



Sketching the Rainbow

SIXTEENTH ANNUAL REPORT 2009-10

Emkay[®]

Your success is our success



Vibrant and shimmering, it paints the sky with hues merging and emerging at every blink of the eye. Everyone craves to catch a glimpse of the rainbow...we are building ours right here!

We are breaking through new horizons with a continued commitment to our goals. Focused on quality, we defy the chase for numbers. We have stayed devoted to strengthening our foundations, to base our aggressive growth plans on. Improving infrastructure and client servicing methodologies has been our focus. People have always been our most valued resource, and we have ensured a growth that takes them along all the way.

We used the tough times to our advantage by exploring and exploiting opportunities to create a space for ourselves. A space that has taught us to ideate. To think out of the box. These ideas have led us all through and the results are shining bright - as a rainbow in the sky.



The spectrum that composes the spectacle

Imagine a world without colors. A world where you can't figure a green from a red, or a yellow from a blue. Where you can't say if the glass carried water or juice. Survival in a black and white world is far tougher, than it is boring. We need the different shades for a meaningful existence. We need that spectrum of colors for the spectacle called 'rainbow'.

From an equity broker in 1995, to a financial services hub, we have taken care to add the right hues. We today offer the most comprehensive suite of financial services through the most proficient channels – a case in point that our mission statement is not just a convergence of words that adorn the office wall.

It is one thing to add a business to the company's bouquet of offerings, quite another to build it into a sustainable and revenue generating unit in the long run. We have been fastidious while adding hues to our rainbow. It has never been without enough thought, plan and strategy. The strategy is bearing fruit.

PRIVATE WEALTH MANAGEMENT

Systematically planning and executing financial strategies based on an in-depth understanding of client needs, their appetite for risk and the products that are available in the market forms the crux of our endeavor at Private Wealth Management. We understand that needs and goals vary across a spectrum and hence no two portfolios can be the same. Factors like cash flow requirements and risk appetite are closely evaluated to arrive at the best solution. We suggest investment across various asset classes such as equities, mutual funds, debt and others in varying proportions, depending on the client profile. This helps in optimizing returns and ensuring risk mitigation through diversification.

● Equities

Backed by the strongest institutional equities research in the country, we assist in adding wealth-creating equities to the client's portfolio. We strongly believe in the principle of value investing, which involves identifying under-valued stocks through in-depth qualitative and quantitative analysis. We help the client create a concentrated portfolio of select high-growth businesses with significant ownership in each of them.

Emkay's average daily turnover in broking is up 13.44% in financial year 2009-10 to ₹ 954 crore.

● Commodities

We believe that India has the potential to become a major commodity hub. For us, commodity trading was offered to provide a wider canvas to our clients in the process of creating wealth for them. We offer commodity futures trading through Emkay Comtrade Limited (ECL), our wholly owned subsidiary. We have membership with the major commodity exchanges of the country; Multi Commodity Exchange of India Limited (MCX), National Commodity and Derivatives Exchange Limited (NCDEX) and National Spot Exchange Limited (NSE). We offer commodity trading in all commodities on these exchanges.

We have steadily been increasing the commodity team at our branches so as to have dedicated and experienced people for advisory and trading. We provide our clients with real time information on commodity markets to help them mitigate risks and make an informed decision.

Our commodity broking revenues for the financial year 2009-10 are recorded at ₹ 637 lac – an increase of 9.45% over the past year.

● Mutual Fund and IPO Distribution

Mutual funds offer an investment opportunity which can be either diversified in nature or specific in category with risk skewed towards debt or equity in varying proportions. Mutual funds cater to the specific requirements of the investor, be it institutional or individual. Several factors need to be taken into account when choosing an instrument for investment – primary among these being safety, liquidity and return related to the risk undertaken. Also the investors are spoilt for choice today, with a wide range of options available – equity, debt, money market, commodities or even global equities.

At Emkay, our clients get comprehensive online/offline mutual fund services with exhaustive, insightful reports and regular review & rebalancing of their Mutual Fund Portfolio. EMPOWER – an offering from our stable seeks to create, monitor and manage mutual fund portfolios, with an aim to deliver superior wealth creation by way of long term compounding effect. We also offer a transparent and robust tool – Emkay Global Daily Fund Watch, to evaluate the performance of the mutual fund universe in the Indian market space. This daily research paper is very popular with our patrons. It enables investors to pick the suitable fund, given his goals.

IPO Advisory is based on the in-house views on the IPO which is based on strong views from the research team.

● Depository

We are one of the leading Depository Participants (DP) of CDSL. Our Demat and Back office services across the country are quick, reliable and efficient. We offer both depository and trading accounts in a single service format wherein both the accounts are linked. A spread of 350+ branches and franchisees enables us to reach out to our customers and service them proficiently. Our DP operations are run by people who are specially trained by CDSL for the purpose.

We had 75,200 DP accounts as on 31st March, 2010 and the revenue for the year stood at ₹ 126 lac.

● Insurance

There are numerous reasons for getting insured. It could be for unforeseen events, for future goals, retirement or as an inflation shield. The market is flooded with numerous products which leads to confusion. Emkay Insurance Brokers Limited (EIBL), our 100% owned subsidiary was incorporated in March 2007 as a Direct Insurance Broker as per IRDA Regulations, to make the most of the under-penetrated insurance market.

At Emkay, we help clients choose the right solution, thereby offering them safety and security through Insurance. We provide a wide array of life & general insurance cover plans to meet the client's requirements:

- Protection & savings
- Retirement & wealth creation
- Triple objectives of risk coverage, investment and tax planning

Insurance distribution income registered at ₹ 101 lac in 2009-10.

● Structured Products

Structured products are synthetic investment instruments based on derivatives. The underlying for the derivative could be a single security, basket of securities, indices, currencies and/or commodities. We enable access to these structured products, as they can be used as an alternate to directly investing in the underlying instrument. Also, they help in taking directional call on the underlying asset's movement. Emkay's open architecture provides access to best-in-class structured products.

● Debt and Fixed Income Instruments Advisory

Capital protection and regular income are the most vital aspects of any investment portfolio. Hence we provide products that are safe and add value to the client's portfolio.

- Fixed Deposits, Debentures and Bonds from accredited corporations
- Recommended products with a strong positive rating given by Credit Rating Agencies

PORTFOLIO MANAGEMENT SERVICES

A SEBI registered portfolio manager since 2003, Emkay believes that portfolio management is an amalgam of an idea, passion and conviction. It is the confluence of expertise, experience and discipline. The PMS team aims to deliver superior wealth creation by way of long term compounding effect, with investments in good businesses run by great business managers. The philosophy of the group is to develop a customized portfolio by analyzing the client's needs and goals. We understand that global market conditions change, hence the team works at optimizing returns by risk mitigation through a diversified portfolio.

Essential ideas that serve as the foundation:

- Focus on the long term
- View investments as conferring proportionate ownership of the business
- Maintain a balanced outlook on the market
- Emphasis on price to value rather than value to price

EMKAY GLOBAL PMS PERFORMANCE AS ON 31ST MARCH, 2010

Period	Emkay PMS Returns	Avg of top 5 Mutual Fund Returns*	Sensex	Nifty (S&P CNX 500)	Benchmark
FY 07-08	51.79%	24.12%	25.60%	30.29%	21.62%
FY 08-09	-26.04%	-34.18%	-37.87%	-36.26%	-40.02%
FY 09-10	126.34%	97.89%	77.01%	71.53%	85.50%

**Top 5 diversified funds by highest current AUM considered (Reliance Growth, HDFC Top 200, HDFC Equity, Reliance Vision, Magnum Contra)
Assets Under Management under Portfolio Management Services increased to ₹ 17,243 lac in 2009-10.*

INSTITUTIONAL EQUITIES

We have demonstrated capabilities in the Institutional Equities space and have proven worthy of our clients trust since inception. We cater to a wide clientele, comprising leading domestic and international institutional investors, pension funds, hedge funds, mutual funds, insurance companies, and banks. We value our relationships and have, over the years, actively hosted management meets, con-calls, conferences and company visits for companies under our coverage.

We have a dynamic equity research team. With 257 stocks under coverage, your Company has one of the strongest research bases in India. We have consistently been ranked by Asia Money for the quality of the research in the mid segment companies. We have also been ranked amongst the top 10 accredited brokers in India in the category of Earnings Estimates for Sensex Companies at the LIPPER STARMINE AWARDS 2009, organized

by Thomson Reuters. We organized 63 roadshows including a conference during the year, which resulted in several noteworthy empanelment.

INVESTMENT BANKING

Our Investment Banking business prides itself in a stellar team that meticulously focuses on the client's needs than on individual financial transactions. We offer services like advising on capital structuring, raising equity, cross border acquisition, venture funding, mergers & acquisitions, IPOs etc. We tailor make structures and execute diverse and innovative public and private transactions for corporates to raise capital for their current and future expansion plans.

During 2009-10 our Investment Banking team managed 7 transactions, including the QIP of equity shares of Jubilant Organosys. Income increased to ₹ 1,380 lac, from ₹ 100 lac in 2008-09.

A boutique financial services house, our endeavor has been to build portfolios that have a spectrum of the right colors, to make a perfect rainbow.

IN A NUTSHELL

Our income for the year increased 26.30% to ₹ 12,581 lac

At ₹ 940 lac, our PAT increased 386%

The average daily turnover in broking is up 13.44% in FY10 to ₹ 954 crore

Our PMS returns at 126.34% outperformed the Sensex at 77.01%

Our income from investment banking has increased from ₹ 100 lac to ₹ 1,380 lac

Our Equity Research team has 257 stocks under coverage and counting

We released 31 industry reports during the year and we remain committed to use our strengths to paint a better tomorrow; as for a rainbow, sky is the canvas



The droplets behind the magnificence

The most magnificent light show on earth – the rainbow, would fail to eventuate, if not for the tiny droplets in the sky. They refract the sunlight to lay the beautiful hues as we see them. Our people are the droplets that are refracting to paint our rainbow.

At Emkay, our people enjoy a team based, informal and performance-driven culture and we pride ourselves in being a great place to work. From a 201 people team in 2006 to a 719 people team in 2010, we have only grown from strength to strength. There are numerous reasons which make us a preferred employer. We have built a culture of feedback and development. Our employee engagement programmes help us align our strategies and plans, focus on personal development of our people and link rewards to accomplishment and innovation. Our practice of promoting from within the organization and encouragement to cross-functional assignments provides our employees the opportunity to grow and enrich their careers. We understand that in pursuit of growth, a company derives enormous value from its human capital, besides its brand and market share.

Development of this human capital, both professionally and personally is a continuous exercise that we are dedicated to in our endeavor to foster a performance driven culture. Hence, we embark on robust training and development initiatives.

During the year 2009-10, we undertook the following training programmes:

- **Management Development Programme:** An outbound training for various department heads and the institutional desk on leadership & team building for three days was organized at Karjat near Mumbai. This exercise helped the team hone their managerial and leadership qualities and furthered inter departmental synchronization.

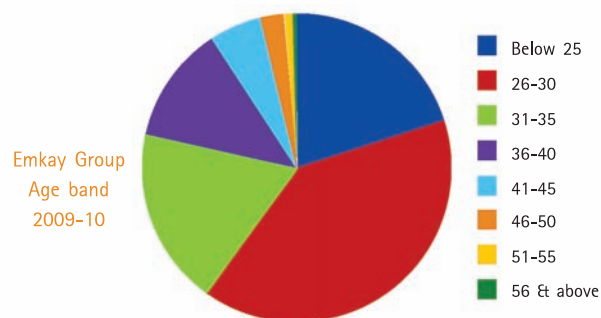
- **Volatility Forecasting Workshop:** This training, in a classroom setup, was arranged for the institutional desk. Given that the markets are highly unpredictable, this helped the dealers keep abreast with current market trends and thereby enabled them to give timely and sound advice to their clients.

- **Client Relationship Management:** Delighting the customer has been our aim at Emkay and we wish to leave no stone unturned towards ensuring this. The CRM workshop was just another effort in this direction. This workshop focused on business etiquette and mannerism during client interactions.

- **Advanced Excel and Communication Skills:** These programmes were crowd pullers as they were fun filled and provided the employees an edge to perform their activities more efficiently.

- **Stress Management Workshop:** We understand that stress hampers productive thinking and in the long term leads to development of various psychosomatic disorders. Hence, a training in Sahaj Yoga was imparted to all employees. When religiously incorporated in our daily lives, this technique of yoga eliminates stress and inducts fresh energy and vigour in the body.

- **Induction Programme: 'Shubharamh':** A testimony to its name, our induction programme conquers inhibitions, breaks the ice and fosters a bond amongst employees from various factions of the Company. The programme is designed to provide an overview of the organization to the new members of the family through interactions with the key management team. It is an open forum that encourages participation from all inductees, thereby building a sense of oneness and cultivating team-spirit.



*Emkay has been turning younger everyday.
40% of our employees are between 26-30 years of age.*

EMPLOYEE ENGAGEMENT ACTIVITIES

We believe in making work an enjoyable experience by providing the right balance between work and fun. During the year we organized numerous events around Independence Day, Diwali, Christmas and Corporate Social Responsibility (CSR), amongst others. It was difficult to miss the entire workplace blossoming with hues of the tricolor on 15th August. Diwali was celebrated with much fanfare. The passion was visible, as employees exhibited their talent at 'Emkay's Got Talent' on the eve of Diwali celebrations. There was vast participation and the event turned out to be a major success, enchanting one and all.

The ultimate aim of each of these events was to promote employee bonding and a sense of belonging and pride in working for the organization. In order to prepare the Company for the next phase of growth, we will continue to focus on acquiring key talent, aligned to the requirements of the business, from diverse industries, to bring in fresh flow of ideas and to augment the skill-set.

FOR A GREENER PLANET: An in-house, paperless appraisal system was introduced, enabling employees to complete the entire process of self appraisal and review, online. It helped prevent unnecessary printing and re-printing, while making the process smoother and faster. Also, in order to avoid wastage of paper during inter-departmental movement of documents, reusable envelopes were designed. These eliminated the need for a fresh envelope, every time the documents had to change hands. We remain committed to exploring and implementing further such programmes at Emkay, that would enable us to build a greener tomorrow.



Our research gives us that edge.

Endeavor Research

MNC Pharma Sector

GLOBAL



- Why MNCs are shifting home to India?
- What are they doing to strengthen their brand?
- How are investors likely to benefit?
- Top Pick - Global/Indian Pharma

Rank	Company	EPS (Rs)	P/E (x)
1st	Wockhardt/Intas	100	20x
2nd	Wipro Ltd.	20	30x

May 2009

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Room	Company	CO ₂ /hr	TP (hr)
8th	GlaxoSmithKline Pharma	100	100
9th	GlaxoSmithKline Pharma	100	100

May 2000

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Generic Pharma Sector

Differentiating the best from the rest



- Generics continue to become a US\$100B market by 2010
- Global growth requires the different generic players
- One generic segment needs competitive advantage in becoming global generic players
- Leaders, SMEs, and Credits are now top players

Rank	Company	2007 (US\$)	2008 (US\$)
1st	Eli Lilly and Company, USA	90	90
2nd	Drugs Ltd., India	84	80
3rd	Dr. Bhanu Lal Laboratories Ltd., India	68	67
4th	Apex Ltd., India	100	101
5th	Raychem Laboratories Ltd., India	40	35
6th	Shri Pharma Industries Ltd., India	100	100

March 2010

Source: IMS
Research, IMS Health,
www.pharmaindian.com
(1st till 2007)

Global View
Source: IMS Health
www.imshealth.com
(1st till 2007)

Owner	Company	COOP (%)
BBV	Radio Hestiaire s.a.s.	100
ACCOMPLISS	Opus Ltd.	100
BBV	De Hestiaire's Laboratories Ltd.	100
BBV	Opus Ltd.	100
BBV	Radio Hestiaire s.a.s.	100
BBV	Opus Ltd.	100

Journal of Management Education 32(10)

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Journal of Internal Medicine 255: 105–112



Auto Sector

Fog ahead - Take a safe route



- CTR is insured by technocratic events
- Excess duty roll back, higher interest rate, workstation norms, competition
- Brand performance - tested by volumes as well as margins
- Our preference - tested impartial companies - B&B, M&M, B&B

Brand	Company	CTR (%)	TP (%)
REXUS	Auton Logistics Ltd	80	82
ACQUADATE	Agg Auto Ltd	4/70	1/81
ACQUADATE	Auto Motors Motors Ltd.	1/80	1/80
ACQUADATE	Auton Motors Motors Ltd.	1/80	1/80
REXUS	Auton Motors Motors Ltd.	1/80	1/80
REXUS	Auton Motors Motors Ltd.	1/80	1/80
REXUS	Auton Motors Motors Ltd.	1/80	1/80

February 2010

Spring 2010

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Stock	Company	2007 Price
NYSE	Ashraf Leyland Ltd	82
ACCOUNTS	Bajaj Auto Ltd	4,716
ACCOUNTS	Bata Hindustani Motors Ltd	1,580
ACCOUNTS	Motilal and Motilal Ltd	1,567
NSE	Parul Sweets India Ltd	1,590
NYSE	Raja Motors Ltd	719
NYSE	Tyrol Motor Company Ltd	31

February 2006

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