Emkay©

Your success is our success

Celebrating

20 SUCCESSFUL YEARS

Annual Report 2014-15

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Emkay @ 20

- a tête-à-tête with the MD's

20 years of engineering success. How has the journey been for Emkay and both of you?

The 20 year journey has been very enriching in all its facets. We have witnessed the transformation in Indian Capital markets across the board. Be it the outcry to online trading, physical to demat holding, 15 day settlement to 3 day settlement cycle, options trading, algo, index trading etc. As a company, to transform from a broking firm to a financial services firm. As individuals, to transform a 20 member organisation to a 500 member organisation and to lead it. And, to become a listed company along the way. It has been a highly transformational journey so far with a lot more to come in the future.

What are the significant transformations you've seen in the industry that has helped shape your company - Emkay?

The business has become more and more compliant and transparent which has enabled firms like us to grow. Our philosophy of client first - 'your success is our success' lends itself to be successfully executed in a compliance emphasised environment where it becomes a level playing field and everyone plays by the rule book. Stringent capital adequacy and strict enforcement of margins has made the market safe, and has enabled, adequately capitalised firms like us to execute substantial volumes for our clients.

Any big challenges faced over the years? How did the firm evolve through it?

The one constant challenge has been transformation in the capital market. The transformation has kept us on our toes, not only to be up-to-date with the changes but also anticipate them and be ahead of times. Human capital is the only machinery that this industry has. To meet expectations of the employees has been a herculean task. Various employee engagement programmes, increasing transparency on variable compensation and employee growth plans has been the cornerstone for achieving stability in the team.

The nature of the business is inherently cyclical --- the firm grew in every upcycle but held its position in subsequent downturn. Post the exponential growth of 2006-2008 and the subsequent meltdown – for the first time, the firm had to downsize its operations to curtail losses. This was a new experience and very much against the ethos of the firm. The October 5, 2012 error trade, where the firm was starring at a loss of ₹51 crore was the biggest existential threat. It was only because of the credit worthiness, integrity, honesty and reputation that the firm had, we sailed through.

Key learning's from these challenging times?

Every challenge successfully overcome brings along new learning's. The criticality of risk management, post the October 5, 2012 error trade was a key learning and so was the instance where we needed to let go of many employees in the slow-down of 2008-2009 to survive. One long term learning was that honest client servicing earns a lot of goodwill and relationships which serves you well when you need it the most. Long term thinking versus short term gains is the biggest learning from our biggest challenge - October 5, 2012 error trade.

Any thoughts on the support you received from employees, stakeholders and industry during testing times?

We have received tremendous support at all times from all our employees, stake holders and the industry. The support and confidence that the clients had in us during the October 2012 error trade period is overwhelming. Words of support from all our institutional clients to help us get back in action gave us a lot of confidence to bounce back. None of the employees left us in these testing times and were backing the firm with their presence at all times. The confidence that all constituents always had in us helped us overcome the challenging times.

Which is the 1 key value system of Emkay that has kept you going ahead as a team over the years?

Our tag line 'your success is our success' is not just a tag line, we mean and practice every word of it. We have steadily grown over the years because of our client first philosophy. We have always believed that cutting short a client does not help in the long run. Being honest and truthful at all times is what we have always practised.

Over these 20 years, which according to you was the best phase of Emkay and why?

Over the 20 years, every year has made us move a step forward. Every year has been a different phase which has made us what we are today. From a 20 member team in a 300 square feet office to a 500 member team spread across the country, it has been a steady progress. The best is yet to come. The foundations of strong growth have been laid. Building blocks are in place, learnings of what not to do are with us—it is up to us to build on our past to take the organisation to greater heights.

Going forward, what would be Emkay's growth strategy? Where do you see Emkay a year down the line? What are the key strengths of your company that will ensure sustainable high-growth performance in the coming years?

Public market equities is our strength and we will leverage that knowledge to grow our research, investment banking, asset management business as also our advisory and lending business. We see ourselves focused on doing quality business which is fully compliant from all regulatory angles. Concentrating on our expertise and becoming a niche player in the financial services space would be our focus area.
Focussed approach and not getting distracted by what others are doing will be a key defining strategy to achieve sustained growth and success over the years. Willingness to invest in technology, people and processes, to be abreast of changes and to adapt to the same is the key to achieve sustainable growth.

Are you planning to invest in Technology ? How do you think technology will help enhance operational productivity?

Technology has become the backbone in all businesses. We recognize the importance of being up the curve in providing the best infrastructure and application technologies to our employees and clients across various segments. The firm has invested in the NSE / BSE collocation servers with a 10G network for best execution and operational efficiencies.
The year 2015 -17 would see a lot of investments in trading algorithms, network security, enterprise storage, unified messaging & communication platform, consolidation of servers & databases etc. A series of IT Governance projects are also in the pipeline.

Emkay in the next 20 years - Your Vision.

Emkay should be a respected leader in its chosen line of activities. Sustainable growth with no short cuts. To transform an Indian equities firm to a strong International financial services firm with key leadership in asset management, mid market investment banking and corporate finance is the vision.

The Financial Space in India – how is Emkay placed vis-a-vis competition? Which are the businesses Emkay is focusing on and that you believe will drive the Indian financial space in the near future?

We have a long way to go before we achieve leadership. Currently we are respected owing to the way we do business and not because of size. Public market equities and all its facets is what Emkay is focussing on. Technology and increasing compliance and transparency will drive the financial markets in India.

India's economic resurgence - Which are the elements that you believe will play a vital role on this front?

An enlightened political leadership with a very vigilante young population will drive India Growth. Young India is very restless and and if growth is not delivered --- can be disaster. Proper infrastructure—in all its facets and substantial drop in corruption are vital to achieve sustained economic growth.

20 THINGS
that can shape india's future this fiscal

Economic revival

a. Allocate resources efficiently to push development and asset creation

b. Maintain fiscal discipline, encourage savings for driving investment

c. Decline in inflation, credit-deposit ratio for banks and corporate deleveraging will further aid in reviving the economic growth

Investment cycle

a. Investment cycle recovery to be led by government spending on infrastructure

b. Policy constraints, continuous & elevated inflation and benign demand conditions have together slackened the private investment cycle

c. Whereas, in the tradeoff between maintaining the fiscal deficit target v/s pro-growth policies, public investment has suffered

d. The conversion of projects from the announced stage to completion stage has dropped sharply to 2% in 2014-15 from nearly 6.0% during FY08-FY10

Housing for all

a. An ambitious project that will be a step towards urban infrastructure development

b. Land acquisition issues would turn to be the main hurdle for this project

Make in India

a. An initiative to help revive the staggering Indian manufacturing sector and tilt the global export's share in favour of India

b. Following the Chinese model on manufacturing in a service oriented Indian economy is daunting

c. The challenge is to absorb a large section of semi-skilled labourers

Banking sector reforms

a. Steps to reduce NPAs in the banking sector

b. Set up a strong regulatory framework for NBFCs to protect investors

c. Alternative measures for recapitalization like disinvestment, consolidation of weak banks, external fund mobilisation will need to be explored

Jan Dhan Yojna and Insurance scheme

a. Implementation of this scheme is the key to financial inclusion

b. Only 54.5% of rural population avail of banking services as against 67.9% in urban areas

c. For effective penetration of this scheme, banking infrastructure in rural areas needs to be in place

Fiscal rectitude

a. It's important to maintain a fine balance between the path of fiscal consolidation & providing necessary push towards growth

b. For demand to revive, government spending in productive asset creation is essential

Implementation of GST

a. GST implementation should help in improving supply chain management and rationalizing inflation in the longer term

b. According to NCAER (National Council of Applied Economic Research) comprehensive application of GST is likely to boost GDP by 0.9 - 1.7% annually

Improvement in governance

a. Digitization of government records, performance review, social and environment audit would be mandated for all government schemes

b. E-Governance: Easy, Efficient and Effective

c. Institutional Reform – Central as well as state administrative reforms, judicial, police and electoral reforms needed

Land acquisition

a. Approximately ₹5.4 tn projects are stalled in last couple of years due to land acquisition issues

b. Restructuring of land acquisition problem is a pre-requisite to prevent further stalling of projects

Price stability

a. Resolving the issue of demand supply mismatch in food products

b. Unbundling FCI operations into procurement, storage & distribution for greater efficiency

c. Hike in service tax and firming up of international crude prices could keep retail inflation high

Employment generation

a. Building up of 100 smart cities and 'Make in India' campaign will boost demand for skilled and semi-skilled labour

b. Harness the opportunities in infrastructure and housing

c. Encourage youth for self-employment

d. Address the employability issue by initiating a multi-skills development programme in mission mode

Eliminate corruption

a. India is ranked 85th in Transparency International's corruption perception index

b. Public awareness is important; for technology enabled e-Governance

c. System-based, policy-driven governance - making it transparent

Federalism

a. Evolve a model of national development driven by states

b. The government has passed on the onus of development to the states by increasing the share in tax revenue – this is a move towards federal fiscal structure

Food security

a. Implementation of this bill will free up resources for spending by below poverty line households on other goods and services - in particular health, education, and nutritious food

b. Proper implementation requires adequate storage facility for managing the high level of procurement of foodgrains

Creating Neo-Middle Class

a. The Modi-led government is pitching to create opportunities for this class

b. The development of urban infrastructure is a step towards development of this class

Poor and marginalized

a. Strengthen delivery of poverty alleviation programmes through convergence, transparency and efficiency

b. Identify 100 most backward districts – bring them at par with other districts through integrated development

c. Provide employment opportunities to the rural and also provision for their skill development

Developing urban areas

a. Rapid growth of urban population has resulted in a tremendous pressure on basic infrastructure and services

b. Initiative to create 100 smart cities in the country will aid in reducing the urban clutter and will thus contribute to overall development in the country

Women empowerment

a. Invest in skill and entrepreneurship development for women

b. Provide for micro-credit, vocational training and self-help group for economic empowerment of women

c. Strengthening institutional framework for greater efficiency in support to women

Healthcare reforms

a. Healthcare spend in India is 4.1% of GDP

b. Increase in healthcare infrastructure investment particularly in rural and semi-urban areas

c. More resources must be allocated on an urgent basis to provide universal healthcare facilities