Emkay Global Financial Services Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** Emkay is successfully scaling its "360-degree" pivot into Wealth and Asset Management, but aggressive investments in top-tier leadership and technology infrastructure have temporarily suppressed consolidated profitability.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Inline	Revenue reached □105.0 Cr in Q4; however, the bottom line slipped into a loss of □1.3 Cr.	□
Earnings Quality	Low	Consolidated 12M PAT of □13.0 Cr is supported by "Others/Treasury" revenue (□105.0 Cr), while Q4 saw an operational loss.	□
Guidance Confidence	Neutral	No formal guidance, but the 9.8% QoQ growth in Wealth AUD indicates consistent execution on the diversification strategy.	□
Management Credibility	Strong	Successfully delivered 20-25% XIRR for AIF Series IV and attracted high-profile leadership (CIO Manish Sonthalia).	□
Business Quality Signal	Improving	Pivot to fee-based assets is visible: Wealth AUD crossed □3,100 Cr and AIF/PMS AUMs are scaling.	□
Key Q&A Exchange	Not applicable	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	Operating Leverage	High fixed-cost structure (Employees/Tech) is consuming the revenue gains from a buoyant market.	□
Capital Cycle Stage	Investment	Heavy investment in "Digital First" strategy, 10G trading infrastructure, and senior talent acquisition.	□
Margin / Return Ratio	Deteriorating	Q4 FY24 reported a loss of □1.3 Cr compared to a profit in Q3 (per prior context).	□
Pricing Power	Stable	Achieving premium returns (20-25% XIRR) in AIF products supports maintenance of alpha-based fee structures.	□
FCF Conversion & Quality	Not in doc	Cash flow statement not provided in quarterly PPT.	□
Competitive Moat	Stable	Institutional research (covering 190 companies/41 Nifty stocks) remains the primary lead-gen engine for IB and Wealth.	□
Balance Sheet Strength	Adequate	Total Assets grew to □1,065.26 Cr (vs □730.95 Cr YoY) with a manageable equity base of □240.88 Cr.	□
Working Capital Efficiency	Stable	Trade receivables stood at □125.15 Cr on a □317.1 Cr revenue base.	□
Mgmt Guidance Track Record	Reliable	Delivered on new product launches (Series VI AIF) and leadership transitions as promised.	□
Key Vulnerability	High Opex Base	Total 12M expenses grew 34% YoY to □272.6 Cr, largely driven by "Employee Benefit" and "Other Expenses."	□
Management Tone	Confident	Tone is focused on "India's Golden Decade" and leveraging a $2,300 per capita income inflection point.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The Wealth Management vertical is gaining genuine traction, with Assets Under Distribution (AUD) reaching ₹3,177.2 Cr (+9.8% QoQ). The Asset Management business demonstrated significant alpha capability with a high-return exit for the Emerging Stars Fund (20-25% XIRR). Institutional leadership has been significantly bolstered by the hiring of Manish Sonthalia (CIO) and Seshadri Sen (Head of Research). * **Negatives:** Despite a record year for Indian capital markets, Emkay reported a consolidated loss of ₹1.3 Cr in Q4 FY24. Operating leverage remains elusive as employee costs (₹150.8 Cr) and other expenses (₹107.1 Cr) represent 81.3% of total revenue. The core "Financing and Investment" segment continues to be a drag on segment PBT. * **The Street's Primary Concern:** Analysts are focused on the cost-to-income ratio. Management's aggressive hiring and tech spend suggest they are building for a much larger scale, but the current bottom-line volatility remains an overhang. * **Forward Watchpoint:** Monitoring the take-up of the newly launched "Emkay India’s Golden Decade of Growth" PMS and the scaling of AIF Series VI to see if fee-based income can finally outpace the rising cost base.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q4 FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Revenue (₹ Cr)	₹105.00	↑ 67%	↑ 120%	↑	Driven by Broking (+45%) and Wealth (+52%) for the full year.
PAT (₹Cr)	(₹1.30)	↑ (Reduced Loss)	↓ (vs Q3 Profit)	↓	Q4 loss of ₹1.3 Cr; 12M PAT stands at ₹13.0 Cr.
Wealth AUD (₹Cr)	₹3,177.20	↑ 41.7%	↑ 9.8%	↑	Strong momentum in MF advisory and distribution.
Wealth Clients (Nos)	2,579	↑ 21.6%	↑ 2.6%	↑	Steady acquisition; focus on HNI/UHNI segment.
AIF AUM (₹Cr)	₹383.20	↑ 21.5%	↑ 11.0%	↑	Series VI launch contributing to growth.
PMS AUM (₹Cr)	₹535.10	↑ 58.1%	↑ 6.3%	↑	Benefitting from improved market realizations.
Insti. Coverage (Cos)	190	↓ 31.9%	↓ 12.0%	↓	Rationalized coverage focusing on Nifty/ Sensex constituents.
Employee Cost (12M - ₹Cr)	₹150.80	↑ 31.0%	N/A	↓	High investment in senior leadership and talent.
Total Expenses (12M - ₹Cr)	₹272.60	↑ 34.3%	N/A	↓	Reflects aggressive tech and digital transformation spend.
Other Income (12M - ₹Cr)	₹32.50	↑ 296%	N/A	↑	Significant treasury/other gains contributing to 12M PBT.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (PBT)	Trend	vs Co. Avg	Key Development
Broking & Allied	₹185.50	↑ 45%	Not in doc	↑	Above	12M revenue growth driven by market volumes.
Asset Management	₹6.40	↑ 64%	Not in doc	↑	Above	10-year anniversary; new CIO joined.
Wealth Management	₹11.70	↑ 52%	Not in doc	↑	Above	Reached 10 locations; tied up with Stockal.
IB & Others	₹105.00	↑ 15%	Not in doc	→	In-line	Active in QIPs (₹5,250 Cr total value).
Advisory/ Transactional	₹311.50	↑ 50%	Positive	↑	Above	Segment PBT turned positive for 12M.
Financing/ Investment	(₹3.60)	↓	Negative	↓	Below	Negative segment PBT (₹5.0 Cr loss for 12M).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Strategy	**Digital Transformation**	Conversion from "As-a-service" to "Business Enabler."	N/A	**Delivered:** Implemented EDR, virtual patching, and 10G infrastructure.	Low
Strategy	**Product Portfolio**	Launch "India's Golden Decade" products.	N/A	**Delivered:** Launched Series VI AIF and Golden Decade PMS.	Low
Strategy	**Talent Acquisition**	Build a young workforce and senior leadership.	N/A	**Delivered:** Hired Head of Research (Seshadri Sen) and CIO (Manish Sonthalia).	Medium
Strategy	**Wealth Expansion**	Scale MF Advisory and US Equity access.	N/A	**Delivered:** Stockal tie-up and 10-location footprint achieved.	Low
Macro	**Indian Economy**	Capitalize on $2,300 per capita income inflection.	N/A	N/A	Low
Financials	**Cost Management**	"Strict monitoring" of governance and practices.	N/A	**Missed:** 12M total expenses grew faster than operating revenue.	High

(N/A — no concall conducted. Targets extracted from presentation mission and strategy slides.)

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 FY24)	This Quarter (Q4 FY24)	Direction
Profitability Status	Positive PBT (₹2.79 Cr)	PAT Loss (₹1.3 Cr)	↓ (Deteriorating)
Wealth AUD	₹2,893.0 Cr	₹3,177.2 Cr	↑ (Improving)
Wealth Client Base	28,930 (Note: Prior Q count discrepancy)	2,579 (Verified Count)	→ (Stable)
Institutional Coverage	216 Companies	190 Companies	↓ (Rationalization)
AIF AUM	₹343.0 Cr	₹383.2 Cr	↑ (Improving)
PMS AUM	₹503.1 Cr	₹535.1 Cr	↑ (Improving)
Investment Banking	Focused on QIPs	Added Open Offer and Buyback advisory	↑ (Diversifying)
Infrastructure	SOC Engagement	Full EDR and Identity Threat platform deployed	↑ (Upgrading)

Investor Notes: * **Thesis Trajectory:** The long-term thesis of Emkay evolving from a pure-play institutional broker to a diversified financial services player remains intact. The asset management and wealth distribution engines are accelerating, which will eventually provide more stable, recurring revenue compared to cyclical broking. * **The Opex Burden:** The Q4 loss is a stark reminder that Emkay's current business model is high-fixed-cost. The recent hiring of high-pedigree leadership and massive tech upgrades (10G/Colocation) are "front-loaded" costs. The market is effectively waiting for the revenue to scale enough to cover this new, higher base. * **Product Validation:** The successful exit of AIF Series IV with a 20-25% XIRR is the strongest data point for the Asset Management business. It provides the necessary track record to market the new Series VI AIF and "Golden Decade" PMS to HNIs. * **Red Flag:** The volatility in the "Financing and Investment Activities" segment (which reported a PBT loss of ₹5.0 Cr for the year) continues to mask the growth in the core "Advisory and Transactional" segment (which earned ₹18.1 Cr PBT). Investors should focus on the Advisory segment as the true indicator of business quality.