ 21 bps	↓ 292 bps	□	Margin remain significantly below FY25 levels (16.9%).
ROE (Annualized %)	3.79%	↓ 1059 bps*	↑ 184 bps*	□	*Comparing vs FY25 (20.9%) and H1 (1.95%).
Net Worth (□Cr)	□369.2	↑ 21.8%	↑ 22.4%	↑	Boosted by ESOP exercise and retained earnings.
Debt to Equity (x)	0.15	→	↓ 0.05	□	Leverage remains very conservative.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Capital Market	□131.7	↑ 21.0%	Not Stated	□	Inline	Anant Raj QIP (□1,100 Cr) execution.
Asset Mgmt	□3.6	↑ 50.0%	Not Stated	↑	Outperf.	AUM crossed □1,700 Cr; New fund Series VII.
Wealth Mgmt	□19.0	↑ 11.1%	Not Stated	→	Underperf.	Expansion into Baroda, Ranchi, and Pune.
Treasury/ Other	□92.3	↑ 56.4%	Not Stated	□	Outperf.	Volatility and market conditions driven.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	IB Revenue	□250 Cr to be realized over FY26 and FY27.	Needs ~□31 Cr per quarter. Current run-rate (total 9M Cap Markets is ~□400 Cr) suggests IB is a small portion.	**Mixed**: Large deals appearing but not yet at scale.	Execution risk.
Strategy	Geographic	Expansion across Tier-2 and Tier-3 cities.	Calibrated approach following onboarding of local teams.	**Delivered**: Baroda, Ranchi, and Pune offices established in Q3.	RM Attrition.
Strategy	Tech	Strategic modernization of trading and risk platforms.	Full integration of NSE Commodity and FIX providers.	**Delivered**: New algorithmic and risk platforms are now live.	Obsolescence.
Macro	Inflows	Structural strength in SMID inflows despite valuation normalization.	Asset Management AUM needs to maintain >30% growth.	**On Track**: PMS/AIF AUM grew 34% YoY.	Market Volatility.

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 (H1-FY26)	This Quarter (Q3-FY26)	Direction
Incremental PAT	□5.2 Cr (H1 Total)	□4.3 Cr (Q3 Single)	↑
ROE (Annualized)	1.95%	3.79%	↑
Wealth AUM	□18,414.9 Cr	□17,681.0 Cr	↓
Asset Mgmt AUM	□1,562.7 Cr	□1,703.4 Cr	↑
Employee Expense	□128.2 Cr (Q2)	□134.4 Cr (Q3)	□
ADTO (Emkay)	□277.7 Cr (H1 Avg)	□1,067.0 Cr (Q3)	↑
Network Expansion	19 branches	Added Baroda, Ranchi, Pune	↑
Debt-to-Equity	0.20x	0.15x	□

Investor Note: The core thesis of "Transformation Alpha" is encountering a painful execution phase. Management is correctly building for the future — adding branches, hiring local teams, and upgrading tech — but the current P&L cannot comfortably absorb these costs without significantly higher advisory fees or Investment Banking mandates. The 9% YoY contraction in Wealth AUM is a new negative variable to monitor; if it continues to shrink while the branch network expands, the ROE recovery will be indefinitely delayed. We maintain a "Watch" stance on the ability of the Investment Bank to bridge the profit gap in Q4.

STOP HERE.