Emkay Global Financial Services Ltd — May 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** While the full-year FY22 performance shows a massive recovery, Q4 reveals the inherent volatility of the business as it swings into a net loss due to a 23% QoQ revenue drop against a largely fixed cost base.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Q	Miss	Revenue dropped from □80.3 Cr in Q3 to □61.6 Cr in Q4; PAT swung from □10.7 Cr profit to □(4.7) Cr loss.	□
Earnings Quality	Low (Loss-making)	Core Capital Markets and Asset Management segments both reported losses in Q4.	□
Guidance Confidence	Neutral	NFO Series-IV extension to April 30 suggests a push for AUM; commitment growth of 25% is positive.	□
Management Credibility	Stable	Transparency in segment reporting is good, but the sudden swing to loss highlights high operating leverage.	□
Business Quality Signal	Deteriorating (Short-term)	PMS AUM declined QoQ (□328 Cr vs □345 Cr); high fixed costs (Employee expenses are ~50% of FY22 revenue).	□
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	Cyclicality & Leverage	Sudden Q4 loss despite a relatively stable market environment raises concerns about the sensitivity of the bottom line.	□
Capital Cycle Stage	Growth / Investment	Continued investment in Wealth (9 locations) and Tech (10G Infra/ Colocation).	□
Margin Trajectory	Deteriorating	PAT margin turned negative in Q4; full-year PAT margin is 7.4% vs a significantly higher Q3.	□
Pricing Power	Stable	Fees in PMS/AIF and Institutional broking are competitive but stabilized by strong research rankings.	□
FCF Conversion & Quality	Not in document	Cash flow statement not provided in simplified slides.	□
Competitive Moat Signals	Stable	Strong Institutional research (279 companies covered) continues to feed the Wealth/AUM pipeline.	□
Balance Sheet Strength	Adequate	Equity of □200.6 Cr; total assets increased to □764.5 Cr.	□
Working Capital Efficiency	Stable	Typical of brokerage; Trade receivables increased slightly to □143.4 Cr.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on AIF series (I through IV) and Wealth expansion targets.	□
Key Vulnerability	Operating Leverage	A 23% dip in revenue led to a total wipeout of quarterly profits.	□
Management Tone	Confident (on Growth)	PPT focuses on full-year "success" and awards rather than the Q4 loss.	□

Key Takeaways (Positives & Negatives): * **Positives:** Full-year FY22 was a breakout year with revenue growing 70% YoY and PAT growing 204% YoY. The Wealth Management division's Assets Under Distribution (AUD) reached a milestone of ₹18,681 Cr, and the Investment Banking team secured a dominant position in the QIP market (managing 1 out of 4 QIPs in India in FY22). * **Negatives:** The Q4 performance was alarming; despite FY22 being a record year, the final quarter saw the company bleed ₹4.7 Cr. The Asset Management segment (PMS/AIF) was the biggest drag, losing ₹5.7 Cr in Q4 alone, likely due to high NFO-related marketing costs and performance fee reversals. * **Forward-looking Watchpoint:** The final closing size of Emkay Emerging Stars Fund Series-IV (post-April 30) will determine the immediate scalability and fee-income trajectory for the Asset Management segment in FY23.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q4FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Revenue (₹Cr)	₹61.6	↑ 7.5%	↓ 23.3%	↓	Full year FY22 grew 70% YoY to ₹274.3 Cr.
PAT (₹Cr)	₹(4.7)	↓ 376%	↓ 144%	↓	Swung to loss from ₹10.7 Cr in Q3 and ₹1.7 Cr YoY.
Wealth AUD (₹Cr)	₹18,681.2	↑ 35.7%	Not in doc	↑	Grew from ₹13,760.8 Cr in Mar'21.
PMS AUM (₹Cr)	₹328.5	↓ 0.1%	↓ 4.9%	↓	Marginal decline YoY; 5% dip from Q3 (₹345.7 Cr).
AIF AUM (₹Cr)	₹441.7	↑ 8.4%	↓ 9.4%	↓	Down from Q3 peak of ₹487.5 Cr.
Employee Expenses (₹Cr)	₹28.5	Not in doc	↓ 0.7%	→	Fixed costs remained high despite revenue drop.
Trade Receivables (₹ Cr)	₹143.4	↑ 54%	Not in doc	↓	Reflects increased transactional volume over the year.
Book Value Per Share (₹)	₹81.36	↑ 20%	↓ 2.3%	↓	Down slightly from ₹83.25 in Q3.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	PAT (₹ Cr)	Trend	vs Co. Avg	Key Development
Capital Markets	₹56.9	↑ 5.1%	₹(1.3)	↓	Laggard	Q4 loss despite 279 stocks under coverage.
Asset Mgmt	Not in doc	N/A	₹(5.7)	↓	Laggard	Series IV AIF NFO ongoing; distributed 15% NAV.
Wealth Mgmt	₹13.7 (FY)	↑ 48.9%	Not in doc	↑	Leader	Now in 9 locations; added US Equity via Stockal.
Financing/Inv.	₹4.5	↑ 55%	Not in doc	↑	Stable	Part of "Financing and Investment Activities".

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	NFO Closure	Close Emkay Emerging Stars Fund Series IV on April 30.	Needs to convert 25% commitment jump into hard AUM.	Delivered Series I, II, III successfully.	Low
Strategy	Wealth Expansion	Deepen distribution through online and on-ground initiatives.	Currently empaneled with 4 of the top 12 wealth outfits.	Expanded to 9 cities in <3 years.	Low
Strategy	Technology	Deployment of "Emtrade Pro" for trader communities.	Needs to drive retail acquisition to offset Inst. volatility.	Tech spend is consistent (10G infra).	Medium
Capital Allocation	AIF Payouts	Distribute proceeds (15% of NAV) from Series I, II, III.	Ongoing practice as funds enter "last leg".	Pioneering practice in AIF space.	Low

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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

Note: Comparison based on current Q4 FY22 data vs the context provided for Q3 FY22.

What Changed	Prior Quarter (Q3 FY22)	This Quarter (Q4 FY22)	Direction
Profitability	₹10.7 Cr Profit	₹(4.7) Cr Loss	↓
PMS AUM	₹345.7 Cr	₹328.5 Cr	↓
AIF AUM	₹487.5 Cr	₹441.7 Cr	↓
Revenue Run-rate	₹80.3 Cr	₹61.6 Cr	↓
Investment Banking	N/A	6 QIPs managed in FY22 (Market leader)	↑
AIF Strategy	Raising Capital	Distributing 15% NAV from old funds	→
Wealth Scale	Growth phase	AUD reached ₹1,868 Cr	↑

INVESTOR NOTES: * **Operating Leverage Warning:** This quarter serves as a reminder that Emkay's cost structure is highly sensitive. The revenue decline of ₹18.7 Cr QoQ resulted in a ₹15.4 Cr swing in PAT, implying very high fixed costs (primarily employee and tech infrastructure). * **Asset Management Pain:** The segment loss of ₹5.7 Cr in Asset Management is significant. Investors should monitor if this was a one-time NFO marketing expense or if management is struggling to maintain margins in a volatile small-cap environment. * **Wealth Resilience:** The Wealth AUD is the only metric showing consistent upward momentum (up 35% YoY), providing the only structural "floor" to the valuation as the business attempts to move away from cyclical brokerage.

STOP HERE.