Emkay Global Financial Services Ltd — Oct 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Strong Beat **One-line:** Emkay is hitting an "inflection point" where massive scaling in Wealth Management AUM (+75% YoY) and a rebounding Investment Banking pipeline are driving explosive profit growth (PAT +178% YoY) through high operating leverage.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	PAT grew 178% YoY; Annualized ROE jumped to 31% from 22% in Q1.	□
Earnings Quality	High (Core driven)	Growth is led by fee-based Advisory (+57%) and Transactional (+73%) Wealth revenue.	□
Guidance Confidence	Strong	Quantified ECM revenue pipeline of ~□100 Cr over 24 months.	□
Management Credibility	Strong	Successful execution of large mandates like PNB QIP (□5,000 Cr).	□
Business Quality Signal	Improving	Pivot to Wealth/Asset Mgmt is reducing reliance on pure cyclical broking.	□
Key Q&A Exchange	Not applicable	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	Cyclicality of Broking Yields	Mitigated by Wealth AUM crossing the □20,000 Cr milestone.	□
Capital Cycle Stage	Harvesting	Realizing returns on prior investments in talent and technology.	□
Margin / Return Ratio Trajectory	Improving	ROE expanded significantly due to low capital intensity of wealth/IB.	□
Pricing Power	Stable	Advisory revenue growth suggests value-add beyond execution.	□
FCF Conversion & Quality	Strong	High PAT-to-Networth accretion; Networth up to □279.2 Cr.	□
Competitive Moat Signals	Stable	Institutional research (190 companies) continues to feed the HNI/Wealth funnel.	□
Balance Sheet Strength	Strong	Low Debt/Equity; ICRA A2+ and BBB+ ratings maintained.	□
Working Capital Efficiency	Stable	Cash and equivalents remain healthy for exchange margins.	□
Mgmt Guidance Track Record	Reliable	ECM execution matches the "robust pipeline" commentary from Q1.	□
Key Vulnerability / Red Flag	Market Sensitivity	Wealth AUM growth is partially driven by "market cap appreciation."	□
Management Tone	Confident	Emphasizing "360-degree" model and expansion into Tier-2 towns.	□

Key Takeaways (Positives & Negatives): * **Positives:** The Wealth Management business is no longer a "side-car"; it has scaled to □20,079.7 Cr AUM, representing 94% of total customer assets. This segment provides stickier, higher-quality revenue compared to volatile institutional broking. Investment Banking (ECM) has shown a massive turnaround, participating in mandates totaling over ₹6,164.5 Cr this quarter, including a Tier-1 mandate for PNB. * **Negatives:** Despite diversification, the business remains heavily levered to equity market performance; 5 out of 6 Asset Management strategies outperforming benchmarks is excellent, but a market downturn would simultaneously hit AUM values, transaction volumes, and the IB deal pipeline. * **Forward Watchpoint:** Management has projected ₹100 Cr in ECM revenue over the next 24 months from secured mandates—this provides a clear visibility floor for the high-margin Capital Markets segment.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	₹114.8 (1148 Mn)	↑ 47%	↑ 9%	↑	Driven by Capital Markets & Wealth scaling.
PAT (₹Cr)	₹25.7*	↑ 178%	↑ 86%	↑	Massive leverage as fixed costs are covered.
ROE (Annualized %)	31%	↑ 2,200bps	↑ 900bps	↑	High-margin IB/Advisory fees accretive.
Wealth Assets (₹Cr)	₹20,079.7	↑ 75%	↑ 37.5%	↑	Strong organic growth + market gains.
PMS & AIF AUM (₹Cr)	₹1,248.8	↑ 50%	↑ 16.4%	↑	New fund inflows + market appreciation.
Equity ADTO (₹Cr)	₹1,388	↑ 5.3%	↑ 24.7%	↑	Volume recovery in cash segment.
Derivative ADTO (₹Cr)	₹39,728.5	↑ 27.2%	↓ 13.0%	↓	Moderation in speculative volumes.
Networth (₹Cr)	₹279.2	↑ 28%	↑ 9.4%	↑	Solid retained earnings.
Debt/Equity (x)	Not stated	→	→	→	Remained at low levels (last Q 0.13x).
Total Customer Assets (₹Cr)	₹21,328.5	↑ 74%	↑ 36.1%	↑	Wealth AUM is the primary driver.

**PAT derived from 6M FY25 total of ₹39.6 Cr minus Q1 FY25 PAT of ₹13.8 Cr.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin (PBT)	Trend	vs Co. Avg	Key Development
Capital Markets (Broking/IB)	₹56.4	↑ 51%	Not stated	↑	Above Avg	Executed PNB QIP (₹5,000 Cr).
Wealth Management	₹33.9	↑ 70%	Not stated	↑	Above Avg	AUM crossed ₹20,000 Cr.
Asset Management (PMS/AIF)	₹10.3	↑ 58%	Not stated	↑	Inline	5/6 strategies outperforming.
Others (Treasury/Financing)	₹14.2	↑ 7%	Not stated	→	Below Avg	Stable yield on proprietary book.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	ECM Revenue	~□100 Cr over 24 months.	□12.5 Cr incremental revenue per quarter.	Delivered 4 deals in Q2.	Market volatility.
Strategy	Wealth Reach	Expand to Tier-2 towns.	Jaipur and Vadodara added this quarter.	On-track (Dehradun/ Nagpur).	RM Attrition.
Strategy	Asset Management	Presence in Middle East.	In progress/Dedicated presence planned.	New geography entry.	Regulatory delay.
Strategy	Digital	"Digital First" approach.	API initiatives & upgraded KYC journey.	Ongoing tech spend.	Cybersecurity.
Product	Advisory Mix	Increase Advisory Revenue.	Grew 57% YoY (□4.4 Cr in Q2).	Slow but steady shift.	Regulatory caps.

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Based on Q2 FY25 vs Q1 FY25 data points.

What Changed	Prior Quarter	This Quarter	Direction
Wealth AUM	□14,599.8 Cr	□20,079.7 Cr	↑ (Massive)
ROE (Annualized)	22%	31%	↑
ECM Momentum	1 Deal (Awfis)	4 Transactions	↑
Geography	Focus on Metros	Vadodara & Jaipur added	↑
Tech Upgrade	Initial Algos	DMA/Non-DMA TAN Algos	↑
Equity ADTO	□1,113.1 Cr	□1,388 Cr	↑

Investor Note: This quarter materially strengthens the investment thesis. The 37.5% QoQ jump in Wealth AUM is the standout metric, as it indicates Emkay is effectively capturing HNI wallet share during the current bull run. More importantly, the projected □100 Cr ECM revenue pipeline provides a structural earnings buffer that was missing in previous years. The business is transitioning from a high-beta broking play to a more diversified, asset-light advisory firm. The key risk remains a sharp market correction which would deflate AUM-linked fees, but the current momentum in Investment Banking mandates suggests a strong H2 FY25. STOP HERE.