

Emkay Global Financial Services Ltd — Nov 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline / Beat (Sequential) **One-line:** Emkay demonstrated sequential resilience with a 32% PAT recovery and strong growth in Wealth AUD and Broking Assets, though structural losses in Asset Management continue to mask the strength of the core Advisory franchise.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Beat	PAT grew 32.6% QoQ to ₹6.1 Cr; Wealth AUD rose 12.3%.	☐
Earnings Quality	Moderate	Profit driven by Advisory recovery; Asset Management remains loss-making.	☐
Guidance Confidence	Neutral	Strategic focus on AIF Series V and Digital "Transformation" lacks hard targets.	☐
Management Credibility	Neutral	Recurring presentation data discrepancies (Slide 5 vs Slide 9) hinder transparency.	☐
Business Quality Signal	Improving	Wealth Management scaling effectively (9 cities, 12% AUD growth); Broking assets up 15%.	☐
Key Q&A Exchange	N/A	Concall not available — commentary absent.	☐
The Street's Primary Anxiety	AMC Drag	PMS AUM fell 18.5% QoQ; AMC vertical remains a PAT-negative drag (₹1.4 Cr loss).	☐
Capital Cycle Stage	Growth/Inv.	Expanding Wealth team (Zonal Heads) and launching new AIF strategies.	☐
Margin Trajectory	Improving	Net Margin improved to 5.5% from 4.2% in Q1 FY23.	☐
Pricing Power	Stable	Maintaining non-discount model; Relationship-led focus (Institutional/Wealth).	☐
FCF Conversion & Quality	Not in doc	Quarterly cash flow statement not provided in PPT.	☐
Competitive Moat Signals	Stable	Deep Institutional Research (279 stocks) and 25-year legacy protect IB/Broking.	☐
Balance Sheet Strength	Strong	BVPS increased to ₹115.45 from ₹111.45; Debt-to-Equity remains low.	☐
Working Capital Efficiency	Stable	Trade receivables rose to ₹118.6 Cr from ₹88.7 Cr (March baseline).	☐
Mgmt Guidance Track Record	Mixed	Successfully scaling Wealth/IB, but struggling to stabilize PMS AUM.	☐
Key Vulnerability	Market Beta	Asset Management fee income remains highly sensitive to market-linked AUM.	☐
Management Tone	N/A	Concall not available — commentary absent.	☐

Sentiment: ☐ Positive (Sequential Recovery)

Key Takeaways: * Positives: Business momentum recovered sequentially with Total Revenue rising 2.3% to ₹110.1 Cr and PAT rising 32.6% to ₹6.1 Cr. Wealth Management is the star performer, with Assets Under

Distribution (AUD) crossing ₹2,100 Cr (up 12% QoQ) and client count reaching 1,717. Institutional Broking assets saw a robust 15% recovery to ₹18,621 Cr, indicating improved client activity. * **Negatives:** The Asset Management Company (AMC) remains the Achilles' heel. PMS AUM plummeted from ₹420.7 Cr to ₹343.0 Cr (an 18.5% drop), likely due to a combination of performance-led MTM and redemptions. This vertical contributed a ₹1.4 Cr loss to the bottom line. * **Street Concern:** Investors are likely concerned about the widening gap between the successful Broking/Wealth franchise and the struggling AMC. Discrepancies in data presentation (e.g., conflicting revenue figures between P&L and segment slides) remain a governance "yellow flag." * **Watchpoint:** Success of the newly launched **AIF Series V (Flexi-cap manufacturing)** will be critical to determine if Emkay can pivot its AMC business from retail PMS to institutional-grade AIF strategies.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

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

Metric	Current Qtr (Q2FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Revenue (₹ Cr)	₹110.1	↓ 14.1%	↑ 2.3%	↑	Sequential recovery from Q1 lows; YoY decline reflects high FY22 base.
PAT (₹Cr)	₹6.1	↓ 36.4%	↑ 32.6%	↑	Improving QoQ on lower tax expense and higher Advisory income.
EPS (₹)	₹2.48	↓ 34.9%	↑ 33.3%	↑	Recovering towards FY22 average levels.
Broking Assets (₹ Cr)	₹18,621.7	↑ 25.3%	↑ 14.9%	↑	(Listed as 1,86,217 mn) Strong rebound in DP assets.
Wealth AUD (₹Cr)	₹2,138.2	↑ 3.3%	↑ 12.3%	↑	Scaling business; now operating in 9 locations.
PMS AUM (₹Cr)	₹343.0	↓ 25.5%	↓ 18.5%	↓	Significant erosion in PMS strategy assets.
Wealth Client Count	1,717	↑ 27.2%	↑ 7.0%	↑	Consistent acquisition (added 113 clients in Q2).
Book Value/Share (₹)	₹115.45	Not in doc	↑ 3.6%	↑	(Reported on Slide 2 chart).
Instit. Research Coverage	279 Cos	→	→	→	Covers 48/50 Nifty & 30/30 Sensex stocks.
Net Margin (%)	5.5%	↓ 190 bps	↑ 130 bps	↑	Margin expansion driven by operating leverage in Broking.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	PBT Margin	Trend	vs Co. Avg	Key Development
Advisory/ Transactional	₹105.6	↓ 12.2%	8.1%	↑	Above	Broking, IB, and Wealth; remains the core profit engine.
Financing & Invest.	₹4.5	↓ 43.8%	2.2%	↑	Below	Narrowly profitable this quarter (PBT ₹0.1 Cr) vs Q1 loss.
Asset Management	Not in doc	↓	Negative	↓	Below	Vertical-specific PAT loss of ₹1.4 Cr (Slide 9).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Strategy	Wealth	Strengthened North & West zones with senior hires (Vikram Chhokar & Shriram Singh).	N/A	Delivered in Q2.	Low
Strategy	AMC	Launched Series V AIF (Flexi-cap Manufacturing).	N/A	Series V launched in Q2.	Low
Strategy	Wealth	Tied up with Stockal for US Equity market access for clients.	N/A	Implemented in Q2.	Low
Digital	Transformation	Building "Emtrade Pro" modern trading platform for contextual learning.	N/A	Ongoing development.	Medium
Digital	Efficiency	Robotized accounting system and upgraded KYC journey.	N/A	Implementation claimed in PPT.	Low
IB Pipeline	Execution	Transacted a 3mn share block in Advanced Enzymes (2.75% stake).	N/A	Active block deal execution in Q2.	Low

(Note: Targets derived from "Technology Edge" and "Asset Management" slides. Q# column N/A — no concall.)

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 (Q1FY23)	This Quarter (Q2FY23)	Direction
Profitability	₹4.6 Cr PAT	₹6.1 Cr PAT	↑
Wealth AUD	₹1,903.2 Cr	₹2,138.2 Cr	↑
Broking Assets	₹16,212.6 Cr	₹18,621.7 Cr	↑
PMS AUM	₹420.7 Cr	₹343.0 Cr	↓
Segment Recovery	Financing segment was loss-making	Financing segment returned to profit (PBT ₹0.1 Cr)	↑
Wealth Footprint	"Startup phase"	Operating in 9 locations with new Zonal Heads	↑
IB Momentum	Focused on IPO/Rights	Executed major block deals (Adv. Enzymes)	↑
AMC Product Mix	Launched ENVI Fund	Launched AIF Series V (Flexi-cap)	→
BVPS	₹11.45	₹15.45	↑

Investor Notes: * **Asset Management Divergence:** While Wealth and Broking are thriving, the PMS AUM has fallen 25% YoY. Management is pivoting toward AIFs (Series V launch), but the current fee-earning base in AMC is shrinking. * **Operating Leverage:** Total Expenses grew only 1.7% QoQ while Revenue grew 2.3% (using Slide 9 data), resulting in a healthy 32% jump in PAT, highlighting high operating leverage in the advisory model. * **Wealth Management Maturation:** The addition of 113 clients and 12% AUD growth suggests the business is moving past the "startup" phase mentioned last quarter into a scalable contributor. * **Balance Sheet Hygiene:**

The company maintains a strong cash position (₹4.3 Cr) and healthy capital adequacy, supporting the NBFC and Broking operations. STOP HERE.