

Saregama India Ltd.

Date: 23 July 2025
Price: 497
Action: BUY

Industry/Sector	Target Price	Upside Potential	Investment Duration
Media & Entertainments – Music	572 to 587	15% to 18%	12 to 15 Months

About Company:

- Saregama, founded in 1901 as The Gramophone Company of India Ltd., released India's first-ever studio-recorded song by Gauhar Jaan in 1902. In December 2000, the company officially changed its name from Gramophone Company of India Limited to Saregama India Limited.
- Saregama is a diversified player within the entertainment ecosystem, combining heritage music Intellectual Property rights (owns portfolio of 170K+ songs, 70+ films, 45+ digital series and 10K+ hours of television content IP), consumer products (Carvaan digital audio player), OTT-ready film production (Yoodlee Films) and youth-oriented digital content (Pocket Ace – Dice Media & Filter Copy).
- Promoter's holding is 59.65% as on 30 June 2025.
- Debt-free company with cash on balance sheet is around INR 550 cr. as of 30 March 2025.

Financial Performance:

- In FY25- revenue grew by 46%, Operating Profits grew by 12% and PAT grew by only 3% YoY. Notably Operating profits and PAT growth lagged due to stepped-up content investments (INR 316 cr.; up by 62% YoY).

5 Yrs. Financial Performance (Consolidated)

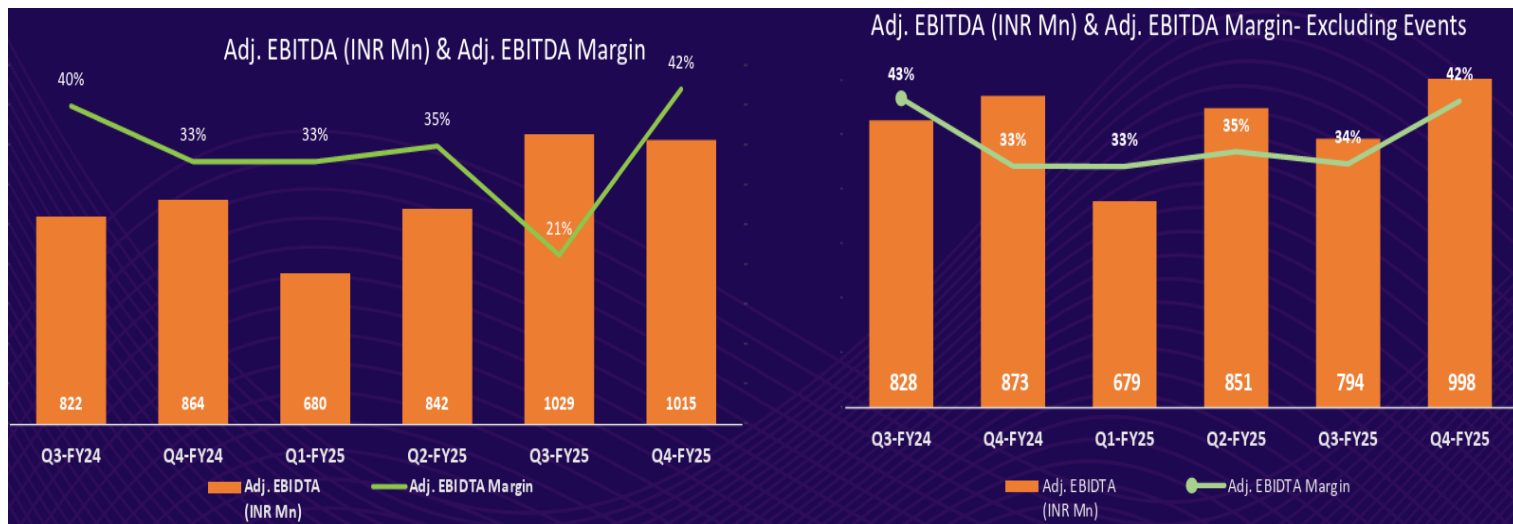
Amounts In INR cr.	FY21	FY22	FY23	FY 24	FY25	1 Yr Growth	3 Yr CAGR
Operating Revenue	442	576	737	803	1,171	45.88%	26.70%
Operating Profit (OP)	130	199	221	247	277	12.33%	11.65%
OPM %	29.43%	34.55%	30.00%	30.71%	23.65%		
Other Income	31	35	54	64	58		
Depreciation & Amortisation Cost (D&A Cost)	5.6	13.0	20.8	36.2	58.2		
Total PAT (Net Profit for EPS)	112.6	152.6	185.0	197.6	204.3	3.39%	10.21%
PAT Margins %	25.48%	26.49%	25.12%	24.61%	17.44%		
OCF (Operating Cash Flows)	190.0	94.4	93.4	93.3	331.0		

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Segment Wise-Revenue Contribution in FY25

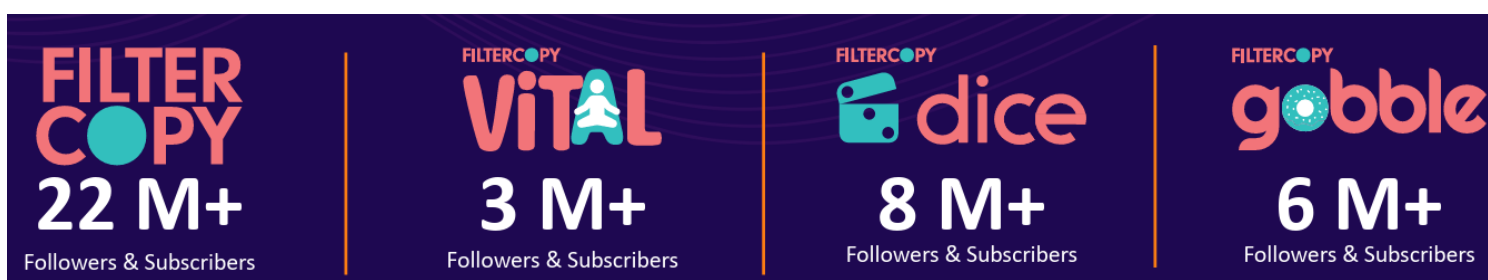
Business Segments	Revenue (Millions - INR)	
Music : Licensing + Artist Management	6104	52.11%
Events - Live Concerts	2852	24.35%
Video : Films, TV and Digital Content	1920	16.39%
Music : Retail - Carvaan	837	7.15%
Total Revenue	11713	

- Adjusted EBITDA- EBITDA excluding Content Charge



Potential Future Growth Possibilities:

- Inorganic Music Catalogue Acquisition:**
 - In FY25 – Company acquired small 22 music labels, adding over 2,800 songs of 7 different languages (Gujarati, Punjabi, Haryanvi, Rajasthani, Bengali, Chhattisgarhi and Devotional) at a cost of INR 17 cr.
 - On 17 July 2025- Company acquired NAV Record's 6,500 tracks across Haryanvi, Punjabi, Ghazals, Devotional and Indie Pop. The acquisition includes NAV Records' highly popular YouTube channels, NAV Haryanvi and Nupur Audio, which together boast over 24 million subscribers. These channels host viral hits like "Coco Cola" (900M+ views), "Parvati Boli Shakar Se" (500M+ views) and "Loot Liya" (400M+ views).
- Pocket Ace Acquisitions: strategic acquisition of a digital entertainment firm**
 - Saregama strategically transformed itself into a digital entertainment powerhouse by integrating Pocket Aces— a move that combined legacy music catalogues with dynamic youth-oriented content and influencer reach. Over roughly 18 months, they invested a total of INR 375 crore (~US \$45 million) to secure full control, then further streamlined ownership and structure via equity/convertible shares in March 2025.
 - Pocket Aces is known for its short-form video content and influencer marketing, operating brands like FilterCopy, Dice Media, Nutshell and Gobble. It has a significant digital reach with a weekly viewership of over 50 million and over 120 million followers. Its IP catalogue spans over 3,000 items, including web series, sketches and music videos.
 - The goal is to leverage Pocket Aces' capabilities to broaden and expedite Saregama's content reach, especially among younger audiences (18-35 age group) and to create synergies across artist/influencer management and long-format video creation.



- **Saregama & MTV Hustle Season 4 (Hip Hop Don't Stop) — Strategic Partnership in Dec 2024:**
 - **Exclusive Rights:** Saregama has obtained the **exclusive audio and video rights** to all the music created and performed on MTV Hustle Season 4. This means any song or performance showcased on the show will be under Saregama's purview for distribution and monetization.
 - **Artist Signing Opportunity:** As part of this collaboration, Saregama also has the **first opportunity to sign any of the 15 talented contestants** from the season. This is a crucial aspect, as **it allows Saregama to directly onboard promising new hip-hop talent and further build its artist roster**. In fact, Saregama has already signed the MTV Hustle Season 4 winner, Lashcurry, who released his debut single with Saregama in March (around the time of the show's conclusion).
 - **Entry into Hip-Hop Mainstream:** It provides Saregama a strong foothold in the rapidly growing Indian hip-hop and rap scene, a genre that resonates strongly with younger audiences.
 - **Youth Audience Access:** By partnering with MTV Hustle, a show immensely popular with the youth, Saregama gains significant exposure to the 18-35 age group, aligning with its broader digital and youth-focused strategy (as seen with the Pocket Aces acquisition).
- **Saregama has significantly amplified its presence in the Indian hip-hop and rap scene, particularly through its strategic partnership with MTV Hustle Season 4 and direct collaborations with prominent artists.**
 - Acquisition of 130+ specific hip-hop music tracks through MTV Hustle S4.
 - Company has released rap music with prominent singers- KR\$NA (song- Joota Japani), Paradox (song-Tantrums), Badshah (song-Morni), ThirumaLi X Jay Stellar (songs: Pacha Parishkari-Malayalam rap song) and DIVINE (song- 4.10), Raftaar (song- Restart- Rap 'N' Folk), Naezy (song-sup) and Pablo (song-Tu Mile).
- **Ongoing Investment in New IP acquisition across music, live events, long/short-format video and artistic management.**
 - Company has a stated strategy of aggressively investing of INR 1000 cr. in **new music content** across multiple Indian languages over 3 years (during FY25 to FY27). Company had already invested INR 316 cr. in FY25
 - **Their aim is to acquire 25-30% of all newly released music in India**, which translates to a continuous stream of fresh, contemporary content being added to their existing vast catalogue. This organic growth strategy ensures the relevance and continued expansion of their music library.
- **Paid Subscription & YouTube Upside:**
 - Closure of free streaming platforms (Resso, Wynk & Hungama closed and Gaana moving towards subscription model from free) is seen as positive for industry health, despite near-term revenue headwinds.
"Globally, music industry is built on the back of paid subscription."

Management Guidance (16 May 2025):

- High double-digit growth in paid OTT and YouTube revenue, albeit on a small base. Management expects paid subscriptions to become "the single biggest growth driver for the company in coming quarters".
- FY25 content charge-off was up by 48% YoY in FY25. **Management expects revenue growth to start outpacing charge-off by late FY26, improving profitability (PAT will double in next 3 to 4 years).** Maintains 5-year payback period guidance for content investments.
- Music licensing vertical expected to double revenue in 3-3.5 years with management guiding for a 22-23% CAGR across music segments (licensing + artist management) and 32-33% adjusted EBITDA margin guidance.
- Video Verticals- Yoodle, Dice, Filter Copy and Pocket Ace- is expected to grow at 25% CAGR over next 5 years.

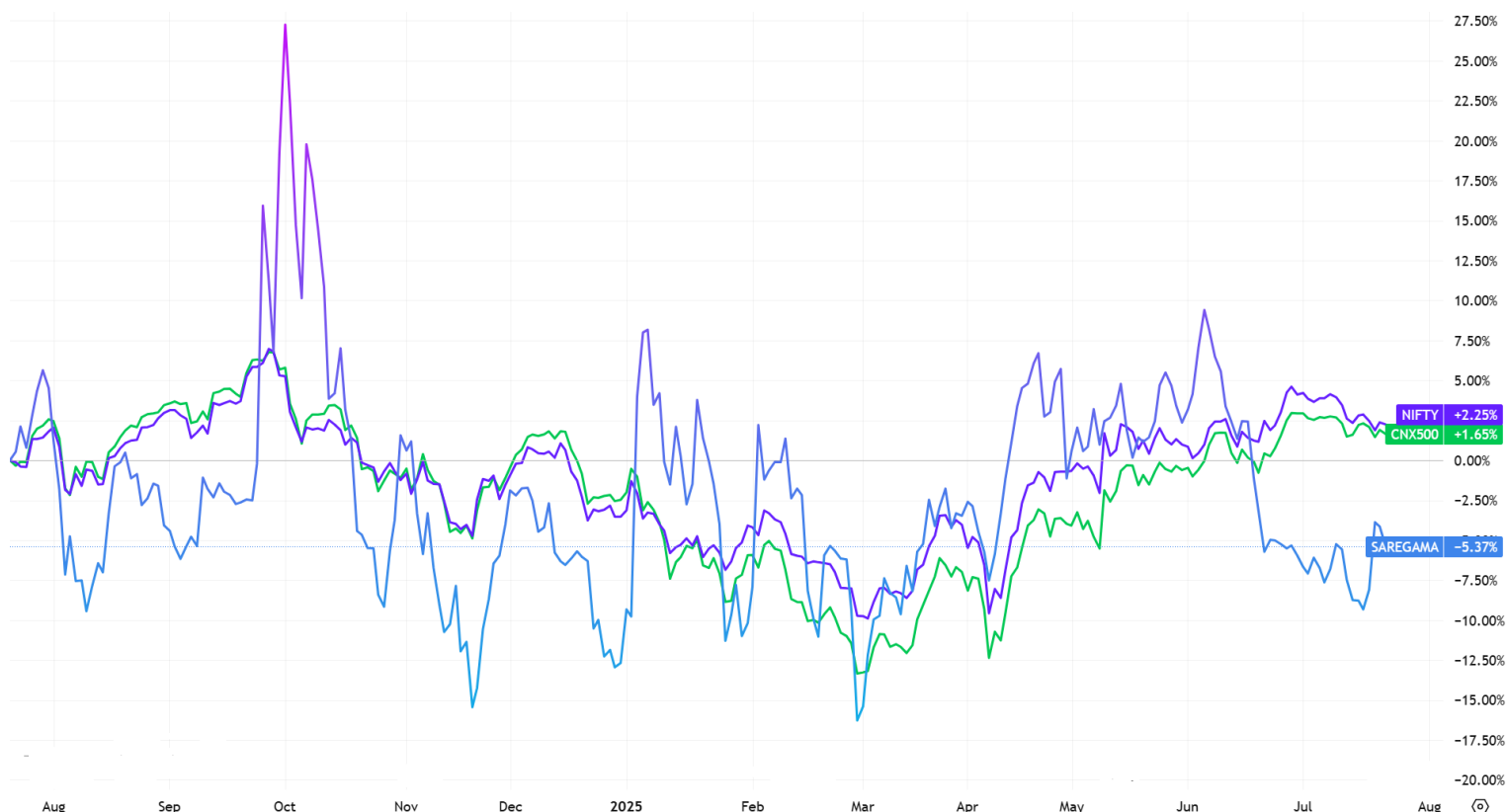
Valuations:

Saregama Music	
Market Cap (INR Cr.)	9,600
CMP	497
P/E Ratio	48
EV/EBITDA	27

Conclusion:

- Our outlook on Saregama Music is positive and recommend a BUY at the current market price for investors with a medium- to long-term horizon. While the company is currently in a high-investment phase, particularly in content acquisition—which is exerting pressure on short-term margins and PAT growth. We believe this strategy will drive long-term value creation and strengthen its competitive position in the evolving media and entertainment landscape.
- Company is strategically positioned for sustained and multi-faceted growth, driven by strategic blend of inorganic content expansion, robust digital integration via Pocket Aces, aggressive Investments in music catalogues for new IP creation and favourable industry shifts towards paid subscriptions of OTT & music streaming platforms.
- The sector and the company are going through a transition and our investment thesis is based on the management's ability to execute effectively and deliver improved PAT growth of 18–20% in FY26. Based on current fundamentals and planned improvements in financial prospects, we estimate an upside potential of 15–18% over the next 12 to 15 months.

1 Yr. Return Movement Comparison b/w Saregama India and Benchmarks (Nifty50 & Nifty500):



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