Emkay Global Financial Services Ltd — Sep 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Mixed **One-line:** The structural migration toward a high-margin Asset and Wealth Management model is accelerating (AUM +20% QoQ), but the collapse in core Institutional Broking volumes (ADTO down 44% vs. FY25 average) is severely compressing group-level profitability margins.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Q	**Miss**	PAT margins crashed to 6.58% in Q1-FY26 from the FY25 average of 16.89%.	□
Earnings Quality	**Moderate**	Heavy reliance on lumpy Investment Banking mandates (IREDA QIP) to offset broking decay.	□
Guidance Confidence	**Neutral**	Management is delivering on AUM growth but failing to arrest the market share slide in broking.	□
Management Credibility	**Stable**	Executed the Dubai expansion and large QIPs as promised; however, volume loss is unaddressed.	□
Business Quality Signal	**Bifurcated**	Wealth/Asset Mgmt quality is **Improving**; Institutional Broking is **Deteriorating**.	□
Key Q&A Exchange	**N/A**	PPT_ONLY: No concall conducted.	□
The Street's Primary Anxiety	**Volume Freefall**	Emkay's Institutional ADTO has dropped from □925.9 Cr (FY23) to □230.7 Cr (Q1-FY26).	□
Capital Cycle Stage	**Investment**	Heavy spending on US/Dubai expansion and RM acquisition (60+ RMs).	□
Margin / Return Trajectory	**Deteriorating**	Significant QoQ margin compression (6.58% PAT margin is a multi-quarter low).	□
Pricing Power	**Stable**	Sustaining advisory fees in Wealth/PMS despite transactional broking pressure.	□
FCF Conversion & Quality	**Weak**	Significant increase in 'Other Financial Assets' (□487.2 Cr) suggests high capital lock-up.	□
Competitive Moat Signals	**Stable**	Research breadth (200+ stocks) remains the primary hook for the advisory pivot.	□
Balance Sheet Strength	**Strong**	Debt-to-Equity remains negligible at 0.15x with a net worth of □303.2 Cr.	□
Working Capital Efficiency	**Stable**	No material spike in trade receivables relative to the scale of operations.	□
Mgmt Guidance Track Record	**Reliable**	Geographic and product milestones are being hit on schedule.	□
Key Vulnerability / Red Flag	**ADTO Erosion**	The core brokerage engine is shrinking faster than the industry is growing.	□
Management Tone	**Confident**	PPT focus is heavily skewed toward "Long-haul" wealth creation and tech.	□

Key Takeaways (Positives & Negatives): * **Positives:** The pivot to a "fee-based" model is gaining critical mass; Asset Management (EIML) AUM grew 19.8% QoQ to □1,468.9 Cr. Wealth Management AUM saw a sharp recovery to □20,051.7 Cr (up from □17,978.1 Cr in Q4). The Investment Banking pipeline is robust with □100 Cr revenue visibility over 24 months, anchored by large-ticket execution like the □2,005.9 Cr IREDA QIP. * **Negatives:** The "Cash Cow" (Institutional Broking) is in structural decline; Emkay's ADTO fell to □230.7 Cr, a staggering 75% drop from FY23 levels. Total client count in Wealth Management dipped to 36,747 (from 37,851 in Q4), suggesting some churn or consolidation at the lower end of the HNI segment. * **The Street's Focus:** The primary concern is the massive margin compression (from ~17% to ~6.6%) and whether the burgeoning Asset Management fees can scale fast enough to cover the high fixed-cost base of an institutional-grade research house. * **Forward Watchpoint:** Monitoring the revenue realization from the □40 Cr IPO mandate pipeline and the operational break-even of the newly minted Dubai branch.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Concall not available — commentary absent. All Mn to Cr conversions performed (÷10).*

Metric	Current Qtr (Q1-FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
PAT Margin (%)	6.58%	↓ 477 bps	↓ 1,031 bps	↓	Major compression vs FY25 (16.89%).
Wealth Mgmt AUM (□ Cr)	□20,051.7	↑ 11.5%	↑ 11.5%	↑	Rebound from Q4 slump; driven by direct equity.
Asset Mgmt AUM (□Cr)	□1,468.9	↑ 62.8%	↑ 19.8%	↑	Strong scale-up in PMS and AIF strategies.
Institutional ADTO (□ Cr)	□230.7	↓ 67.4%	↓ 44.3%	↓	Severe market share/volume loss.
Wealth Client Count	36,747	↓ 0.9%	↓ 2.9%	↓	Marginal contraction in active client base.
Investment Banking Visibility	□100.0 Cr	First entry	→	→	Mandates to be realized over 24 months.
Net Worth (□Cr)	□303.2	↑ 25.8%	→	→	Stable capital base.
Debt to Equity (x)	0.15x	↑ 0.01x	→	→	Negligible leverage maintained.
ROE (%)	20.89% (FY25)	↑ 651 bps	N/A	↑	FY25 full-year metric; Q1 likely lower.
Other Fin. Assets (□Cr)	□487.2	↑ 108.9%	→	↓	High liquidity/margin requirement lock-up.

2B. SEGMENT BREAKDOWN

Segment	Revenue Mix (%)	AUM (□Cr)	Trend	vs Co. Avg	Key Development
Capital Markets	56%	N/A	↓	Underperform	90% Broking / 10% IB; Hit by low ADTO.
Wealth Mgmt	22%	□20,051.7	↑	Outperform	78% of portfolio is now in Direct Equity.
Asset Mgmt	7%	□1,468.9	↑	Outperform	59% PMS / 41% AIF; 5/6 strategies beat BM.
Financing/Others	15%	N/A	→	In-line	Includes MTF and treasury income.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	IB Revenue	₹100 Cr from secured mandates over 24 months.	₹12.5 Cr / quarter.	**Delivered**: IREDA QIP and IPO mandates filed.	Deal timing/ Market volatility.
Guidance	IPO Mandates	₹40 Cr to be realized over FY26 and FY27.	₹5 Cr / quarter.	**On Track**: 4 IPO mandates currently filed with SEBI.	Regulatory approval delays.
Strategy	Geographic	Establish Middle East and US presence.	N/A	**Delivered**: Dubai branch licensed; US 6-city tour done.	High Opex in USD/AED.
Strategy	Asset Mgmt	Scale PMS/AIF to tap ₹100 Tn industry by 2030.	Need ~30% CAGR.	**Strong**: AUM growing at >60% YoY.	Performance persistence.
Macro	Market Share	Move from "Discount Tool" to "Family Office" advisor.	N/A	**Ongoing**: Added 60+ RMs and expanded to Tier-2.	High RM acquisition costs.

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 (FY25 Exit)	This Quarter (Q1-FY26)	Direction
Profitability Margin	16.89% (Full Year)	6.58% (Quarterly)	↓
Wealth AUM	₹17,978.1 Cr	₹20,051.7 Cr	↑
Asset Mgmt AUM	₹1,225.8 Cr	₹1,468.9 Cr	↑
Institutional ADTO	₹413.9 Cr (FY25 Avg)	₹230.7 Cr	↓
Wealth Clients	37,851	36,747	↓
IB Visibility	₹161.6 Cr (Deals Done)	₹100 Cr (Future Pipeline)	→
Liquidity Lock-up	₹233.2 Cr (FY24)	₹487.2 Cr (FY25)	↓

Investor Note: The investment thesis is transitioning from a cyclical broking play to a structural asset gathering play. While the **Asset Management** arm is performing exceptionally well (+20% AUM growth in one quarter), the **Institutional Broking** business is suffering a "death by a thousand cuts" with ADTO now at a fraction of its former self. The 1,000+ bps drop in PAT margin suggests that the new business lines are not yet high-scale enough to offset the loss of high-margin brokerage volumes. Investors should monitor the **Other Financial Assets** line (₹487 Cr); a continued spike here suggests increasing capital intensity which could weigh on ROE despite the "asset-light" advisory labels. The IREDA QIP success proves Emkay can play in the big leagues of Investment Banking, but the core equity engine needs to find a floor.

STOP HERE.