

July 25, 2025

Emkay Global Financial Services Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture programme	100.0	100.0	[ICRA]BBB+ (Positive); reaffirmed
Short-term non-fund based bank lines	250.0	250.0	[ICRA]A2+; reaffirmed
Total	350.0	350.0	

*Instrument details are provided in Annexure I

Rationale

The ratings continue to factor in Emkay Global Financial Services Limited's (Emkay) established market position, with a track record of about three decades in the capital markets, and its adequate capitalisation profile for the current scale of operations. The company's financial profile remains characterised by low dependence on fund-based borrowings while the liquidity position is adequate.

The Positive outlook on the long-term rating factors in the improving scale and performance trajectory, aided by the scale-up in the broking and non-broking businesses, notwithstanding the intermittent volatility due to the inherent nature of the core business segments. While Emkay's revenues will remain exposed to the vagaries of capital markets and the evolving regulatory environment, the traction in the wealth/asset management and distribution businesses is likely to provide some stability to its revenue and profitability over the medium term. The credit profile is, however, constrained by the aforementioned exposure to the inherently volatile capital markets, the modest scale of operations and elevated cost structure as well as the high dependence on technology and the evolving regulatory environment.

Emkay's core operating profitability improved over the past two years, with an average profit before tax (PBT; excluding mark-to-market gains) of Rs. 39 crore during FY2024-FY2025, recovering from the loss-making operations during FY2022-FY2023. Emkay reported a record performance in H1 FY2025, driven by the broking and investment banking services, however, it witnessed pressure in H2 FY2025 amid the moderation in revenues from these segments. The impact was more pronounced in Q4 FY2025, resulting in subdued profitability for the quarter. While Emkay is working on a broad pipeline of merchant banking deals with strong fee potential, sustained profitability will depend on timely and consistent execution, particularly in light of the elevated cost structure. ICRA notes the early signs of recovery in cash broking volumes observed across the industry in Q1 FY2026. As Emkay derives a significant portion of its brokerage from the cash segment, sustained trading volumes in this space are expected to augur well for its performance.

Key rating drivers and their description

Credit strengths

Long track record in capital market related business – Emkay has a long track record of about three decades in capital market business with a presence in retail and institutional securities broking, investment banking, wealth management, lending against shares, margin trade financing, and asset management. With more than 300 institutional clients, the company is an institutional-focussed brokerage house, deriving about 50% of its net operating income (NOI) from this segment. As on March 31, 2025, Emkay catered to 12,472 active National Stock Exchange (NSE) clients.

Adequate capitalisation for current scale of operations – Emkay's capitalisation profile was characterised by a net worth of Rs. 303.2 crore and a gearing of 0.2 times as on March 31, 2025. The financial leverage has remained modest over the

years. The company primarily avails borrowings for working capital requirements in the broking business. With the increase in working capital requirements as it scales up, Emkay is likely to witness a gradual rise in borrowings, though the capitalisation profile is expected to remain adequate.

Adequate profitability, notwithstanding intermittent performance pressures – Emkay’s core operating profitability improved over the past two years, with an average PBT (excluding mark-to-market gains) of Rs. 39 crore during FY2024-FY2025, recovering from loss-making operations during FY2022-FY2023. Driven by broking and investment banking services, Emkay reported a record performance in H1 FY2025, but it witnessed pressure in H2 FY2025. The PBT declined to Rs. 1 crore in Q4 FY2025 from the average of Rs. 13 crore in the past eight quarters. Further, muted contribution from proprietary trading also weighed on the headline profit in FY2025.

Emkay reported a net profit of Rs. 57 crore and a return on equity of 21% in FY2025. Despite the record performance, the cost structure remains elevated on account of high employee-related expenses in the investment banking and institutional broking segments. While Emkay has a broad pipeline of merchant banking deals with strong fee potential, sustained profitability will depend on timely and consistent execution, particularly in light of the elevated cost structure.

Credit challenges

Moderate scale of broking business – Supported by the buoyant secondary market activity and vibrant primary market activity and despite intermittent challenges, Emkay has witnessed a healthy growth in broking income with a compound annual growth rate of about 22% during FY2021-FY2025 to Rs. 237 crore in FY2025, up 29% YoY. Nevertheless, the scale of the broking business, in terms of revenues, remains moderate.

Exposure to inherently volatile capital markets – Emkay’s primary revenue stream remains exposed to the inherently volatility and cyclicity of capital markets with ~82% of the NOI arising from broking and investment banking services in FY2025. Additionally, the Group allocates ~8% of its net worth to sponsor investments in alternative investment funds within its asset management business. Thus, Emkay’s earnings and capitalisation are susceptible to adverse market movements.

Elevated competition, high dependence on technology, and evolving regulatory environment – Given the highly regulated nature of the industry, brokerage houses face significant regulatory risk. Ensuring compliance with evolving regulations is crucial. Recent changes, such as uniform exchange charges, have impacted profitability, especially of discount brokers. Measures to curb exuberance in the futures & options (F&O) segment, including the rationalisation of weekly index derivatives and increased margins on expiry days, were introduced between November 2024 and April 2025. These, along with the hike in the securities transaction tax, impacted capital market volumes. The sector is also characterised by intense competition and the entry of new players, leading to pricing pressure. However, the increasing financialisation of savings offers potential for expansion. Despite this, pressure on profitability during a downturn cannot be ruled out. Additionally, reliance on technology poses operational and reputational risks. Hence, maintaining uninterrupted services will be crucial for sustaining customer experience.

Environmental and social risks

While financial institutions do not face any material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. Nonetheless, such risk is not material for Emkay as its lending operations are primarily focussed on capital market-related lending. Further, the business activities are typically short-to-medium term in nature, which will allow it to adapt if required.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for financial institutions as material lapses could be detrimental to their reputation and invite regulatory censure. Emkay did not

witness any technical glitches during FY2024-FY2025. Going forward, its ability to offer uninterrupted services will be imperative for maintaining customer experience. It is noted that customer preference is increasingly shifting towards the digital mode of transacting, necessitating the adoption of technological advancements, besides providing an opportunity to reduce the operating costs. Emkay has been making investments to enhance its digital interface with its customers.

Liquidity position: Adequate

Emkay's liquidity requirement is primarily for placing margins at the exchanges. During November 2024 to April 2025, the average cash and equivalent margin placed (including unallocated across segments) at the exchanges (basis month-end data, including client margin) stood at Rs. 944 crore with average utilisation of 20%. Overall, it has an adequate liquidity profile with an unencumbered cash and bank balance of ~Rs. 61 crore and unutilised but drawable fund-based limits of ~Rs. 32 crore against Rs. 46 crore of debt outstanding (due in March 2027) as on March 31, 2025. Additionally, it avails an intraday loan facility of ~Rs. 339 crore, which supports the working capital requirements of the broking operations. These intraday lines are backed by fixed deposits and fixed assets.

Rating sensitivities

Positive factors – A sustained improvement in the profitability from core operations while maintaining healthy capitalisation.

Negative factors – Deterioration in the financial performance and/or liquidity profile on a sustained basis will be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Stockbroking & Allied Services
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidation

About the company

Emkay, along with its subsidiaries, is engaged in securities broking, capital markets lending, margin trade financing, investment banking, wealth and asset management services. It remains an institutional-focussed brokerage house, deriving about 50% of its NOI from institutional clients. As on March 31, 2025, Emkay catered to 12,472 active NSE clients.

On a consolidated basis, it reported a net profit of ~Rs. 57 crore on NOI of ~Rs. 298 crore in FY2025 compared to ~Rs. 32 crore and Rs. 229 crore, respectively, in FY2024. As on March 31, 2025, Emkay's capitalisation profile was characterised by a net worth of ~Rs. 303 crore and a gearing of 0.2 times.

Key financial indicators

Emkay Global Financial Services Limited (consolidated)	FY2023	FY2024	FY2025
Net operating income (NOI)	155.5	229.1	297.9
Profit after tax	14.1	32.4	56.8
Net worth	210.4	240.9	303.2
Total assets	730.9	1,065.3	1,233.4
Gearing (times)	0.1	0.1	0.2
Return on average net worth	6.8%	14.4%	20.9%

Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations; Note: Pass-through charges have been adjusted from NOI

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated	FY2025		FY2024		FY2023		
			Jul 25, 2025	Date	Rating	Date	Rating	Date	Rating
Short term -others – Non-fund based	Short term	250.00	[ICRA]A2+	Oct 22, 2024	[ICRA]A2+	Apr 06, 2023	[ICRA]A2+	Apr 06, 2022	[ICRA]A2+
				Apr 17, 2024	[ICRA]A2+	-	-	-	-
Non-convertible debenture programme	Long term	100.00 [^]	ICRA] BBB+ (Positive)	Oct 22, 2024	ICRA] BBB+ (Positive)	-	-	-	-

[^]Rs. 54 crore yet to be issued

Complexity level of the rated instrument

Instrument	Complexity indicator
Short-term non-fund based bank lines	Very Simple
Non-convertible debenture programme [^]	Very Simple

[^] Complexity indicator mentioned for Rs. 54 crore is subject to change when the terms are finalised

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Bank guarantee	-	-	-	250.00	[ICRA]A2+
NA	Non-convertible debenture – Yet to be placed	-	-	-	54.00	[ICRA]BBB+ (Positive)
INE296H08016	Non-convertible debenture	Mar 24, 2025	12.00%	Mar 24, 2027	46.00	[ICRA]BBB+ (Positive)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Emkay Fincap Limited	100% subsidiary	Full consolidation
Emkay Investment Managers Limited	100% subsidiary	Full consolidation
Emkay Wealth Advisory Limited	100% subsidiary	Full consolidation
Emkay Commotrade Limited	100% subsidiary	Full consolidation
EmkayGlobal Financial Services IFSC Private Limited	100% subsidiary	Full consolidation
Emkay Global Financial Services Pte. Ltd., Singapore	100% subsidiary	Full consolidation

Source: Company

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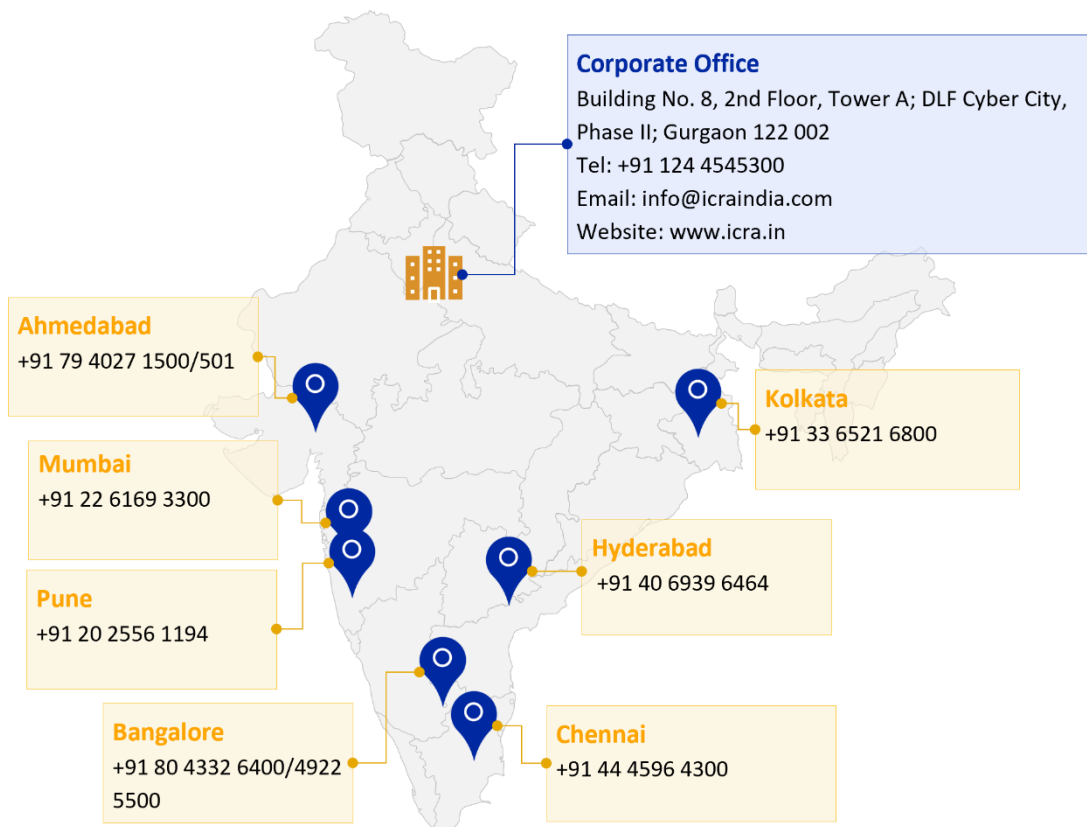
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