Emkay Global Financial Services Ltd — Jun 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Beat (Full Year) / Mixed (Q4 Exit) **One-line:** The structural transformation into a high-yield Advisory and Asset Management franchise is gaining critical mass (AUM +35% YoY), but the core earnings engine remains highly sensitive to the cyclicality of institutional cash volumes which declined in FY25.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Q	**Beat**	FY25 PAT of □56.8 Cr implies a Q4 recovery from the Q3 slump (Q3 PAT was □8.6 Cr).	□
Earnings Quality	**High**	Growth is being driven by recurring Asset Management fees and Investment Banking mandates rather than just treasury gains.	□
Guidance Confidence	**Strong**	Management delivered on the Dubai license and US expansion promised in the prior quarter.	□
Management Credibility	**Strong**	Successfully executed 12 ECM transactions totaling □16,162 Cr in a competitive year.	□
Business Quality Signal	**Improving**	Asset Management AUM crossed □1,200 Cr; Wealth Management client base grew to 37,851.	□
Key Q&A Exchange	**N/A**	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	**ADTO Compression**	Institutional Equity ADTO fell from □1,190 Bn (FY24) to □1,009 Bn (FY25).	□
Capital Cycle Stage	**Harvesting**	Monetizing the IB pipeline while maintaining low leverage (0.15x D/E).	□
Margin / Return Trajectory	**Stable**	FY25 ROE ended at 20.89% (down from Q2's 31% peak but up significantly from FY23's 6.85%).	□
Pricing Power	**Stable**	Ability to sustain advisory-led Wealth growth despite market volatility.	□
FCF Conversion & Quality	**Moderate**	Other Financial Assets spiked to □487.2 Cr (from □233.2 Cr), suggesting higher margin/exchange requirements.	□
Competitive Moat Signals	**Stable**	Research coverage remains broad (200+ companies); proprietary E-QUAL governance framework adds "stickiness."	□
Balance Sheet Strength	**Strong**	Net worth increased to □303.2 Cr; Debt-to-Equity remains negligible at 0.15x.	□
Working Capital Efficiency	**Stable**	Trade receivables increased in line with revenue growth.	□
Mgmt Guidance Track Record	**Reliable**	Consistent execution of geographic and product expansion (Dubai, US, New PMS funds).	□
Key Vulnerability / Red Flag	**Volume Contraction**	Emkay's ADTO (Overall) fell sharply to □237 Cr from □609 Cr in FY24, suggesting market share pressure in broking.	□
Management Tone	**Confident**	Focused on "family-office" style long-term guidance and tech-led execution.	□

Key Takeaways (Positives & Negatives): * **Positives:** The pivot to non-broking revenue is working; Asset Management (EIML) AUM grew 35% YoY to ₹1,225.8 Cr, and Wealth Management now services 37,851 clients. Management successfully delivered on geographic milestones (Dubai license obtained Dec 31, 2024; US 3-city conference held in March 2025). The Investment Banking division is punching above its weight, executing 12 deals in FY25, including several QIPs. * **Negatives:** The core Institutional Broking business is facing headwinds; Equity ADTO declined 15% YoY, and Derivative ADTO for Emkay crashed from ₹609 Cr to ₹237 Cr (down 61%). This suggests either a loss of high-frequency trading clients or a deliberate de-risking that is hurting top-line volume. * **The Street's Focus:** Analysts will likely focus on why Emkay's derivative volumes diverged so sharply from the industry's growth trend. * **Forward Watchpoint:** The impact of the Dubai operations on HNI client acquisition and the conversion of the ₹100 Cr IB mandate pipeline into FY26 revenue.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column absent.

Metric	FY25 (Current)	YoY Change	Trend	Mgmt Commentary
Revenue (₹Cr)	₹336.2	↑ 17.4%	↑	Driven by IB mandates and Asset Management growth.
PAT (₹Cr)	₹56.8	↑ 74.8%	↑	Significant improvement in margins (16.89% vs 11.35%).
ROE (%)	20.89%	↑ 651 bps	↑	Recovered from cyclical lows of FY23.
ROCE (%)	18.31%	↑ 1006 bps	↑	Reflects better utilization of the equity base.
Wealth AUM (₹Cr)	₹17,978.1	↓ 7.9%*	↓	*Vs Q3 FY25 context (₹19,524.7 Cr).
Wealth Clients (#)	37,851	↑ 2.0%	↑	Vs Q3 FY25 context (37,091).
PMS & AIF AUM (₹Cr)	₹1,225.8	↑ 35.8%	↑	Strong growth in alternative investment strategies.
Equity Market ADTO (₹Bn)	₹100.9	↓ 15.2%	↓	Industry-wide institutional volume pressure.
Derivative Market ADTO (₹Bn)	₹31,143.4	↑ 44.5%	↑	General market growth; Emkay's share inconsistent.
Emkay's Overall ADTO (₹Cr)	₹237.0	↓ 61.1%	↓	Sharp drop from ₹609 Cr in FY24.
Net Worth (₹Cr)	₹303.2	↑ 25.8%	↑	Built through internal accruals.
Debt to Equity (x)	0.15x	↑ 0.01x	→	Remains very low; highly solvent.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Rev Mix %	Trend	Key Development
Capital Markets	₹195.0*	↑ 19.4%	58%	↑	Includes Broking (83%) & Inv Banking (17%).
Wealth Mgmt	₹94.1*	↑ 10.3%	28%	↑	Expanded into Nagpur and Baroda branches.
Asset Mgmt	₹20.2*	↑ 30.3%	6%	↑	5 out of 6 strategies outperformed benchmarks.
Financing/Others	₹26.9*	Not Stated	8%	→	Margin Trade Financing and Other Income.

**Estimated based on segment % of Total Revenue provided in PPT.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	IB Revenue	100 Cr from mandates over next 24 months.	Needs 12.5 Cr/quarter. FY25 IB revenue estimated at ~33 Cr.	**On Track**: Executed 12 deals in FY25.	Market appetite for QIPs.
Strategy	Expansion	Launch Dubai operations and US presence.	Dubai license obtained Dec 31, 2024.	**Delivered**: Hosted 3-city US conference in Mar '25.	Operational costs in USD.
Strategy	Technology	Leverage AI and ultra-low latency infra.	Continuous SOC monitoring and FIX integration.	**Ongoing**: Upgraded KYC and trading platforms.	Tech obsolescence.
Product	PMS/AIF	Scaling SMID and Capital Builder strategies.	SMID AIF absolute return 513.7% since inception.	**Strong**: High alpha generation in specific funds.	Market correction in SMIDs.
Macro	Market Share	Pivot from "Discount Broker" to "Family Office" style.	Requires high RM productivity.	**Ongoing**: Added relationship managers to 60+.	RM attrition.

(Section not applicable — no concall conducted or available.)

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4. ANALYST Q&A

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

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY25)	This Quarter (FY25/Q4 Exit)	Direction
Profitability	8.6 Cr (Quarterly)	56.8 Cr (Full Year)	↑ (Q4 Recovery)
ROE	24% (Annualized)	20.89% (FY25 Actual)	↓
Wealth AUM	19,524.7 Cr	17,978.1 Cr	↓
Dubai Status	"Awaiting/Applied"	**Operations Set-up** (License Dec 31)	↑
US Presence	Planned	**Executed** (3-city conference in March)	↑
Debt to Equity	0.09x	0.15x	↓ (Marginal)
IB Deal Count	7 (Cumulative)	12 (Full Year)	↑

Investor Note: The FY25 annual numbers confirm that the Q3 earnings "reset" was a temporary cyclical dip rather than a breakdown of the thesis. The pivot toward Asset Management and Investment Banking is visible in the numbers, with IB mandates now providing a clear 100 Cr revenue visibility for the next two years. However, the drastic 61% decline in Emkay's derivative ADTO remains a concern; it suggests the firm is moving away from high-volume, low-margin trading toward a high-touch advisory model. For long-term investors, the value is now in the **Asset Management arm (EIML)** and the **Wealth advisory mix**, which should eventually lead to a re-rating as the quality of earnings shifts from transactional to recurring.

STOP HERE.