Saregama India (SAREIN)

CMP: ₹557 | Target ₹ 650 (17%) | Target Period: 12 months | **BUY**

August 5, 2026

Paid subscription monetisation fructification key ahead!

About the stock: Saregama India (Saregama) is India's oldest music label owned by RPSG Group with ~1.8+ lacs songs, which is monetized over various formats such as digitals (streaming, YouTube), physical (Carvaan) and television.

Q1FY27 performance: Revenues were up 27.5% YoY at ₹264 crore, driven by strong performance across segments such as music and artist management. The licencing revenues at ₹167 crore was up 32.3% YoY, on a benign base and Artist Management revenues were up 102% YoY at ₹46 crore. The TV & Films segment revenues were down 52.4% YoY at ₹17 crore, while Carvaan sales volumes were down 31% YoY to 60,000 units with revenues at ₹ 17.5 crore, up 2.9% YoY. EBITDA was up 68.8% YoY at ₹93 crore with EBITDA margin at 35.4%, up 8.7 percentage points YoY, given the operating leverage and revenue mix. Consequent PAT was at ₹ 51.6 crore, up 40.6% YoY, owing to healthy operating performance.

Investment Rationale:

- **Strong medium-term outlook in Music Segment:** With the discontinued platforms headwind (Wynk, Reso, Gaana, Hungama) now fully behind, licencing revenues at ₹ 167 crore was up 32.3% YoY. FY27 new content budget is guided at ₹300–350 crore, and a linear increase thereafter. **The company maintained its medium-term revenue CAGR guidance of 20% to 23% for the music vertical. We estimate ~22% CAGR in B2B (licensing) music sales over FY26-28E to ₹ 916 crore, as monetisation of existing IPs via digital platforms and new music acquisition will drive growth**. The **artist management segment revenues**, which is a byproduct of new music and does not require any upfront investment **to inch up to ₹ 220 crore in FY28 (vs. ₹ 131 crore in FY26)**.
- **Baking in operating leverage led margins improvement:** We expect EBITDA **margins to improve led by operating leverage at 34.7%/35.5% in FY27/FY28 vs. 34.2% in FY26**. The healthy growth in topline coupled with stable margins will result in ~25% earnings CAGR over FY26-28E coupled with improvement in the return ratios.

Rating and Target Price: Key monitorable include execution of FY27 content slate (especially *Love & War*, *Paradise*), market share gains along with paid subscription acceleration in India. Nonetheless, we believe the larger foray into films may restrict multiple expansion for Saregama, given the volatile growth trajectory. We upgrade to BUY with a target price of ₹ 650, assigning a target multiple of 38x on FY28E EPS, on a premise that accelerated monetisation through paid subscription (early signs visible as most platforms are pushing for it) will be a game changer for Saregama in medium term.

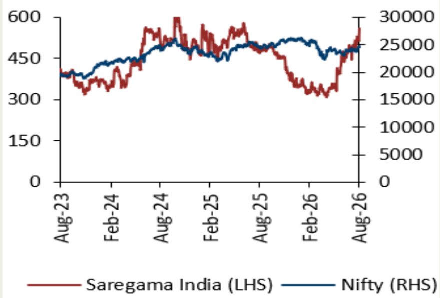
Particulars

Particular	Amount
Market Cap (₹ crore)	10,739
Total Debt (FY26)	₹ 70.4 Crore
Cash & Inv. (FY26)	₹ 528 Crore
EV	₹ 10211 Crore
52 week H/L (₹)	574/ 307
Equity capital (₹ cr)	19.3
Face value (₹)	1.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	59.7	60.4	60.8	60.8
FII	5.2	5.0	7.1	8.6
DIIs	16.8	14.2	12.2	11.5
Public	18.4	20.4	19.9	19.1

Price Chart



Key risks

- Slower music licensing growth
- High losses in films foray

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY24	FY25	FY26	5 yr CAGR (FY21-26)	FY27E	FY28E	2 yr CAGR (FY26-28E)
Net Sales	803.0	1,171.4	984.6	17.4	1,187.3	1,405.2	19.5
EBITDA	246.6	277.0	336.8	20.9	411.6	498.9	21.7
Net Profit	197.6	204.2	207.1	13.0	253.0	323.4	25.0
EPS (₹)	10.2	10.6	10.7		13.1	16.8	
P/E (x)	54.4	52.7	52.0		42.5	33.3	
Price / Book (x)	7.3	6.8	6.4		6.0	5.5	
EV/EBITDA (x)	41.0	36.5	30.6		25.2	20.7	
RoCE (%)	18.0	16.9	16.3		18.3	21.4	
RoE (%)	13.4	12.9	12.2		14.1	16.5	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- Guidance: Management **reiterated its medium-term guidance of 20–23% annual revenue growth for the Music vertical, while maintaining 60–65% EBITDA margins**. It reiterated that performance should be assessed on a rolling 12-month basis rather than quarterly due to the inherently volatile release schedule. The **FY27 plan for new music content spends remains unchanged at ₹300–350 crore**, with most of the pipeline already committed.
- Music Vertical & Content Strategy: The music business reported a strong quarter, aided by a favourable base and continued contribution from content acquired over the last few years. Management highlighted that profitability is now benefiting from investments made two to three years ago, with successful albums such as *Stree 2, Amaran and Rocky Aur Rani Kii Prem Kahani* beginning to generate attractive returns. During the quarter, the company released nearly 750 original and premium recreation tracks across multiple languages. The FY27 content slate remains robust, including *Love & War, Naagzilla, Rajinikanth's Dharman, Paradise and another Bhansali production.* Saregama also signed a multi-year, multi-language Indian pop content partnership and resumed investments in Punjabi music, with Arjan Dhillon's album expected in Q2. Management reiterated its disciplined content acquisition framework of targeting a five-year payback while building long-duration intellectual property.
- Subscription & Streaming Dynamics: Management continues to view paid music streaming as the largest long-term growth opportunity. It noted that India's paid streaming penetration remains around 3%, significantly below developed markets (57% in the US and 67% in Sweden). Management cited an IMI/E&Y study revealing that 64% of free music users would switch to paid plans if free supply were curtailed. It believes that every 1 percentage point increase in penetration translates to over 10 million paying subscribers, and the Indian market has the potential to eventually support nearly 100 million paid subscribers under the right pricing (₹ 100/month, as per the management).
- Artist Management: The artist management business continued to scale, with the roster expanding to 309 artists having a combined social media reach exceeding 440 million followers. Management views this business as an integrated extension of the music ecosystem rather than a standalone vertical, using music releases, digital content and live events to enhance artists' popularity before monetising through concerts, weddings and brand partnerships. While revenue growth is expected to normalise as the business matures, management remains confident of gradual margin improvement through better monetisation of established artists.
- Live Events & Brand Partnerships: The company continued to diversify its live entertainment business across multiple formats. The company executed 23 sit-down *Carvaan Live* shows for older demographics, 22 devotional/spoken word events, 40 stand-up shows, and initiated an American tour with maestro Ilaiyaraaja. An upcoming Punjabi tour with Arjan Dhillon in the US is scheduled for September, while the UN40 music festival's next edition is slated for February 2027 in Bangalore. Management believes proprietary event IPs will become increasingly important in improving profitability over time. It also highlighted the creation of a centralised brand partnerships team, enabling integrated monetisation opportunities across music, live events and digital content.
- Video Segment: Video revenue declined sharply (revenues were down 52.4% YoY at ₹ 17 crore) as the company continued its planned exit from in-house film production following the Bhansali investment. Management reiterated that future film investments will be routed through Bhansali Productions, while internal efforts will remain focused on short-form digital content, TV shows and web series under the FilterCopy brand.
- Pocket Aces: Management stated that Pocket Aces achieved breakeven in FY26 and is expected to report profits in FY27. It provides Saregama with

marketing leverage through a 400-450 million social media subscriber footprint, aiding Gen Z engagement.

- AI Initiatives: Management's stance on AI remains centred around licensed innovation and protection of intellectual property. Saregama has operationalised two internal AI teams: a content team utilising third-party GenAI tools to produce ancillary media (e.g., modern music videos and thematic podcasts using library tracks) and an internal process optimization team. Incremental capital commitments for AI remain very low.

Exhibit 1: Quarter performance

	Q1FY27	Q1FY26	Q4FY26	YoY (%)	QoQ (%)
TV, Events & Film business	**79.0**	**63.5**	**87.0**	**24.4**	**-9.2**
Revenue from Music Business	**184.6**	**143.3**	**200.4**	**28.8**	**-7.9**
Carvaan	**17.5**	**17.0**	**16.2**	2.9	8.0
Artist Management	**46.0**	**22.7**	**42.5**	102.4	8.4
Licencing Revenues	**167.1**	**126.3**	**184.2**	32.3	-9.3
	Q1FY27	Q1FY26	Q4FY26	YoY (%)	QoQ (%)
Revenue	263.6	206.8	287.4	27.5	-8.3
Other Income	3.0	14.2	9.7	-78.9	-69.2
Employee Expenses	27.5	25.1	27.0	9.3	1.7
Other expenses	26.8	21.7	33.9	23.7	-20.9
Operational Expenses	81.4	74.8	82.9	8.9	-1.8
Advertisement and Sales promotion	17.1	14.7	11.4	16.6	49.9
Royalties	17.5	15.2	11.2	14.5	55.5
EBITDA	93.3	55.3	121.0	68.8	-22.8
EBITDA Margin (%)	35.4	26.7	42.1	866 bps	-668 bps
Depreciation	23.6	17.5	23.7	35.2	-0.1
Interest	2.2	1.0	2.1	121.4	5.3
Total Tax	18.6	14.5	29.3	28.1	-36.4
PAT	51.6	36.7	75.4	40.6	-31.6

Source: Company, ICICI Direct Research

Exhibit 2: Segmental Projections

	FY24	FY25	FY26	FY27E	FY28E	FY19-24 CAGR	FY 26-28 CAGR (%)
TV, Events & Film business	***130***	***477***	***170***	***174***	***196***	27%	7%
Music Business (A+B+C)	***674***	***694***	***814***	***1014***	***1209***	16%	22%
A. Carvaan	130	82	70	72	73	-4%	2%
B. Music Licensing	523	543	614	752	916	15%	22%
C. Artist Management	21	69	131	190	220	NA	30%
Revenue	**803.0**	**1171.4**	**984.6**	**1187.3**	**1405.2**	17%	19%
EBITDA	**246.6**	**277.0**	**336.8**	**411.6**	**498.9**	21%	22%
EBITDA Margin (%)	**30.7**	**23.6**	**34.2**	**34.7**	**35.5**		

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement	₹ crore		
(₹ Crore)	FY26	FY27E	FY28E
Total operating Income	984.6	1,187.3	1,405.2
Growth (%)	-15.9	20.6	18.4
Contract manf. charges	48.7	52.0	53.0
Cost of prod. of TV,Films	269.1	316.8	366.3
Employee Expenses	109.0	123.5	146.1
Other Expenses	221.1	283.4	340.9
Total Op. Expenditure	647.9	775.7	906.4
EBITDA	336.8	411.6	498.9
Growth (%)	21.6	22.2	21.2
Depreciation	81.6	95.0	101.2
Interest	5.4	8.7	8.0
Other Income	42.9	36.0	50.0
Exceptional Items	8.5	-	-
PBT	284.1	344.0	439.7
MI/PAT from associates	0.0	0.0	0.0
Total Tax	78.4	89.7	114.3
PAT	207.1	253.0	323.4
Growth (%)	1.4	22.2	27.8
EPS (₹)	10.7	13.1	16.8

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement	₹ crore		
(Year-end March)	FY26	FY27E	FY28E
Profit after Tax	207.1	253.0	323.4
Add: Depreciation	81.6	95.0	101.2
Add: Interest Paid	5.4	8.7	8.0
(Inc)/dec in Current Assets	-156.8	-136.6	-149.2
Inc/(dec) in CL and Prov.	45.2	12.1	92.4
CF from op. activities	182.4	232.1	375.7
(Inc)/dec in Investments	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	15.8	-150.0	-150.0
Others	-558.9	0.0	0.0
CF from inv. activities	-543.1	-150.0	-150.0
Change in Reserve & Surp.	-97.8	-154.2	-154.2
Inc/(dec) in loan funds	70.4	0.0	0.0
Interest paid	-5.4	-8.7	-8.0
Others	-0.9	0.0	0.0
CF from fin. activities	-33.7	-162.9	-162.2
Net Cash flow	-394.4	-80.8	63.5
Opening Cash	543.7	149.3	68.4
Closing Cash	149.3	68.4	131.9

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet	₹ crore		
(Year-end March)	FY26	FY27E	FY28E
Equity Capital	19.3	19.3	19.3
Reserve and Surplus	1,673.4	1,772.1	1,941.2
Total Shareholders funds	1,692.7	1,791.4	1,960.5
Total Debt	70.4	70.4	70.4
Minority Interest	2.5	2.5	2.5
Deferred Tax Assets	58.8	58.8	58.8
Total Liabilities	1,824.4	1,923.1	2,092.2
Gross Block	988.9	1,138.9	1,288.9
Less: Acc Depreciation	253.4	348.4	449.6
Net Block	735.5	790.5	839.3
Capital WIP	-	-	-
Total Fixed Assets	735.5	790.5	839.3
Investments	378.6	378.6	378.6
Other non current Assets	54.3	54.3	54.3
Debtors	176.9	178.9	211.7
Loans and Advances	49.1	59.2	70.1
Other Current Assets	233.0	275.6	321.4
Cash	149.3	68.4	131.9
Inventories	243.4	325.3	385.0
Total Current Assets	851.7	907.5	1,120.2
Creditors	157.6	130.1	154.0
Provisions	76.8	63.4	75.1
Other Current Liabilities	257.0	309.9	366.8
Total Current Liabilities	491.4	503.5	595.9
Net Current Assets	360.3	404.0	524.3
Application of Funds	1,824.4	1,923.1	2,092.2

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios			
(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
EPS	10.7	13.1	16.8
Cash EPS	15.0	18.0	22.0
BV	87.8	92.9	101.7
DPS	6.0	8.0	8.0
Cash Per Share	7.7	3.5	6.8
Operating Ratios (%)			
Adj. EBITDA Margin	34.2	34.7	35.5
PBT / Total Op. income	25.9	26.7	28.3
PAT Margin	21.0	21.3	23.0
Inventory days	90.2	100.0	100.0
Debtor days	65.6	55.0	55.0
Creditor days	58.4	40.0	40.0
Return Ratios (%)			
RoE	12.2	14.1	16.5
RoCE	16.3	18.3	21.4
RoIC	26.2	27.4	31.6
Valuation Ratios (x)			
P/E	51.9	42.5	33.2
EV / EBITDA	30.5	25.2	20.6
EV / Net Sales	10.4	8.7	7.3
Market Cap / Sales	10.9	9.0	7.6
Price to Book Value	0.0	0.0	0.0
Solvency Ratios			
Debt/EBITDA	0.2	0.2	0.1
Debt / Equity	0.0	0.0	0.0
Current Ratio	1.5	1.7	1.7
Quick Ratio	1.0	1.1	1.1

Source: Company, ICICI Direct Research

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Sell: <-15%

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