Emkay Global Financial Services Ltd — May 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak / Miss **One-line:** Emkay's transition remains financially painful as the company slipped into a □5.4 Cr consolidated loss this quarter, driven by negative operating leverage in the advisory segment despite a recovery in AIF fund-raising commitments.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss	Swung from □4.82 Cr PAT (Q3) to □5.4 Cr Loss (Q4); Revenue flat QoQ at ~□50.4 Cr.	□
Earnings Quality	Low	Loss driven by core "Advisory & Transactional" segment PBT turning negative (-□8.4 Cr).	□
Guidance Confidence	Neutral	AIF V commitments increased to □200 Cr+ (from □125 Cr), but deployment timing is opaque.	□
Management Credibility	Neutral	Successfully returned AIF I-III capital with 15-18% XIRR but failing to keep the AMC segment profitable during the transition.	□
Business Quality Signal	Deteriorating	Core broking assets dropped 9% QoQ (□17,766 Cr); high fixed costs (Tech/Emp) are outstripping stagnant revenue.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	Negative Op-Leverage	Can the business sustain its heavy tech and institutional research overheads if broking volumes remain muted?	□
Capital Cycle Stage	Investment	Aggressively upgrading tech (10G infra, BKC Data Center) and launching new AIF series.	□
Margin Trajectory	Deteriorating	Consolidated PBT Margin fell to -14.5% in Q4FY23 vs ~12% in Q3FY23.	↓
Pricing Power	Stable	Maintaining premium advisory status; coverage of 279 companies remains a top-tier institutional moat.	□
FCF Conversion	Not in doc	Cash flow statement not provided in quarterly PPT.	□
Competitive Moat	Stable	Coverage includes 47/50 Nifty and 30/30 Sensex stocks; deep institutional relationships.	□
Balance Sheet Strength	Adequate	BVPS declined to □85.39 (from □87.80 in Q3); cash levels reduced to □29.5 Cr (from □94.7 Cr YoY).	□
Working Capital	Stable	Trade receivables rose to □105.3 Cr (from □88.7 Cr YoY).	□
Mgmt Track Record	Mixed	Strong investment banking execution (Ethos IPO, Awfis PE) but AMC segment is a persistent drag.	□
Key Vulnerability	High Fixed Base	Employee + Other expenses consume nearly 100% of revenue in lean quarters.	□
Management Tone	N/A	Presentation emphasizes "Resilience" and "Technology Innovation."	□

Sentiment: □**Negative**

Key Takeaways: * **Positives:** The Asset Management vertical is showing a pulse; AIF AUM recovered to □315.5 Cr (+28% QoQ) and management secured >□200 Cr in commitments for AIF V (Emerging Stars Fund), a significant jump from the □125 Cr cited last quarter. Wealth Management AUD remains resilient at □2,212.9 Cr, despite market volatility. * **Negatives:** The consolidated bottom line is under severe pressure, with the company reporting a loss of ₹5.4 Cr for the quarter. Most concerning is the "Advisory, Transactional & Other" segment (the core business) which posted a PBT loss of ₹8.4 Cr, suggesting the current revenue run-rate is insufficient to cover the expanded tech and personnel base. * **Street Concern:** Analysts will focus on the continued erosion of Book Value Per Share (BVPS), which has fallen from ₹111.45 (Q1) to ₹85.39 (Q4), alongside a sharp reduction in cash and cash equivalents (down 69% YoY). * **Watchpoint:** Deployment speed of AIF V; with ₹200 Cr in commitments and Yes Bank as a distribution partner, this fund is the primary catalyst to return the AMC segment to profitability in FY24.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q4FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	₹50.36	↓ 4.3%	↓ 1.5%	↓	Calculated from segment revenue sum; Q4FY22 was ₹52.6 Cr.
PAT (₹Cr)	(₹5.40)	↓ 17.4%	↓ 212%	↓	Swung from ₹4.82 Cr profit in Q3 to loss.
EPS (₹)	(₹2.18)	↓ 15.3%	↓ 161%	↓	Full year FY23 EPS stands at ₹5.71.
Wealth AUD (₹Cr)	₹2,212.9	↑ 11.6%	↓ 1.1%	→	Slight QoQ dip but 2,040 client base (record high).
PMS AUM (₹Cr)	₹309.6	↓ 5.8%	↓ 11.9%	↓	Continued attrition in PMS assets.
AIF AUM (₹Cr)	₹315.5	↓ 28.6%	↑ 27.7%	↑	Recovery after returning capital for Series I-III.
Broking Assets (₹Cr)	₹17,765.9	↑ 5.7%	↓ 9.2%	↓	Significant drop in DP/Broking assets vs Dec '22 peak.
Inst. Research	279 Cos	↑ 3.7%	→	→	Coverage includes 94% of Nifty constituents.
BVPS (₹)	₹85.39	↓ 23.4%	↓ 2.7%	↓	Continued decline from ₹111.45 (Q1FY23).
Cash & Equiv (₹Cr)	₹29.47	↓ 68.9%	Not in doc	↓	Major reduction in liquidity over 12 months.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	PBT Margin	Trend	vs Co. Avg	Key Development
Advisory & Trans.	₹47.60	↑ 0.8%	(17.6%)	↓	Below	Includes Broking & IB; segment lost ₹8.4 Cr PBT.
Financing & Invest.	₹2.76	↓ 48.1%	29.0%	↓	Above	Includes Treasury; segment profit of ₹0.8 Cr.
Broking & Allied	₹30.70	↓ 9.0%	Not in doc	↓	N/A	Volume hit by market slowdown.
Asset Management	₹3.10	↓ 23.0%	Not in doc	↓	N/A	Rev grew 10% QoQ on AIF recovery.
Wealth Mgmt	₹3.80	↑ 84.0%	Not in doc	↑	N/A	Best performing vertical by growth %.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	AIF V Fundraise	Closed fund raising with commitments >₹200 Cr.	Needs deployment to earn Mgmt fees.	Upgraded from ₹125 Cr commitment in Q3.	Low
Strategy	Distribution	Onboarded Yes Bank as distribution partner for AIF V.	N/A	Delivered in Q4.	Low
Strategy	Wealth	Operating in 11 locations (up from 10).	N/A	Target was 10; exceeded by 1.	Low
Technology	Infrastructure	Upgraded network to 2 Gbps and onboarded new BKC Data Center.	N/A	Continuous investment despite revenue dip.	High
Product	New Launch	Launched "ENVI" strategy focused on manufacturing uptick.	N/A	Delivered in FY23.	Low
Governance	Cyber Security	Initiated enterprise-wide vulnerability assessments.	N/A	New focus area highlighted this quarter.	Low

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 (Q3 FY23)	This Quarter (Q4 FY23)	Direction
Profitability	₹4.82 Cr (PAT)	(₹5.40 Cr) (Loss)	↓
AIF V Commitments	~₹125 Cr	>₹200 Cr	↑
AIF AUM Base	₹247.0 Cr	₹315.5 Cr	↑
Wealth Locations	10 Locations	11 Locations	↑
Broking/DP Assets	₹19,570.8 Cr	₹17,765.9 Cr	↓
Book Value per Share	₹87.80	₹85.39	↓
Advisory Segment PBT	Not explicitly stated	(₹8.4 Cr) Loss	↓
Wealth Clients	1,813	2,040	↑
Tech Connectivity	Not stated	2 Gbps Pop-to-Colo upgrade	↑

Thesis Note: The long-term thesis that Emkay is a "diversified asset-led" business is currently being overshadowed by poor cost control. While the AIF V commitments of ₹200 Cr+ provide a roadmap for AMC recovery, the current "Advisory" segment loss suggests the core business model has a high break-even point that isn't being met. The 23% drop in BVPS and the 69% drop in cash over FY23 indicate significant capital has been consumed/revalued during this transition phase.

STOP HERE.