

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Media and Entertainment	Rs. 522	Buy in Rs. 514-528 band and add more on dips in Rs. 458-472 band	Rs. 578	Rs. 620	2 -3 quarters

HDFC Scrip Code	SAREGAEQNR
BSE Code	532163
NSE Code	SAREGAMA
Bloomberg	SAREIN
CMP Sep 13, 2024	522
Equity Capital (Rs Cr)	19.3
Face Value (Rs)	1.0
Equity Share O/S (Cr)	19.3
Market Cap (Rs Cr)	9,992
Book Value (Rs)	76.1
Avg. 52 Wk Volumes	5,25,252
52 Week High	581
52 Week Low	310

Share holding Pattern % (Jun, 2024)	
Promoters	58.8
Institutions	20.0
Non Institutions	21.2
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

Saregama is the oldest music label in India, with the largest library of song intellectual property (IP) in its bouquet. The company housed IP rights to more than 150,000 songs, 70+ movies and 6,000+ hours of TV series under its umbrella as of FY24.

“Online Streaming” and “OTT Apps” have been the buzzwords that have transformed the Entertainment industry globally over the past decade. Fast-tracked by COVID-19 restrictions, India’s content consumption boom is driven by structural growth drivers like pervasive digitization, emergence of new formats like short format videos, improving content quality and increasing popularity of regional content. Saregama’s growth has been propelled by riding this wave of increasing content consumption, monetizing what is the largest music catalogue in the country. This has been further aided by adding new (film and non-film) music catalogues and other formats of content like films and web series to its repertoire.

Saregama’s capability to monetize its vast music IP and meticulous investment in new music using data analytics (30-35% share of new music at pan-India level for next 3-4 years) has driven robust licensing growth for the company (5-year CAGR: 23%). Licensing revenues have also been aided by achieving leadership position across several regional markets with demand for regional music fast gaining popularity across the country (vernacular/Hindi music streaming grew at 14%/10% CAGR between FY20-23 in India).

We had issued a [stock note](#) on Saregama on February 26, 2024; and both the targets were achieved within our investment horizon.

Valuation & Recommendation:

We believe Saregama has pivoted at the right time from a music retailer to a pure play content company. The industry’s shift towards the highly underpenetrated subscription model from ad-based model, especially in the OTT-Audio (OTTA) segment, is what we believe will provide additional levers for improved realization of Saregama’s content. Saregama plans to produce 60 new films and web series for various digital platforms over the next 3-4 years. This segment helps diversify the limited seasonality (if any) in the music segment.

With a razor sharp focus on acquiring 25-30% of all the new music in India over the next 2-3 years, management seems confident that its music licensing business, should be able to double its revenues in the next 3 to 3.5 years. It aims to grow its Films and video vertical at 25% CAGR over the next 3-4 years, with a sustainable EBIT margin of around 15%, for the segment. Overall the company is expected to grow its topline at 25%-26% CAGR over next few years and double its overall profitability (PBT) over the next 3-4 years.