

Emkay Global Financial Services Ltd — Oct 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss One-line: Profitability has effectively evaporated (PAT -90% QoQ) as the company's heavy fixed-cost base (Employee costs at 58% of revenue) remained rigid while Wealth AUM and Treasury income stagnated, negating a strong cyclical recovery in Capital Market/IB revenues.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Q	Miss	PAT of ₹0.5 Cr is a ~90% sequential collapse from ₹4.8 Cr in Q1 FY26.	☐
Earnings Quality	Low	Core operating expenses (₹6.4 Cr) have almost entirely consumed total revenue (₹7.1 Cr).	☐
Guidance Confidence	Weak	While the IB pipeline is "robust," the inability to convert "record IPO activity" into bottom-line growth is concerning.	☐
Management Credibility	Neutral	Successful launch and scale of SMID PMS (₹100 Cr in 1 qtr) but failed to manage costs during AUM volatility.	☐
Business Quality Signal	Deteriorating	Negative operating leverage is visible; Wealth Assets fell 8% YoY despite a buoyant market.	☐
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	☐
The Street's Primary Anxiety	Operating Leverage	Analysts' fear of a "permanent high-cost structure" is validated by the 0.6% PAT margin this quarter.	☐
Capital Cycle Stage	Investment	Continued heavy spend on Tech (Privileged Access Mgmt) and headcounts.	☐
Margin / Return Trajectory	Deteriorating	Annualized ROE fell to 3.47% from 6.0% in Q1 (and 20.9% in FY25).	☐
Pricing Power	Stable	PMS strategies continue to outperform benchmarks, supporting fee retention.	☐
FCF Conversion & Quality	Not Derivable	Cash flow statement not provided in quarterly PPT.	☐
Competitive Moat Signals	Stable	Institutional research remains a differentiator (200 companies at Confluence event).	☐
Balance Sheet Strength	Strong	Net worth stable at ₹301.5 Cr; negligible debt.	☐
Working Capital Efficiency	Stable	Standard for broking operations; no unusual spikes in receivables.	☐
Mgmt Guidance Track Record	Mixed	Consistent on product delivery; struggling with quarterly earnings consistency.	☐
Key Vulnerability	Cost Rigidity	Fixed employee costs (₹44.5 Cr) are too high for the current revenue scale.	☐
Management Tone	Confident	PPT emphasizes pipeline and strategy outperformance over P&L outcomes.	☐

Key Takeaways (Positives & Negatives): * **Positives:** The pivot to Asset Management is showing early success with the new SMID Cap Growth Engine garnering ₹100 Cr (₹1,000 Mn) AUM within one quarter. Institutional Equities remains a powerhouse of corporate access, hosting 5,133 meetings at "Emkay Confluence 2025," which serves as a long-term lead generator for the IB and Wealth segments. * **Negatives:** The P&L is in a state of crisis; despite "record-high" IPO activity, the company barely broke even. Wealth Management Assets degrew 8% YoY to ₹18,415 Cr, a significant underperformance compared to the broader market rally. Employee expenses now consume 57.7% of total revenue, leaving almost no room for error in other income or treasury performance. * **Forward Watchpoint:** The conversion of the "inherently weighted H2 pipeline" in Investment Banking. For the thesis to remain viable, the firm must deliver lumpy IB fees in H2 to offset the fixed-cost burn of the Wealth/Tech expansion.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: Concall not available — Mgmt Commentary absent.

Metric	Current Qtr (Q2FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	₹77.1	↑ 33%	↓ 1%	→	Driven by Capital Markets; offset by weak Wealth.
PAT (₹Cr)	₹0.5	↑ 98%*	↓ 90%	□	*YoY base was near zero. Massive sequential drop.
ROE (Annualized %)	3.47%	↓ 404 bps	↓ 253 bps	□	Significant value destruction vs cost of capital.
Wealth Assets (₹Cr)	₹18,414.9	↓ 8%	↓ 8.2%	↓	Sharp decline in UHNI/HNI assets; indicates churn or outflows.
PMS & AIF AUM (₹ Cr)	₹1,562.7	↑ 25%	↑ 6.4%	↑	Positive traction in SMID and Capital Builder strategies.
Capital Market Rev (₹Cr)	₹31.3	↑ 127%*	↑ 59.7%	↑	*Estimated from mix. Strong IPO/ Institutional activity.
Wealth Mgmt Rev (₹ Cr)	₹30.3	↓ 12.7%*	↓ 16.1%	↓	*Estimated. Transactional revenue remains under pressure.
Emkay's ADTO (₹ Bn)	₹3.23	↑ 36%	↑ 39.8%	↑	Recovery in institutional volumes vs weak Q1.
Employee Expenses (₹Cr)	₹44.5	↑ 14%	↑ 1.6%	↓	Costs continue to rise despite falling profitability.
Net Worth (₹Cr)	₹301.5	↑ 25%*	↓ 2.6%	□	*YoY vs Slide 15 (FY24 base). Slight QoQ erosion.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Rev Mix %	Trend	vs Co. Avg	Key Development
Capital Markets	₹31.3	↑ 31%	41%	↑	Outperforming	Record IPO filings/launches; pipeline weighted to H2.
Asset Management	₹8.6	↑ 31%	11%	↑	Outperforming	SMID fund reached ₹100 Cr AUM in 3 months.
Wealth Management	₹30.3	↓ 50%*	39%	↓	Underperforming	*YoY transactional revenue degrew 61%. Assets ↓ 8%.
Others / Treasury	₹6.9	↓ 22%	9%	↓	Underperforming	Impacted by "weak index performance" and FII outflows.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	IB Pipeline	"Comfortably achieve full-year guidance" (previously implied ₹100 Cr over 24 months).	Needs ~₹15-20 Cr incremental IB fees in H2 to meet the FY26 trajectory.	On Track: Q2 showed meaningful jump in Capital Market revenue.	Valuation-conscious investors.
Guidance	Asset Mgmt	Planning launch of Emerging Stars Series VII (Multicap AIF) in H2.	Needs to sustain the ₹100 Cr/qtr intake seen in SMID fund to reach scale.	Delivered: SMID fund met initial traction targets.	Midcap rally cooling.
Strategy	Technology	Upgrade to Privileged Access Mgmt and Red Team exercises.	N/A - Operational goal.	Ongoing: Digital transformation upgrades reported as active.	Capex/Opex burn.
Strategy	Geographic	Expanding footprint into Tier-2/3 cities for Wealth.	Needs to reverse the 8.2% sequential slide in Wealth Assets.	Lagging: Wealth AUM is currently shrinking, not expanding.	Client retention.
Macro	India Outlook	Structural long-term growth story; boost from potential US trade deal.	Dependent on earnings recovery in H2 and GST rationalization.	Consistent: Thesis-aligned with domestic financialization.	Global tariffs.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY26)	This Quarter (Q2 FY26)	Direction
Quarterly PAT	₹4.8 Cr	₹0.5 Cr	□
Wealth AUM	₹20,052 Cr	₹18,415 Cr	□
Revenue Mix Leader	Wealth Management (46%)	Capital Markets (41%)	□
Employee Cost Ratio	56.3% of Revenue	57.7% of Revenue	↓
Annualized ROE	6.0%	3.47%	□
Investor Appetite	High Exuberance	Valuation-Conscious / Cautious	□
Operational Focus	Building Infrastructure	Executing IPO Pipeline / SMID Scale	↑

Investor Note: The core of the Emkay thesis—a transition from a cyclical broker to a high-margin wealth and asset manager—is facing a severe stress test. While the **Asset Management** piece is executing perfectly (SMID fund launch success), the **Wealth Management** segment is showing unexpected fragility with an 8% YoY decline in assets during a period where most peers reported growth. The most critical risk is the **fixed-cost overhang**; with employee expenses and overheads remaining rigid, even a small dip in treasury income or wealth fees pushes the company toward a net loss. The "H2 weighted" IB pipeline is now the only catalyst that can save FY26 profitability. We remain on "Credibility Watch" regarding the Wealth segment's asset retention.

STOP HERE.