



**Saregama India posted results above our estimates with Revenue/EBITDA/PAT seeing a beat of 15%/15%/20%. The 40% revenue growth was driven by the video vertical (+378% YoY) however the core music licensing vertical including one time write back in Q2FY24 grew 8% YoY. Excluding the write back the growth was 24% YoY. Company reported adjusted EBITDA margin of 35% which is above the company guidance of 32-33%. Overall the results were in line with the management guidance.**

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>719</b>	<b>44</b>

#### Market Data

Current price	Rs	499
Market Cap (Rs.Bn)	(Rs Bn)	96
Market Cap (US\$ Mn)	(US\$ Mn)	1,144
Face Value	Rs	1
52 Weeks High/Low	Rs	688.9 / 325.85
Average Daily Volume	('000)	1,847
BSE Code		506222
Bloomberg		SARE.IN

Source: Bloomberg

### Key business highlights

- Core music licensing business grew 8% YoY and 12% QoQ. **Excluding one time write back in Q2FY24, the growth is 24% YoY.**
- Music retailing (Carvaan) saw a de-growth of 40% YoY and 14% QoQ (management had guided for a reduced revenue contribution)
- Video Segment grew 378% YoY and 55% QoQ
- Released 400 plus Originals and Premium Recreations across languages. Also 1200+ derivatives were launched.
- During the quarter 30+ Influencers/Artist added taking the total Influencers/Artist managed by the Company to 180+ (50% Growth from March'24)
- Youtube views grew 32% YoY and 63% QoQ
- Youtube subscribers grew 30% YoY and 13% QoQ

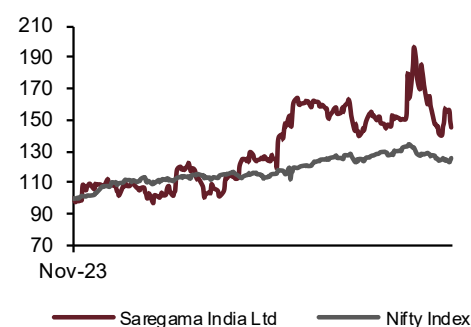
### Key Financial Highlights

- Revenue at INR 2418Mn, +18% qoq/+40% yoy
- EBITDA (excl OI) at INR 608Mn, flat qoq/+18% yoy
- EBITDA margin at 25.16% vs 35.32% vs 25.07% in Q2FY24/Q1FY25
- Content charge at 350Mn grew 89% YoY & 30% QoQ
- PAT at INR 450Mn, -6.3% qoq/+21.2% yoy
- EPS at INR 2.33 vs 2.5/1.97 in Q2FY24/Q1FY25

### Outlook

- Consolidated revenue excluding Carvaan to grow at a CAGR of 25-26% over the next 3 years
- Adjusted EBITDA margins of 32-33%
- Next 5 quarters to see revenue growth higher than PBT growth due to increased investments in content starting from FY25 (~1000crs to be invested over the next 3 years).
- PBT to double in 3-4 years

### One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-23
Promoters	59.38	59.22
Public	40.38	40.52
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

**Harsh Shah**  
+91 22 67141496  
[harsh.shah@dalal-broacha.com](mailto:harsh.shah@dalal-broacha.com)

### Triggers going forward

- Conversion of users on streaming platforms from free to a paid model in the next 15 months (currently only 7.5mn paid subscribers in India)
- Monetisation of short video platforms (YT shorts, reels) which is currently undermonetised as the business models shifts to a more advertisement driven

### \*Valuations and Outlook:

As Saregama India ramps up its investment in new content from FY25 (with a ~65% YoY increase), the amortization of content costs will rise significantly compared to FY24, likely resulting in flat or reduced PBT for the current year. However, from FY26 onwards, as the base effect stabilizes, PBT growth is expected to outpace revenue growth, with margins improving due to operating leverage. The management has guided for doubling the PBT in next 3/3.5 years. The company remains confident of achieving at least 32-33% Adjusted EBITDA margins for FY25. We believe the growth potential ahead is immense, and Saregama is taking the right steps to secure its future. The near-term pressure on profitability should be overlooked in favour of the long-term vision.

At CMP of Rs 498, the company is trading at 55x/38x/28x FY25E/26E/27E of 8.9/13.1/18.

**We MAINTAIN our BUY RATING on the stock with a target price of Rs 719, upside of 44%.**

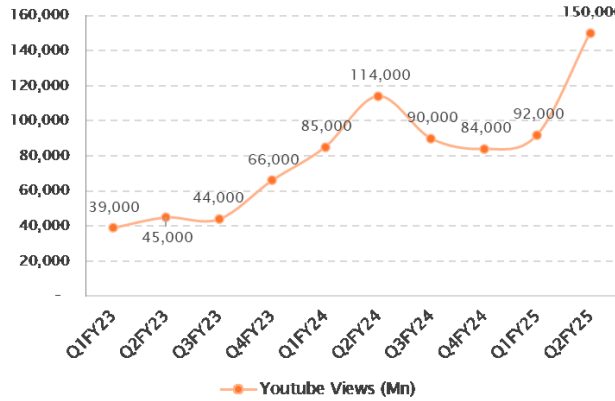
### Financial Summary

Year End (Rs mn)	FY 22	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Net sales	5,806	7,366	8,030	9,788	12,205	15,127
<b>Growth</b>	<b>31.38%</b>	<b>26.87%</b>	<b>9.01%</b>	<b>21.89%</b>	<b>24.69%</b>	<b>23.94%</b>
EBIDTA	1,871	2,210	2,466	2,529	3,677	4,996
<b>Growth</b>	<b>43.83%</b>	<b>18.10%</b>	<b>11.57%</b>	<b>2.59%</b>	<b>45.37%</b>	<b>35.89%</b>
Margins (%)	32.2%	30.0%	30.7%	25.8%	30.1%	33.0%
Adjusted net profit	1,527	1,851	1,976	1,726	2,535	3,467
<b>Growth</b>	<b>34.54%</b>	<b>21.23%</b>	<b>6.76%</b>	<b>-12.66%</b>	<b>46.92%</b>	<b>36.76%</b>
EPS (Rs)	8.4	9.6	10.3	8.9	13.1	18.0
P/E (x)	59.1	51.7	48.5	55.6	37.9	27.7
EV/EBITDA (x)	50.5	42.0	36.9	35.8	24.6	18.4
ROE (%)	11.1%	13.8%	13.4%	11.0%	14.6%	17.2%
ROCE (%)	12.6%	14.9%	14.3%	12.2%	17.3%	21.4%

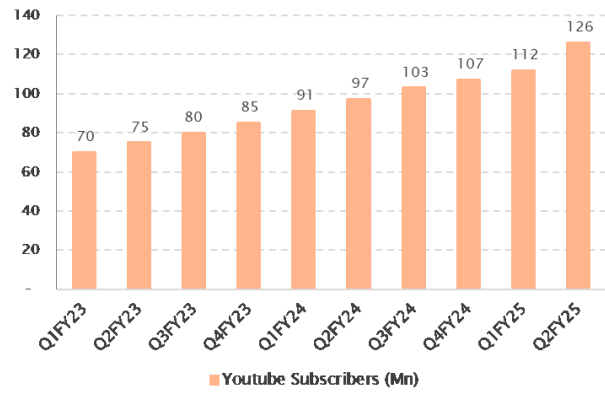
Source: Company, Dalal & Broacha Research

Focus Charts

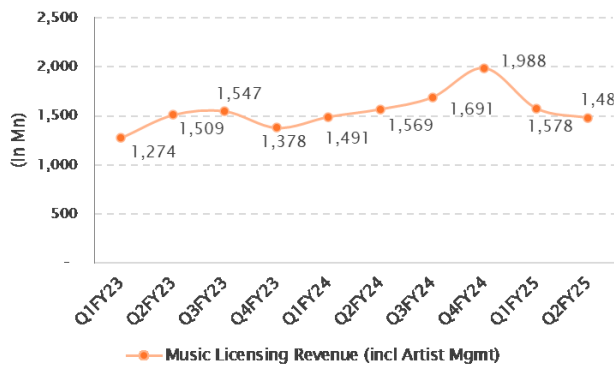
Youtube Views



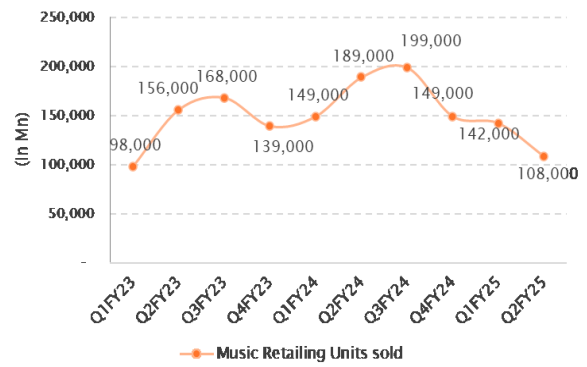
Youtube Subscribers



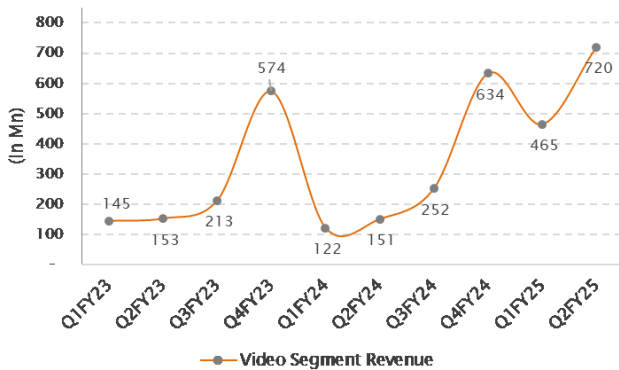
Music Licsning + Artist Management revenue Video segment revenue



Music Retailing Units sold



Video segment



Source: Company, Dalal & Broacha Research

## Quarterly Snapshot

<b>Saregama India</b>					
<b>Particulars (Rs Mns)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>YoY Growth</b>	<b>Q1FY25</b>	<b>QoQ Growth</b>
Revenue from operations	2,418	1,724	40.3%	2,053	17.8%
Other income	125	132	-5.1%	122	2.9%
<b>Total Income</b>	<b>2,544</b>	<b>1,856</b>		<b>2,175</b>	
COGS	871	406	114.6%	680	28.2%
Employee Benefit expenses	304	216	40.5%	263	15.6%
Other Expenses	214	209	2.5%	202	5.9%
Advertisement Expenses	253	132	91.7%	243	4.5%
Royalty expenses	168	152	10.4%	151	10.7%
<b>EBITDA (excl other income)</b>	<b>608</b>	<b>609</b>	<b>0.0%</b>	<b>515</b>	<b>18.2%</b>
Less : Depreciation	136	83	65.3%	127	7.1%
PBIT	472	526	-10.3%	387	
Less: Interest cost	4	2	95.5%	2	104.8%
<b>PBT (before exceptional)</b>	<b>593</b>	<b>656</b>	<b>-9.6%</b>	<b>507</b>	<b>17.0%</b>
Exceptional	-	-		-	
PBT (after exceptional)	593	656	-9.6%	507	17.0%
Less : Tax	144	176		136	
<b>PAT</b>	<b>450</b>	<b>480</b>	<b>-6.3%</b>	<b>371</b>	<b>21.2%</b>
<b>EPS</b>	<b>2.33</b>	<b>2.50</b>		<b>1.97</b>	
<b>Gross Margins</b>	<b>63.97%</b>	<b>76.44%</b>		<b>66.90%</b>	
<b>EBITDA (excl OI) Margins</b>	<b>25.16%</b>	<b>35.32%</b>		<b>25.07%</b>	
<b>Adjusted EBITDA margins as per PPT</b>	<b>35.00%</b>	<b>38.00%</b>		<b>33.00%</b>	
<b>Net profit Margin</b>	<b>17.67%</b>	<b>25.86%</b>		<b>17.06%</b>	
<b>Revenue segment wise</b>					
Music	1,528	1,569	-2.6%	1,419	7.7%
Artist management	165	-		158	4.2%
Video	720	151	378.2%	465	54.7%
Events	6	4	32.6%	10	-43.0%
<b>EBIT MARGINS</b>					
Music	42.2%	43.9%		40.6%	
Artist management	5.5%	0.0%		0.8%	
Video	10.7%	-5.2%		-5.1%	
Events	-150.9%	-260.5%		6.0%	

\* Consolidated P/L

Source: Company, Dalal &amp; Broacha Research

## FINANCIALS

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	5,806	7,366	8,030	9,788	12,205	15,127
Total Operating Expenses	1,431	2,250	2,320	3,396	4,174	5,098
Employee Cost	735	750	932	1,126	1,343	1,664
Other Expenses	1,770	2,156	2,313	2,737	3,011	3,369
<b>Operating Profit</b>	<b>1,871</b>	<b>2,210</b>	<b>2,466</b>	<b>2,529</b>	<b>3,677</b>	<b>4,996</b>
Depreciation	131	208	362	622	660	703
PBIT	1,740	2,002	2,104	1,908	3,017	4,293
Other income	349	536	637	488	488	488
Interest	45	57	32	32	32	32
PBT ( Before exceptional )	2,044	2,481	2,708	2,364	3,473	4,749
PBT (post exceptional)	2,044	2,481	2,708	2,364	3,473	4,749
Provision for tax	518	630	732	638	938	1,282
Reported PAT	1,527	1,851	1,976	1,726	2,535	3,467
<b>Balance Sheet (Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Equity capital	193	193	193	193	193	193
Reserves	13,617	13,262	14,533	15,487	17,251	19,947
<b>Net worth</b>	<b>13,809</b>	<b>13,455</b>	<b>14,726</b>	<b>15,680</b>	<b>17,444</b>	<b>20,140</b>
<b>Non Current Liabilities</b>	<b>611</b>	<b>507</b>	<b>2,644</b>	<b>2,649</b>	<b>566</b>	<b>573</b>
<b>Current Liabilities</b>	<b>2,459</b>	<b>3,080</b>	<b>2,969</b>	<b>3,263</b>	<b>3,680</b>	<b>4,176</b>
<b>TOTAL LIABILITIES</b>	<b>16,879</b>	<b>17,041</b>	<b>20,338</b>	<b>21,593</b>	<b>21,689</b>	<b>24,889</b>
<b>Non Current Assets</b>	<b>4,559</b>	<b>4,521</b>	<b>8,117</b>	<b>8,861</b>	<b>9,794</b>	<b>10,763</b>
Tangible + Intangible Assets	2,795	3,418	7,478	8,303	9,155	10,031
Non Current Investments	1,453	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	20	530	172	21	21	21
Other Non Current Assets	292	574	468	538	618	711
<b>Current Assets</b>	<b>12,320</b>	<b>12,520</b>	<b>12,221</b>	<b>12,732</b>	<b>11,895</b>	<b>14,125</b>
Current investments	5,308	2,388	1,177	824	577	404
Inventories	1,054	1,643	2,393	2,805	3,082	3,426
Trade Receivables	1,078	1,480	1,587	1,931	2,407	2,984
Cash and Bank Balances	3,237	5,083	5,421	5,418	3,952	5,300
Short Term Loans and Advanc	228	262	221	221	221	221
Other Current Assets	1,414	1,666	1,422	1,533	1,656	1,791
<b>TOTAL ASSETS</b>	<b>16,879</b>	<b>17,041</b>	<b>20,338</b>	<b>21,593</b>	<b>21,689</b>	<b>24,889</b>

## FINANCIALS

Cash flow statement ( Rs in mn )	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Cash flow from operating activities</b>						
Profit before tax	2,044	2,481	2,708	2,364	3,473	4,749
Depreciation & Amortization	131	208	362	622	660	703
Interest expenses	45	57	32	32	32	32
<b>Operating profit before working capital change</b>	<b>2,220</b>	<b>2,746</b>	<b>3,102</b>	<b>3,017</b>	<b>4,165</b>	<b>5,484</b>
Working capital adjustment	(485)	(932)	(627)	(563)	(476)	(584)
<b>Gross cash generated from operations</b>	<b>1,736</b>	<b>1,814</b>	<b>2,475</b>	<b>2,455</b>	<b>3,689</b>	<b>4,901</b>
Direct taxes paid	572	669	514	638	938	1,282
Others	220	211	1,029	93	(59)	(61)
<b>Cash generated from operations</b>	<b>944</b>	<b>934</b>	<b>932</b>	<b>1,723</b>	<b>2,810</b>	<b>3,679</b>
<b>Cash flow from investing activities</b>						
Capex	(727)	(1,031)	(923)	(1,446)	(1,513)	(1,579)
Paid for purchase of Pocket Aces	-	-	(1,662)	-	(2,090)	-
Investment	(5,713)	(589)	2,183	353	247	173
Others	137	139	568	188	(117)	(121)
<b>Cash generated from investment activities</b>	<b>(6,303)</b>	<b>(1,481)</b>	<b>166</b>	<b>(905)</b>	<b>(3,472)</b>	<b>(1,527)</b>
<b>Cash flow from financing activities</b>						
Proceeds from issue of share	19	-	-	-	-	-
Share premium received on issue of shares	7,314	-	-	-	-	-
Borrowings/ (Repayments)	(4)	(6)	(25)	(17)	-	-
Interest paid	(11)	(7)	(30)	(32)	(32)	(32)
Dividend paid	(578)	(578)	(771)	(772)	(772)	(772)
Others	33	(161)	(22)	-	(2,090)	-
<b>Cash generated from financing activities</b>	<b>6,772</b>	<b>(752)</b>	<b>(849)</b>	<b>(821)</b>	<b>(804)</b>	<b>(804)</b>
<b>Net cash increase/ (decrease)</b>	<b>1,415</b>	<b>(1,361)</b>	<b>402</b>	<b>(2)</b>	<b>(1,466)</b>	<b>1,348</b>
<b>Ratios</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
OPM	32.2%	30.0%	30.7%	25.8%	30.1%	33.0%
NPM	24.8%	23.4%	22.8%	16.8%	20.0%	22.2%
Tax Rate	25.3%	25.4%	27.0%	27.0%	27.0%	27.0%
<b>Growth Ratios (%)</b>						
Net Sales	31.4%	26.9%	9.0%	21.9%	24.7%	23.9%
Operating Profit	43.8%	18.1%	11.6%	2.6%	45.4%	35.9%
PBIT	39.8%	15.0%	5.1%	-9.3%	58.1%	42.3%
PAT	34.5%	21.2%	6.8%	-12.7%	46.9%	36.8%
<b>Per Share (Rs.)</b>						
Net Earnings (EPS)	8.4	9.6	10.3	8.9	13.1	18.0
Dividend	3.0	3.0	4.0	4.0	4.0	4.0
Book Value	71.6	69.8	76.4	81.3	90.5	104.5
Free Cash Flow	1.1	-0.5	0.0	1.4	6.7	10.9
<b>Valuation Ratios</b>						
P/E(x)	59.1	51.7	48.5	55.6	37.9	27.7
P/B(x)	7.0	7.1	6.5	6.1	5.5	4.8
EV/EBIDTA(x)	50.5	42.0	36.9	35.8	24.6	18.4
Div. Yield(%)	0.6	0.6	0.8	0.8	0.8	0.8
FCFF Yield(%)	0.2	-0.1	0.0	0.3	1.4	2.2
<b>Return Ratios (%)</b>						
ROE	11.1%	13.8%	13.4%	11.0%	14.6%	17.2%
ROCE	12.6%	14.9%	14.3%	12.2%	17.3%	21.4%
ROIC	12.3%	17.9%	16.5%	13.6%	16.4%	21.2%

Source: Company, Dalal &amp; Broacha Research

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.  
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)