Emkay
Your success is our success

Date: 8th August, 2024

To, **Listing Department** **National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex Bandra (East), Mumbai-400 051 **NSE Symbol: EMKAY**	**To,** **Listing Department** **BSE Limited** P. J. Tower, Dalal Street, Mumbai 400 001 **BSE Scrip Code:532737**

Dear Sir

Sub: Probable Investor Questions on Company's Performance alongwith Management responses

Please find enclosed herewith the Probable Investor Questions on Company's Performance alongwith detailed Management responses for Financial Year 2023-2024. The same is being uploaded on the website of the Company i.e. www.emkayglobal.com.

We request you to kindly take the same on your record.

Thanking you,

Yours faithfully,

For Emkay Global Financial Services Limited

BHALCHANDRA MADHAV RAUL
Digitally signed by BHALCHANDRA MADHAV RAUL
Date: 2024.08.08 18:39:47 +05'30'

B. M. Raul
Company Secretary & Compliance Officer

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INVESTOR INSIGHTS

ADDRESSING YOUR KEY QUESTIONS

FINANCIAL YEAR 2023-2024

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Overall Business Insights

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What has led you to choose the business segments you are operating in?

Krishna Kumar Karwa: Emkay initially started as an institutional broker, focusing on in-depth research for long-only clients. As the capital markets evolved to include more equity-related products such as derivatives, futures, and options, we expanded our service capabilities accordingly. The common thread across all our business segments and verticals has been our client-first philosophy: "Your success is our success." This principle, along with our strong research DNA, is evident across all our product offerings and business verticals.

What steps have you taken in the last 1-2 years to build and strengthen these businesses?

Prakash Kacholia: In a dynamic environment where clients and competition are continuously evolving, Emkay has leveraged technology and human resources across its verticals to keep pace with the changing times. This includes improvements in servicing, client onboarding, the introduction of newer products, and enhanced research capabilities. We have ensured that we grow in size and stature to match the increasing scale of our clients every year.

How are you deriving synergy among these business segments?

Krishna Kumar Karwa: We derive significant synergy through effective cross-selling and regular referrals among our business segments. Our CEOs frequently identify and share opportunities with their peers within the company, ensuring seamless collaboration without compromising client confidentiality or stepping on the toes of external partners.

Overall: How do you plan to ensure stable profitability at the consolidated level with volatility and cyclicality being an integral part of your core business

Prakash Kacholia: Wealth management and asset management are relatively less cyclical, providing a stable and predictable revenue stream. While broking and investment banking are subject to cyclical fluctuations, we focus on maintaining team cohesion and motivation during downturns. Our strategy includes resisting the urge to aggressively hire during boom periods and avoiding layoffs during downturns. By keeping our team lean, we ensure that we can weather economic downturns and maintain stability.

What are your strengths here?

Krishna Kumar Karwa: The foundation of any Institutional Equities (IE) business lies in rigorous research and exceptional service standards for clients, whether they are brokerage clients or corporations. Positioning reflects how clients perceive and evaluate your services. Emkay excels in providing credible, in-depth research across a broad spectrum of SMID (Small and Mid-cap) companies. We pride ourselves on being known as an "IDEA house," a reputation we greatly value.

Our service standards are exemplary, and we uniquely implement a co-coverage model for nearly all our mutual fund and insurance clients. In an industry often characterized by individualism, effective co-coverage requires a team-oriented approach. Cultivating a culture that prioritizes clients' and the platform's interests above personal gain is a rare achievement.

One of our unique strengths is our access to a wide range of Family Offices that highly value our SMID research.

How are you mitigating client dependency, and what steps are you taking to diversify beyond domestic institutional investors?

Krishna Kumar Karwa: Although domestic mutual fund and insurance clients have become very dominant players with substantial inflows, we started aggressively pursuing international business a few years ago. Our resident office in Singapore, which opened in 2021, has developed well, and our current focus is on expanding our reach in Europe and the USA.

Within the domestic market, we are also broadening our reach by targeting various AIFs (Alternative Investment Funds) and PMS (Portfolio Management Services) with a dedicated sales force.

With global brokerage firms increasingly focusing on domestic institutional investors, how are you protecting your market share and fostering growth?

Krishna Kumar Karwa: Broking, like any industry, is extremely competitive. The domestic business is highly process-oriented and requires years of consistent effort to maintain rankings. We plan to strengthen our position by:

1. Expanding our breadth of coverage, both soft and hard. Overall, we have detailed modeling on nearly 350 companies.
2. Leveraging our longstanding relationships, including those with former SMID companies that have now grown significantly. We are actively maintaining and nurturing these connections.

How do you ensure low attrition in this business, given its heavy reliance on human resources?

Krishna Kumar Karwa: We are obsessively focused on keeping attrition low. While meritocratic incentivization is key, we are dedicated to fostering an apolitical and high-performance culture. Our core belief is that "birds of a feather flock together." Our team now serves as our extended recruitment arm.

Additionally, our unique business model, with its extensive coverage of SMID companies, enables us to offer quicker career progression to deserving analysts. Similarly, our co-coverage sales model allows for seamless transitions within the existing team and facilitates the training of new talent.

Overall, how do you see revenue and profitability evolving in this space?

Krishna Kumar Karwa: We are extremely optimistic about our business prospects, both in the near and long term. We genuinely believe that our SMID positioning has become indispensable, given the surge of new companies and business models. In a sense, the market has adapted to Emkay's business model rather than the other way around. We are diligently working to protect and enhance our competitive moat.

How do you position yourself in this business?

Krishna Kumar Karwa: We position ourselves as product-agnostic, Small and Mid-sized enterprises (SMID) focused Investment bankers. We aim to build long-term partnerships with senior management teams by providing hands-on deal management.

What strategies are you implementing to ensure business stability and reduce volatility in the medium term, given the cyclical nature of ECM activities?

Krishna Kumar Karwa: We are minimizing fixed costs, calibrating headcount growth, and developing multi-domain capabilities within our senior investment banking team members.

How do you plan to scale the business in terms of contributions to overall revenues and profitability?

Krishna Kumar Karwa: Our investment banking revenues have grown approximately 10 times over the past five years, despite maintaining a static headcount. We plan to enhance the business development function by incorporating domain experts with a self-starter approach. Additionally, we will improve our brand visibility by showcasing a strong track record of successful deal closures, which will support sustained growth.

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What is the update on the Mutual Fund license?

Krishna Kumar Karwa: After receiving in-principal approval from the regulator, we re-evaluated our business strategy. Entering the Mutual Fund (MF) business requires significant capital allocation and management effort to establish a niche in the industry. Given our current progress in the Asset Management space, especially in alternatives like PMS and AIFs, we believe we haven't fully explored the business opportunities there. Therefore, as a prudent step, we have temporarily put our Mutual Fund plans on hold for the short to medium term. Instead, we are focusing on our strengths by catering to High Net Worth Individuals, Family Offices, NRIs, and Trusts with our alternative investment offerings (PMS and AIFs).

How do you plan to scale up your AIF/ PMS businesses, which rely heavily on distribution as well as performance?

Krishna Kumar Karwa: We are very optimistic about scaling our alternates (PMS & AIF) business, thanks to our strong track record and strategic initiatives. Here's how we plan to achieve this:

1. **Proven Performance:** Over the past 11+ years, our PMS and close-ended AIFs have consistently delivered compounded, benchmark-beating returns. For instance, our Emkay Emerging Stars Fund Series I to IV have collectively raised nearly 450 crore and returned over 740 crore (pre-tax) to investors ahead of schedule.
2. **Strong Brand and Goodwill**: Our brand is well-recognized and respected among High Net Worth Individuals (HNIs) and Ultra High Net Worth Individuals (UHNIs). We intend to leverage this goodwill by focusing on the under-serviced segment of investors with an investible surplus of INR 1-10 crore.
3. **New Product Offerings**: In the last twelve months, we have launched several new products:
    - Emkay India's Golden Decade of Growth PMS
    - Emkay Emerging Stars Fund – VI (closed-ended AIF)
    - Emkay Capital Builder Fund (open-ended AIF)
4. **Enhanced Team Capabilities**: We have strengthened our senior management team:
    - Manish Sonthalia as CIO & Director (Fund Management & Research)
    - Nagesh Pai as National Sales Head (Sales)
    - Arvind Tankkar as Chief Operating Officer (Operations) Additionally, we have expanded our mid-management layer, especially in Sales and Business Development.

5 **Investment Advisory Role for Offshore Fund:** We have been appointed as Investment Advisors for an offshore fund investing in Indian-listed equities. From a global investor perspective, India is currently in a favorable position. Not only is India projected to be one of the fastest-growing economies, but it might also be the only nation to exhibit higher growth in CY24 compared to CY23. Additionally, with reduced inflation rates and a narrowing interest rate differential between India and developed markets like the USA and the UK, it is anticipated that the currency will stabilize, attracting substantial capital inflows in both equity and debt markets.

6 **Distribution Partnerships:** Acknowledging the importance of distribution, we have actively pursued new distributor-partner-advisor tie-ups. In Q1 FY25 alone, we have empaneled our product offerings with at least 15 new partners. We aim to continue building these relationships, targeting marquee wealth managers, leading private banks, and large reputed IFAs by March 2027.

7 **Marketing and Visibility:** To support our sales team, we have increased our presence across social media, electronic media, and print media platforms, enhancing our brand visibility and reach.

8 **Future Outlook:** We believe that although we are late entrants in the distribution game, our strong foundation and strategic approach give us a significant competitive advantage. We are entering a large, untapped, and growing market with immense potential for long-term growth.

With these initiatives, we are confident that FY25 will be a strong year for partnerships and AUM inflows, setting the stage for continued success and growth in the AIF/PMS sector.

This business appears as a natural fit and extension to your domestic institutional-focused broking business. However, it has been a slow start. What challenges have you faced?

Prakash Kacholia: While the Wealth Management (WM) business is a natural progression for managing assets of HNIs/UHNIs, and our Institutional Broking business plays a crucial role in achieving that stature, several challenges have hindered our progress. Many businesses have established their own family offices, making the space highly competitive. Additionally, the industry has faced turbulence, including two years of pandemic impact, removal of upfront revenues, low margins from AMC commissions, poor advisory revenue performance, and stiff competition from established names. Furthermore, hiring quality Relationship Managers (RMs) has been highly competitive, affecting our ability to scale efficiently.

Now that Wealth Management is a fast-growing and very competitive business segment, what strengths do you have that allow you to scale up?

Prakash Kacholia: Wealth Management is indeed growing rapidly, with significant retail participation, especially through SIPs, driven by campaigns like 'Mutual Fund Sahi Hai.' While there are platforms for both top-level family offices and bottom-level retail investors, we focus on the under-serviced segment between these extremes. Our target customers are investors with an investible surplus of INR 1-10 crore. We are scaling up through our state-of-the-art technology platform, 'NAAVIK', our in-house wealth research with the proprietary scheme selection model 'EnEf', and a diverse product portfolio. Our organizational culture prioritizes customer centricity, and we empower our sales force to recommend the best-suited products to clients and refrain from being a product pusher.

This business remains very RM-centred. How do you ensure RM stickiness with your firm?

Prakash Kacholia: In Wealth Management, RMs are crucial for success as they bring in assets backed by their client relationships. RMs often move with their book of business, and retaining them is challenging due to high demand and their increasing cost, especially at mid-to-high levels. To ensure RM stickiness, we offer competitive compensation packages, including long-term incentive plans (LTIPs) such as ESOPs or cash incentives over time. This helps in retaining high-performing RMs and maintaining client relationships.

What are your revenue and profitability targets for the next 3-5 years?

Prakash Kacholia: Wealth Management's success hinges on asset accumulation and predictable accrual income. In the next 4-5 years, we aim to achieve INR 4-5 crore of trail income per month (annually INR 55-60 crore) and profitability of INR15-20 crore. We anticipate reaching an AUA of INR 10-12K crore in the same timeframe.

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The retail brokerage market is currently divided into 1. Discount/Full digital brokers; 2. Bank-promoted brokers; and 3. Franchise-led traditional brokers. How do you position yourself?

Prakash Kacholia: We don't fit in exactly in any of the mentioned categories because our target segment is more quasi-institutional and not retail. Focusing on the retail segment would necessitate a complete overhauling of our backend and front end, at a very high cost that would be difficult to justify in the medium term, and possibly in the long term too... given that competition already had a head start.
We have used our tech resources to facilitate customised execution solutions for most of our clients, hence reducing our front-end resources significantly. At least 70% of our revenues are executed at the client end.

Why did you withdraw from retail broking in the early 2010s, and do you see any changes now that might lead you to reconsider this decision?

Prakash Kacholia: Even before 2010 the biggest change was the evolution of the client base and that is what prompted us to withdraw from retail broking. Unlike in the past, clients now understand what they want and don’t want. And contrary to the common perception that clients don't pay for services, they are reasonably fair in compensating brokers, if their requirements are fulfilled effectively. This is where our customisation approach gives us an advantage. Tighter processes and higher efficiencies will become even more imperative, going forward. Given this backdrop, we are unlikely to change our focus.

The retail brokerage industry is now all about scale and operating leverage. Without the scale advantage, how do you expect your business to deliver profitability?

Prakash Kacholia: The broking segment has shifted focus from scale and operating leverage to technology leverage and service quality. Currently, our focus on retail brokerage is nominal. We anticipate that the rise in income, a sharp increase in SIPs (Systematic Investment Plans), and deeper penetration of demat account openings will benefit broking companies at large, including institutional players like us.

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Now, brokerages are aligning HNI retail broking under the wealth management umbrella. Do you foresee such a realignment for your firm?

Prakash Kacholia: In the wealth management space, our broking services fit well due to our customization approach. Without this customization, such an alignment would yield minimal results. We are increasingly seeing more family offices setting up their own trading desks, and this is where we can add significant value.

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