

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive	= Neutral	- Negative	

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

Company details

Market cap:	Rs. 9,390 cr
52-week high/low:	Rs. 689/339
NSE volume: (No of shares)	13.9 lakh
BSE code:	532163
NSE code:	SAREGAMA
Free float: (No of shares)	7.8 cr

Shareholding (%)

Promoters	59.5
FII	15.7
DII	4.7
Others	20.1

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	0.0	-1.6	-6.3	38.4
Relative to Sensex	2.4	7.6	4.3	36.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- We reiterate Positive view with an unchanged PT of Rs 640. At CMP, the stock trades at 47.4/37.2/30.4x its FY25/26/27E EPS.
- Shutting down of Airtel's Wynk music streaming platform is likely to accelerate disruption pushing the industry towards paid subscription model aiding higher revenue per stream.
- The company's investment of Rs 1000 crore in content over FY25-27 is on track aiming to future proof the company as it endeavours to reclaim the number 1 position.
- The company's shift from being solely a music label to a broader entertainment IP company is paying off, reducing reliance on any single vertical and aiding resilience to the business model.

We interacted with Saregama's management to understand the business and growth prospects of the company. The company believes shutting down of Airtel's Wynk music streaming platform is likely to accelerate disruption, pushing the industry towards paid subscription model. Saregama is expected to benefit from increased licensing revenue from platforms prioritizing paid users, who generate higher per-stream revenue than free-tier users. Although short-term stream volume is likely to dip due to fewer free users, a higher revenue per stream from paid users could outweigh the loss, providing incremental revenues. In 9MFY25, Saregama released content worth ~Rs. 235 crore and plans to invest over Rs. 300 crore in new content for the full year. The company's investment of Rs 1000 crore in content over FY25-27 is on track aims to future proof the company as it endeavours to reclaim the No. 1 position. Saregama's diversification into a broader entertainment IP company is reducing reliance on any single vertical and aiding resilience to the business model. The company plans to expand music and video offerings via partnerships like MTV's Hustle Season 4 and aims to monetize winners and top contestants by creating content with them and through live events. The company's video vertical, encompassing films, digital series, and short videos is expected to see rapid growth. Additionally by leveraging Pocket Aces, the company enhances its digital reach, targeting younger audiences. We believe that a likely shift to paid subscription model, proactive smart content investment and ramp-up of adjacent categories will drive growth and position the company to achieve strong growth trajectory in the medium to long term. We reiterate positive view with unchanged PT of Rs. 640. At CMP, the stock trades at 47.4/37.2/30.4x its FY25/26/27E EPS.

Shift to paid subscription: The shutting down of Airtel's Wynk music streaming platform is likely to accelerate the disruption of the established channel and push the industry toward a paid subscription model. Although Wynk's Premium users were migrated to Apple Music with exclusive offers, the transition may have not been seamless for all users, potentially leading to a short-term loss of listenership for Saregama's catalog during this period. Management expects the remaining two key players to move to paid subscription over the next four to five quarters. Saregama could benefit from increased licensing revenue from platforms prioritizing paid users, who generate higher per-stream revenue than free-tier users. Although short-term stream volume is likely to dip due to fewer free users, a higher revenue per stream from paid users could outweigh the loss, providing incremental revenues in a more monetised music ecosystem. Music licensing and artiste management contributed 68% of revenue mix for FY24 while the revenue from the vertical for 9MFY25 stood at Rs 438.8 crore, up 17.5% y-o-y.

Investment in content on track: In 9MFY25, Saregama released content worth ~Rs. 235 crore, including production and marketing costs, marking its most aggressive content push ever. The company plans to invest over Rs. 300 crore in content for the full year. The company's investment of Rs. 1000 crore in content over FY25-27 is on track which is directed to future proof the company as it endeavours to reclaim the No. 1 position. While Saregama is currently in a transitional phase with stepped-up content expenses matching incremental revenues, the company expects stabilisation over the next four quarters and anticipates that additional revenue from the initial two years' investments will exceed content charge-offs from year three onward.

Diversification strategy: Saregama's shift from being solely a music label to a broader entertainment IP company is paying off, reducing reliance on any single vertical and enabling significant cost and revenue synergies across different verticals, thereby aiding resilience. The robust revenues in Q3 was aided by live events business from Diljit Dosanjh's Dil Luminati tour. While similar success is unlikely in each quarter or even in a year, the management is optimistic on the long term business potential of live events verticals. Further, the company has partnered with MTV's Hustle Season 4 to acquire all 130 songs produced and intends to sign the winner and major contestants as exclusive artists, and plans to create additional content and monetize them through live events. The company's video vertical, encompassing films (Yoodlee), digital series (Dice Media), and short videos (Filter Copy and Nutshell), is expected to see rapid growth driven by widespread smartphone ownership and affordable data charges, with diverse audiences consuming short-form content in spare moments. The company expects the vertical to grow at 25% CAGR over next five years. Additionally by leveraging Pocket Aces, the company is expanding its digital reach and enhancing its content creation capabilities, particularly among younger audiences allowing them to produce video content and ensure target audiences for brands. The company expects revenues from different streams of Pocket Aces to be larger than 125 crore by FY27 and are anticipating break even in FY25.

Our Call

Valuation - Reiterate Positive view with unchanged PT of Rs. 640: Revenue growth during 9MFY25 has exceeded its guidance of 30% in FY25 as diversification strategy pays off driven by the bump up in revenues from events vertical. Further, the shutting down of Airtel's Wynk music streaming platform augurs well for the company and is expected to its augment music licensing revenues going forward. The company's shift from being solely a music label to a broader entertainment IP company is paying off, reducing reliance on any single vertical and enabling significant cost and revenue synergies across different verticals. The company's Rs 1000 crore investment in new content over FY25-27 is on track. Although the investment will be a drag on the profitability in the near term, it is expected to future proof the company providing long runway for growth over medium to long term. We expect Sales/PAT CAGR at ~21%/16% over FY24-FY27E. We believe that a likely shift to paid subscription model, proactive smart content investment and ramp-up of adjacent categories will drive growth and position the company to achieve strong growth trajectory in the medium to long term. We reiterate positive view with unchanged PT of Rs. 640. At CMP, the stock trades at 47.4/37.2/30.4x its FY25/26/27E EPS.

Key Risks

Increasing competition from domestic and international players. Slower than expected paid-subscriber addition, High Content costs may impact margins. Rise in digital piracy.

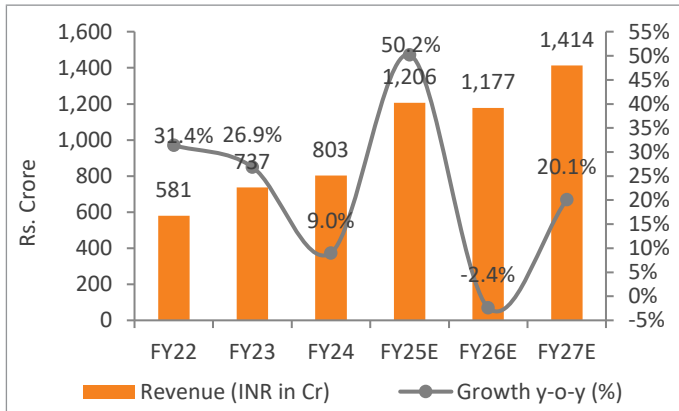
Valuation (Consolidated)

Particulars	FY24	FY25E	FY26E	FY27E
Revenue	803.0	1,206.1	1,177.5	1,413.9
OPM (%)	31	22.8	30.6	31.3
Adjusted PAT	197.6	198.5	252.6	308.9
YoY growth (%)	6.6	0.5	27.3	22.3
Adjusted EPS (Rs.)	10.2	10.3	13.1	16.0
P/E (x)	47.6	47.4	37.2	30.4
P/B (x)	6.7	6.1	5.6	5.0
EV/EBITDA (x)	35.4	31.7	23.8	19.2
RoNW (%)	13.4	12.4	14.3	15.7
RoCE (%)	13.8	13.2	16.2	18.3

Source: Company; Mirae Asset Sharekhan estimates

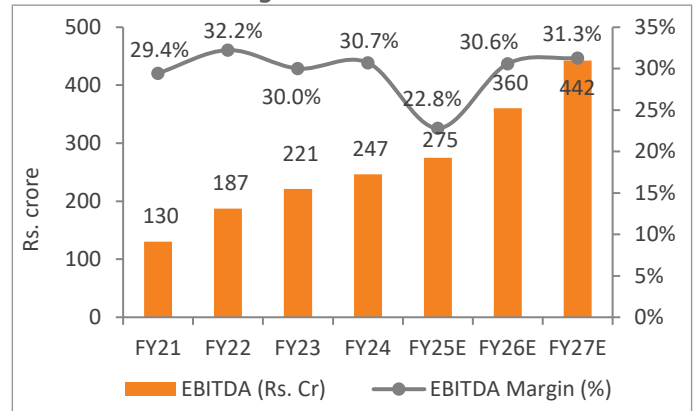
Financials in charts

Revenue trend



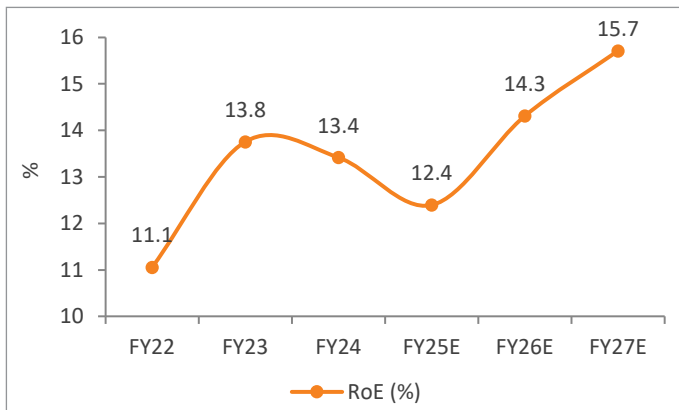
Source: Company; Mirae Asset Sharekhan Research

EBITDA & EBITDA margin Trend



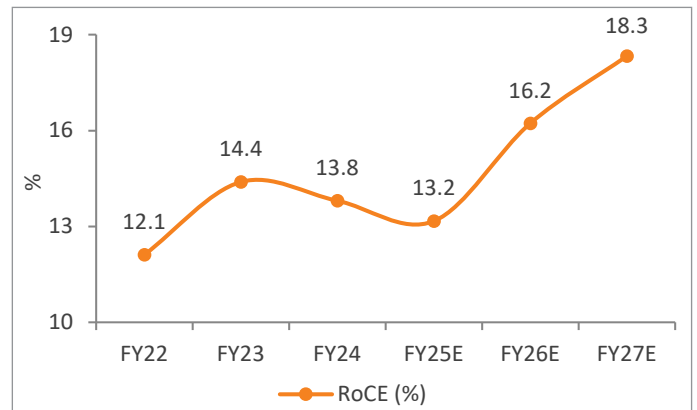
Source: Company; Mirae Asset Sharekhan Research

ROE trend



Source: Company; Mirae Asset Sharekhan Research

ROCE trend



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook - Indian M&E Sector on growth path led by digitization

According to a FICCI-EY report, Indian media & entertainment (M&E) sector grew by 8% in 2023, reaching INR2.3 trillion (US\$27.9 billion), 21% above its pre-pandemic levels in 2019. The Indian M&E sector is expected to grow at 10% per annum on the back of digitisation. . The drivers of growth for the music industry are easy availability of smart phones, cheap data, fall in piracy, streaming turning pay, and growth in digital advertising .The biggest driver is Digital Advertising which grew by 15% last year to Rs. 57,600 crore. This is primarily due to explosion in consumption of content on digital platforms. Streaming is witnessing a rapid rise owing to mass adoption. Streaming accounted for 67% of global recorded music revenue in 2023.

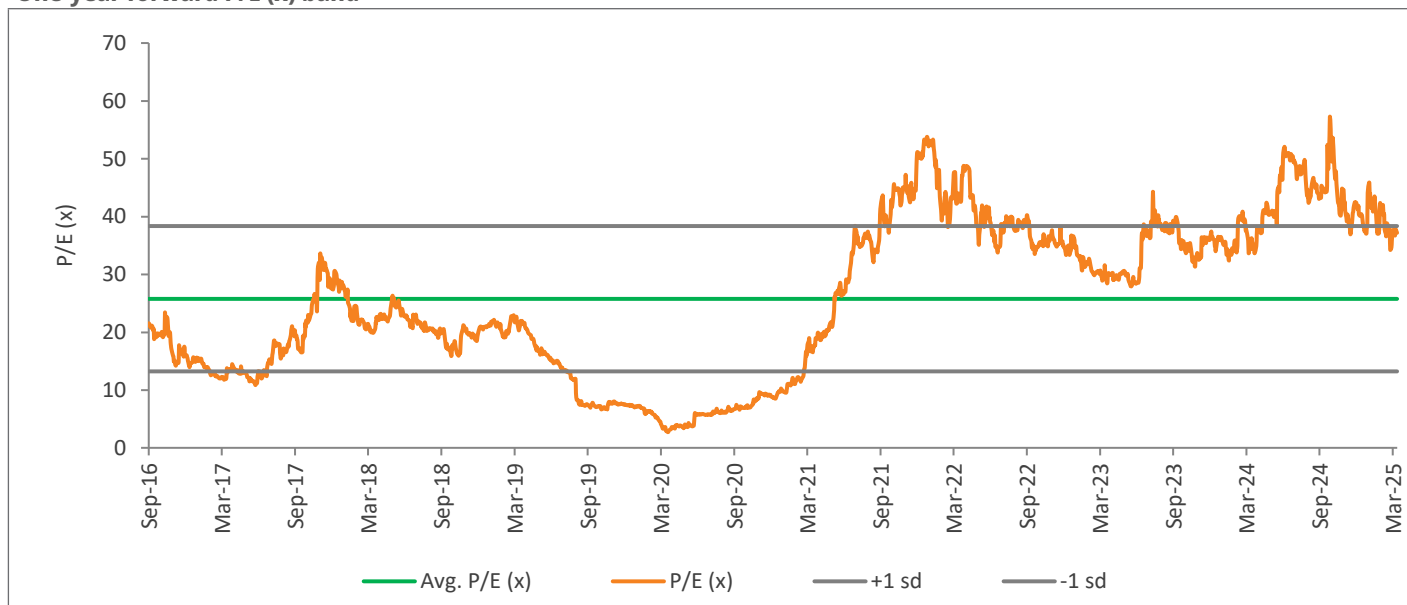
■ Company Outlook - Well placed to monetise existing and new IP content

Its large intellectual property portfolio of over 160,000 songs, 70+ films, 45+ digital series and over 6,000 hours of television content, wide digital footprint and increasing IP library with a growing presence in all leading Indian languages make its well placed to monetise the growing opportunities in the music industry. The company has reiterated its guidance on music revenues which is a combination of Music Licensing and Artist management businesses and expect it to grow 25-26% in FY25 owing to a strong line-up of new releases. The company has also reiterated its guidance of Rs 1000 crore worth of new music content investments over the next 3 years, of which Rs. 300 crores will be in FY25. The acquisition of Pocket Aces has added a new dimension of IP and a distribution network of over 95 million followers, which Saregama will leverage to further popularize its music library among the 18-35 audience segment.

■ Valuation - Reiterate Positive view with unchanged PT of Rs. 640

Revenue growth during 9MFY25 has exceeded its guidance of 30% in FY25 as diversification strategy pays off driven by the bump up in revenues from events vertical. Further, the shutting down of Airtel's Wynk music streaming platform augurs well for the company and is expected to its augment music licensing revenues going forward. The company's shift from being solely a music label to a broader entertainment IP company is paying off, reducing reliance on any single vertical and enabling significant cost and revenue synergies across different verticals. The company's Rs 1000 crore investment in new content over FY25-27 is on track. Although the investment will be a drag on the profitability in the near term, it is expected to future proof the company providing long runaway for growth over medium to long term. We expect Sales/PAT CAGR at ~21%/16% over FY24-FY27E. We believe that a likely shift to paid subscription model, proactive smart content investment and ramp-up of adjacent categories will drive growth and position the company to achieve strong growth trajectory in the medium to long term. We reiterate positive view with unchanged PT of Rs. 640. At CMP, the stock trades at 47.4/37.2/30.4.x its FY25/26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Saregama is India's oldest music label company with IP offerings across media channels (music, films, web series, short-format and TV serials), delivery platforms (digital and physical) and business models (licensing, advertising and retail). The company's primary source of revenue comprises of license fees from music streaming applications, social media platforms, video streaming platforms, broadcasting platforms, brands and societies. In addition, the company retails music directly to consumers through Carvaan audio player with pre-loaded music. . The acquisition of Pocket Aces has added a new dimension of IP and a distribution network of over 95 million followers, which Saregama will leverage to further popularize its music library among the 18-35 audience segment.

Investment theme

Saregama with its IP offerings across media channels (music, films, web series, short-format and TV serials), delivery platforms (digital and physical) and business models (licensing, advertising and retail) is geared with various monetisation levers which will aid the company to achieve strong and consistent revenue growth. Saregama has a strong presence in the music licensing business and is expanding into other related categories, along with proactive business strategies to engage with a younger audience. This is expected to contribute to significant and consistent revenue growth for the company over the medium to long term.

Key Risks

- ◆ Increasing competition from domestic and international players.
- ◆ Slower than expected paid-subscriber addition
- ◆ High Content costs may impact margins.
- ◆ Rise in digital piracy.

Additional Data

Key management personnel

Name	Designation
Sanjiv Goenka	Chairman
Vikram Mehra	Managing Director
Pankaj Chaturvedi	Chief Financial Officer
Kumar Ajit	Executive Vice President, Music & Retail

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Sprott Resource Lending Corp	4.85
2	Amansa Holdings Pvt Ltd	3.73
3	MALABAR INDIA FUND LTD	3.03
4	Vanguard Group Inc	1.53
5	Jayshree Nirman Ltd	1.48
6	Emirate of Abu Dhabi United Arab	1.09
7	Blackrock Inc	0.6
8	ICICI Prudential Life Insurance Co	0.35
9	INVESTMENT TRUST OF INDIA	0.32
10	Norges Bank	0.32

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Email ID: complianceofficer@sharekhan.com; Tel: 022-62263303.

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.