



## 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 | ✗   | ↔ | ✗   |

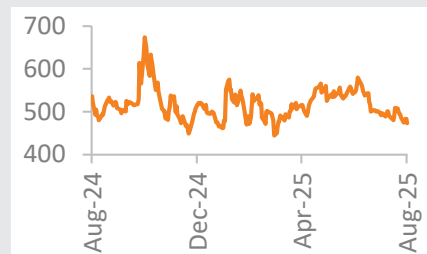
## Company details

|                               |               |
|-------------------------------|---------------|
| Market cap:                   | Rs. 9,127 cr  |
| 52-week high/low:             | Rs. 689 / 418 |
| NSE volume:<br>(No of shares) | 5.4 lakh      |
| BSE code:                     | 532163        |
| NSE code:                     | SAREGAMA      |
| Free float:<br>(No of shares) | 7.8 cr        |

## Shareholding (%)

|           |      |
|-----------|------|
| Promoters | 59.7 |
| FII       | 16.7 |
| DII       | 5.2  |
| Others    | 18.4 |

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

| (%)                | 1m   | 3m    | 6m   | 12m   |
|--------------------|------|-------|------|-------|
| Absolute           | -4.3 | -9.8  | -2.9 | -11.7 |
| Relative to Sensex | -0.6 | -10.3 | -6.9 | -10.2 |

Source: Mirae Asset Sharekhan Research, Bloomberg

## Saregama India Ltd

## Adjacent businesses subdue Q1

| Entertainment & Media | Sharekhan code: SAREGAMA |                                      |                         |
|-----------------------|--------------------------|--------------------------------------|-------------------------|
| Reco/View: Positive   | ↔                        | CMP: Rs. 473<br>(as on Aug 01, 2025) | Price Target: Rs. 600 ↓ |

## Summary

- Reported revenue stood at Rs. 206.8 crore, down 14.1% q-o-q/ up 0.7% y-o-y missing our estimates of Rs 245 crore .
- EBITDA margin expanded ~170 bps y-o-y to 26.7% but missed our estimates of 31.3%, while adjusted EBITDA margin stood at 32% compared to 33% in Q1FY25.
- Company expects a 22-23% CAGR growth in the music business (licensing plus artist management) in the short to medium term, and 24-25% growth in the video business.
- We maintain a Positive view with revised PT of Rs. 600. At CMP, the stock trades at 38.7/31.8x its FY26/27E EPS.

**Reported revenue stood at Rs. Rs. 206.8 crore, down 14.1% q-o-q/ up 0.7% y-o-y missing our estimates of Rs 245 crore. Growth was impacted by diversion of ad spend to IPL, geopolitical disruption in May, postponing of major movie releases along with continuing pressure from closure of Airtel Wynk platform since November 2024. EBITDA margin rose to 26.7%, up ~170 bps y-o-y but missed our estimates of 31.3%. Adjusted EBITDA margin stood at 32% compared to 33% in Q1FY25. Reported PAT stood at Rs 36.7 crore, down 0.7% y-o-y, missing our estimates of Rs 55 crore. During the quarter over 25 influencers/artists were added taking the total count to over 230 with more than 200 million followers and subscribers on Instagram and YouTube. The company expects 22-23% CAGR in the music business, which includes licensing plus artist management in the short to medium term, and 24-25% growth in the video business. Management reiterated adjusted EBITDA margin guidance of 32-33% at the company level. The company remains poised to benefit from India's large and growing internet user base, transition to paid music/video subscriptions, and expanding digital advertising. Disciplined pricing and content acquisition approach keeps Saregama well-positioned for medium-term growth. We maintain a positive view with revised PT of Rs. 600. At CMP, the stock trades at 38.7/31.8x its FY26/27E EPS.**

## Key positives

- Music revenue (licensing + artist management ) grew 12% y-o-y at Rs. 149 crore.

## Key negatives

- Video revenue declined 23% y-o-y to Rs. 35.7 crore.

## Management Commentary

- Company expects a 22-23% CAGR growth in the music business which includes licensing plus artist management in the short to medium term and 24-25% growth in the video business.
- Management reiterated adjusted EBITDA margin guidance of 32-33% at the company level.
- Content investment for the year is expected to be at Rs. 350-380 crore.
- Company expects to achieve mid-single-digit margins on Carvaan by year-end through a retail strategy of focusing on e-Commerce and modern trade stores.
- Pocket Aces to turn profitable in FY26.
- Five-year payback maintained for new content investments.
- Company expects revenues from the recently-acquired Haryanvi music catalogue to start flowing from Q3 onwards.

**Revision in earnings estimates** – We have revised our estimates to factor in Q1FY26 performance.

## Our Call

**Valuation – Maintain Positive view with revised PT of Rs. 600:** Saregama reported subdued revenue performance impacted by shutdown of free platforms, seasonal and one-time external factors. However, the company remains poised to benefit from India's large and growing internet user base, transition to paid music/video subscriptions, and expanding digital advertising. Strategic M&A to strengthen catalog depth, especially in regional markets. Disciplined pricing and content acquisition approach keeps Saregama well-positioned for medium-term growth. We expect a Sales/PAT CAGR at ~9%/19% over FY25-FY27E. We maintain a positive view with revised PT of Rs. 600. At CMP, the stock trades at 38.7/31.8x its FY26/27E 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  | FY25    | FY26E   | FY27E   |
|--------------------|-------|---------|---------|---------|
| Revenue            | 803.0 | 1,171.4 | 1,154.1 | 1,397.3 |
| OPM (%)            | 31    | 23.6    | 29.5    | 29.8    |
| Adjusted PAT       | 197.6 | 204.3   | 236.1   | 287.2   |
| YoY growth (%)     | 6.6   | 3.4     | 15.6    | 21.6    |
| Adjusted EPS (Rs.) | 10.2  | 10.6    | 12.2    | 14.9    |
| P/E (x)            | 46.2  | 44.7    | 38.7    | 31.8    |
| P/B (x)            | 6.5   | 6.0     | 5.5     | 5.0     |
| EV/EBITDA (x)      | 34.3  | 30.6    | 24.9    | 20.2    |
| RoNW (%)           | 13.4  | 12.9    | 13.6    | 14.9    |
| RoCE (%)           | 13.8  | 13.3    | 15.2    | 17.2    |

Source: Company; Mirae Asset Sharekhan estimates

## Key Highlights

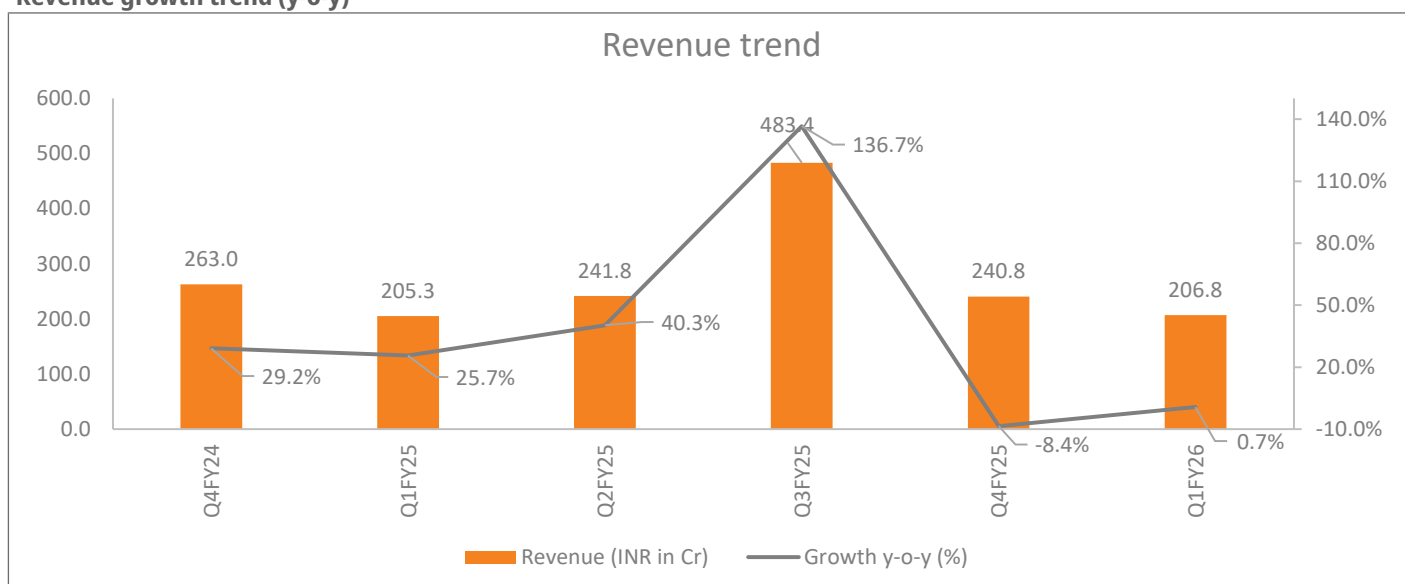
- ♦ **Revenue growth:** Reported revenue stood at Rs. 206.8 crore, down 14.1% q-o-q/ up 0.7% y-o-y missing our estimates of Rs 245 crore. Music and artist management grew 12% y-o-y, while the video segment's revenue fell 23% y-o-y. Many movies planned for Q1 got postponed, ad spends were diverted to IPL, and shutting down of Airtel Wynk in November impacted revenues.
- ♦ **Margin:** EBITDA margin rose to 26.7%, up ~170 bps y-o-y but missed our estimates of 31.3%. Adjusted EBITDA margin stood at 32% compared to 33% in Q1FY25.
- ♦ **Music licensing:** Revenue stood at Rs. 149 crore. The company acquired one of the biggest and most popular Haryanvi Music Catalogue- Nav Records Pvt. Ltd with 6500+ tracks across Haryanvi, Punjabi, Ghazals, Devotional and Indie Pop.
- ♦ **Carvaan:** Music retailing revenues fell 31% y-o-y to Rs. 17 crore. Company is retailing primarily from e-commerce and modern trade stores. The team size has been cut from 150 to under 120.
- ♦ **Video:** Video revenues declined 23% y-o-y to Rs. 35.7 crore. Company faced softer quarter which had only one Malayalam release in which the company incurred a small loss.
- ♦ **Live events:** Segment revenue stood at 5.1 crore compared to 1 crore in Q1FY25.
- ♦ **Content Investment:** Overall expense for the new content for the year to be Rs 350-380 crore. Management reiterated plans to acquire 25-30% of all the new content and maintained 5-year payback period guidance.
- ♦ **Artist management:** During the quarter, over 25 influencers/artists were added taking the total to over 230 with more than 200 million plus followers and subscribers on Instagram and YouTube.

## Results (Consolidated)

| Particulars               | Rs cr  |        |        |            |            |
|---------------------------|--------|--------|--------|------------|------------|
|                           | Q1FY26 | Q1FY25 | Q4FY25 | % YoY      | % QoQ      |
| Net Sales                 | 206.8  | 205.3  | 240.8  | 0.7        | -14.1      |
| Operational Cost          | 74.8   | 68.0   | 76.2   | 10.0       | -1.9       |
| Gross Profit              | 132.0  | 137.3  | 164.6  | -3.9       | -19.8      |
| Employee benefits expense | 25.1   | 26.3   | 24.1   | -4.4       | 4.2        |
| Royalties                 | 15.2   | 15.1   | 17.8   | 0.7        | -14.4      |
| A&P                       | 14.7   | 24.3   | 19.8   | -39.5      | -25.8      |
| Other expenses            | 21.7   | 20.2   | 22.6   | 7.5        | -4.2       |
| Total Operating Cost      | 151.5  | 153.8  | 160.5  | -1.5       | -5.6       |
| Operating Profit          | 55.3   | 51.5   | 80.3   | 7.4        | -31.2      |
| Depreciation              | 17.5   | 12.7   | 16.6   | 37.4       | 5.4        |
| Finance Cost              | 1.0    | 0.2    | 4.7    | 366.7      | -79.2      |
| Other Income              | 14.2   | 12.2   | 17.7   | 16.8       | -19.4      |
| Profit Before Tax         | 51.1   | 50.7   | 76.7   | 0.7        | -33.4      |
| Tax Expense               | 14.5   | 13.6   | 21.8   | 6.8        | -33.2      |
| PAT after MI              | 36.7   | 36.9   | 60.1   | -0.7       | -39.0      |
| EPS (Rs.)                 | 1.9    | 1.9    | 3.1    |            |            |
|                           |        |        |        |            |            |
| <b>Margin(%)</b>          |        |        |        | <b>Bps</b> | <b>Bps</b> |
| GPM                       | 63.8   | 66.9   | 68.4   | -305       | -452       |
| EBITDA                    | 26.7   | 25.1   | 33.4   | 167        | -661       |
| NPM %                     | 17.7   | 18.0   | 25.0   | -26        | -724       |

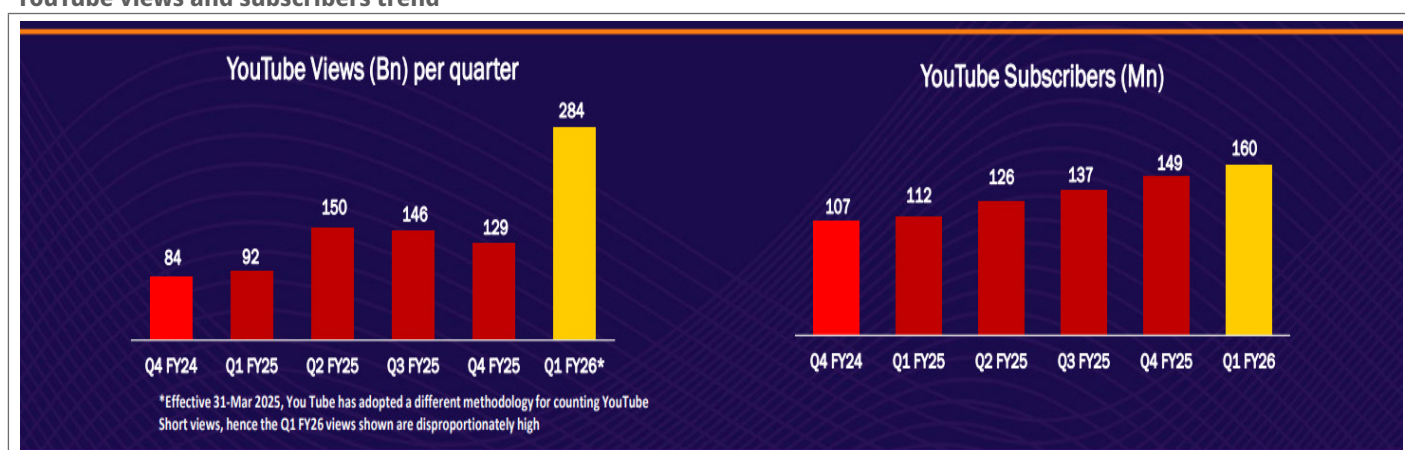
Source: Company; Mirae Asset Sharekhan Research

## Revenue growth trend (y-o-y)



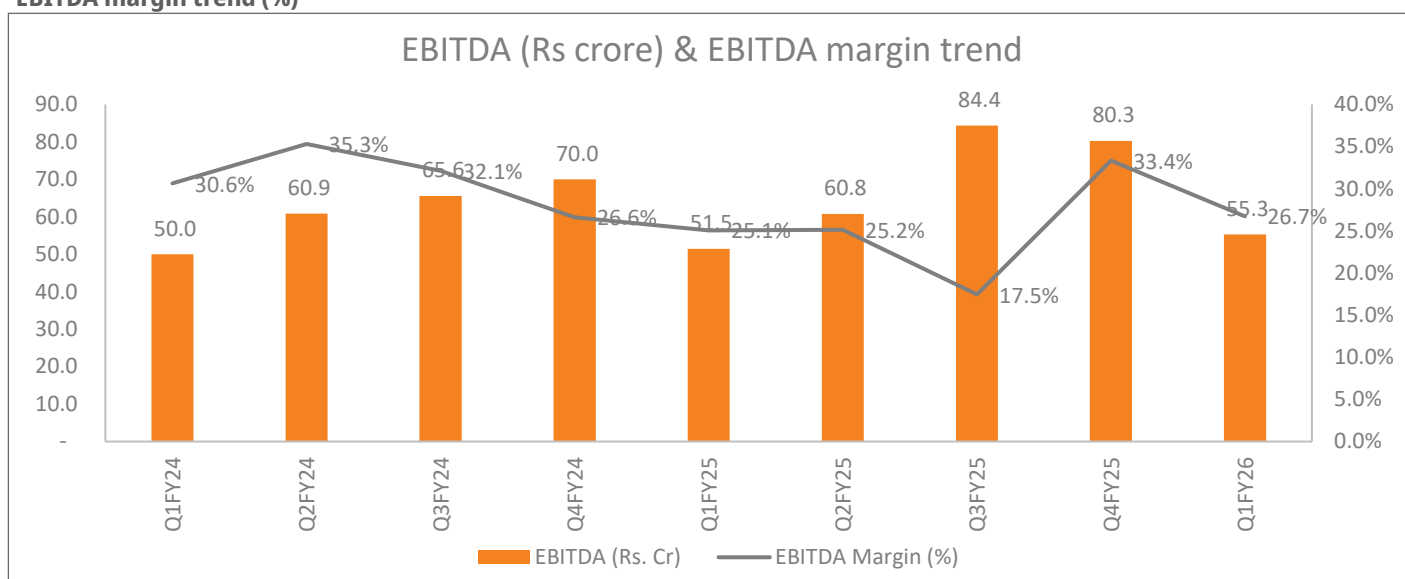
Source: Company; Mirae Asset Sharekhan Research

## YouTube views and subscribers trend



Source: Company; Mirae Asset Sharekhan Research

## EBITDA margin trend (%)



Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Indian M&E sector on the growth path, led by digitisation

According to FICCI-EY report, Indian media and entertainment (M&E) sector grew by 8% in 2023, reaching Rs. 2.3 trillion (USD27.9 billion), 21% above its pre-pandemic levels in 2019. The Indian M&E sector is expected to grow at 7% per annum on account of digitisation. Growth drivers for the music industry are easy availability of smartphones, cheap data, fall in piracy, streaming turning pay, and growth in digital advertising. The biggest driver is digital advertising, which grew by 17% last year to Rs. 70,000 crore. This is primarily due to explosion in the consumption of content on digital platforms. Streaming is witnessing a rapid rise owing to mass adoption. India's Influencer Marketing Industry is expected to grow at 24% CAGR to reach Rs 3,375 crore.

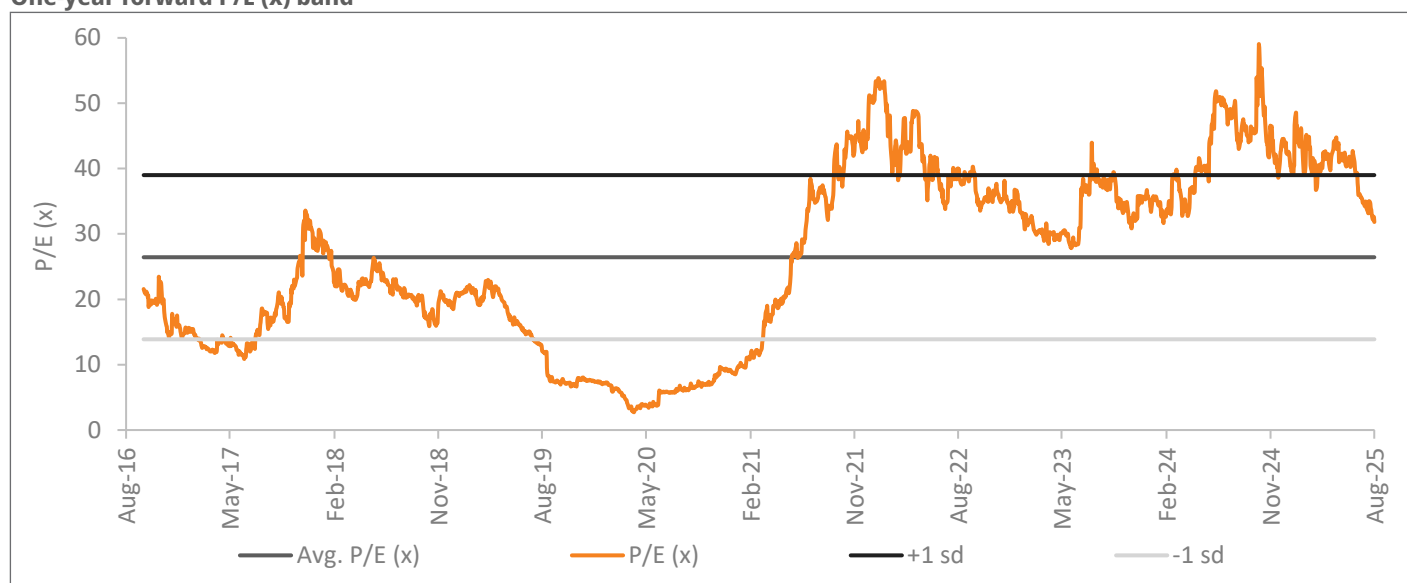
### ■ Company Outlook – Well placed to monetise existing and new IP content

Saregama's large intellectual property portfolio of over 1,60,000 songs, 70+ films, 45+ digital series, and 6,000+ hours of television content, wide digital footprint, and increasing IP library with a growing presence in all leading Indian languages make it well-placed to monetise the growing opportunities in the music industry. Management expects its music vertical (licensing and artist management) to register a 22-23% CAGR over the medium term and PBT to double in 3-4 years from contributions from both music and video segments. Investment of over Rs. 1,000 crore planned for new music content from FY25-FY27. 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 popularise its music library among the 18-35 -year-old audience.

### ■ Valuation – Maintain Positive view with revised PT of Rs. 600

Saregama reported subdued revenue performance impacted by shutdown of free platforms, seasonal and one-time external factors. However, the company remains poised to benefit from India's large and growing internet user base, transition to paid music/video subscriptions, and expanding digital advertising. Strategic M&A to strengthen catalog depth, especially in regional markets. Disciplined pricing and content acquisition approach keeps Saregama well-positioned for medium-term growth. We expect a Sales/PAT CAGR at ~9%/19% over FY25-FY27E. We maintain a positive view with revised PT of Rs. 600. At CMP, the stock trades at 38.7/31.8x its FY26/27E 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 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 popularise its music library among the 18-35-year-old 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 |

Source: Company Website

### Top 10 shareholders

| Sr. No. | Holder Name                        | Holding (%) |
|---------|------------------------------------|-------------|
| 1       | Sprott Resource Lending Corp       | 4.85        |
| 2       | Amansa Holdings Pvt Ltd            | 3.74        |
| 3       | MALABAR INDIA FUND LTD             | 2.94        |
| 4       | Prudential PLC                     | 1.53        |
| 5       | Vanguard Group Inc/The             | 1.30        |
| 6       | Jayshree Nirman Ltd                | 1.27        |
| 7       | Blackrock Inc                      | 0.65        |
| 8       | ICICI Prudential Life Insurance Co | 0.41        |
| 9       | La Caisse de depot et placement du | 0.34        |
| 10      | Quadrant Televentures              | 0.32        |

Source: Bloomberg

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## 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



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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

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.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: [complianceofficer@sharekhan.com](mailto:complianceofficer@sharekhan.com)

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