Saregama India (SAREIN)

CMP: ₹638 | Target ₹ 740 (16%) | Target Period: 12 months | BUY

November 5, 2026

Strong Performance!

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.

Q2FY27 performance: Revenues were up 36.6% YoY at ₹ 314 crore, driven by strong performance across segments such as music and artist management. **The licencing revenues at ₹ 180 crore was up 28.8% YoY, and Artist Management revenues were up 95.3% YoY at ₹ 51 crore.** The TV & Films segment revenues were down 16% YoY at ₹ 18 crore, while Carvaan sales volumes were up 5% YoY to 62000 units with revenues at ₹ 21 crore, up 1.9% YoY. EBITDA was up 48.3% YoY at ₹ 102 crore with EBITDA margin at 32.4%, up 255 bps YoY, given the operating leverage and revenue mix. Consequent PAT was at ₹ 64.6 crore was up 47.6% YoY, owing to healthy operating performance.

Investment Rationale:

- **Strong medium-term outlook in Music Segment:** Management highlighted that paid subscriptions are growing much faster than ad-supported music, with a higher revenue yield per listen. **Platforms including Spotify, YouTube and JioSaavn are working with labels to accelerate paid conversion. Management reiterated its medium-term music vertical revenue growth guidance of 20–23% CAGR. We estimate ~24% CAGR in B2B (licensing) music sales over FY26-28E to ₹ 937 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:** Management indicated that content acquired over the last two to four years is now contributing higher incremental revenue relative to the content cost being charged off. We expect EBITDA **margins to improve led by operating leverage at 35.5%/36.1% in FY27/FY28 vs. 34.2% in FY26**. The healthy growth in topline coupled with stable margins will result in ~28% 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*), market share gains along with paid subscription acceleration in India. **We maintain BUY with a target price of ₹ 740, assigning a target multiple of 42x 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 the medium term.**

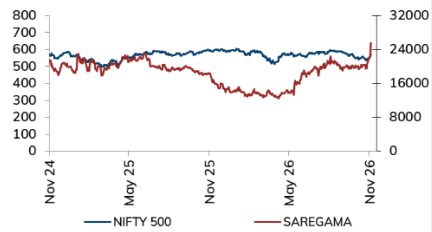
Particulars

Particular	Amount
Market Cap (₹ crore)	12,301
Total Debt (FY26)	₹ 70 Crore
Cash & Inv. (FY26)	₹ 528 Crore
EV	₹ 11773 Crore
52 week H/L (₹)	671/ 307
Equity capital (₹ cr)	19.3
Face value (₹)	1.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoters	60.4	60.8	60.8	60.8
FII	5.0	7.1	8.6	9.4
DIIs	14.2	12.2	11.5	11.9
Public	20.4	19.9	19.1	17.9

Price Chart



Key risks

- Slower music licensing growth
- High losses in films foray

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Result Update

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	1,219.7	1,445.0	21.1
EBITDA	246.6	277.0	336.8	20.9	432.6	521.0	24.4
Net Profit	197.6	204.2	207.1	13.0	270.7	339.1	28.0
EPS (₹)	10.2	10.6	10.7		14.0	17.6	
P/E (x)	62.3	60.2	59.4		45.4	36.3	
Price / Book (x)	8.4	7.8	7.3		6.8	6.2	
EV/EBITDA (x)	47.2	42.0	35.2		27.5	22.7	
RoCE (%)	18.0	16.9	16.3		19.2	22.0	
RoE (%)	13.4	12.9	12.2		15.0	17.0	

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 content budgets thereafter expected to increase by around 10% annually.
- Music Vertical & Content Strategy: The music vertical recorded revenue of ₹251 crore, up 35% YoY, with EBITDA growth of 37% YoY, as per management commentary. Profitability is benefiting from content acquired over the last two to four years, where incremental revenue is now materially higher than the corresponding content cost charge-off. **H1 releases included I-Popstar albums in Hindi and Tamil, Haryanvi and Bihari songs and Nijjar's Punjabi album. The Telugu album Paradise was the quarter's biggest film hit, with Yeshanagula reaching the global No. 1 position on YouTube's daily music video charts. H2 releases include Love & War, Seyon, Dharma, Naagzilla and a Tiger Shroff film produced by Bhansali Productions**.
- Subscription & Streaming Dynamics: Management highlighted that paid subscriptions are growing much faster than ad-supported music, with a higher revenue yield per listen. Platforms including Spotify, YouTube and JioSaavn are working with labels to accelerate paid conversion. **Management cited a consumer study indicating that 64% of free music users would shift to a reasonably priced paid service if free supply were curtailed. Pricing is expected to emerge as an additional growth lever over the next two to three years**.
- Artist Management: Saregama **represented 340 artists with over 450 million combined Instagram and YouTube followers at quarter-end**. The business monetises artists through live bookings, weddings and brand endorsements. The company also completed over 20 brand deals during the quarter with partners including Apple, Airbnb, Google, Cadbury and Tanishq, creating an additional high-margin revenue stream across music, live events and short-format videos.
- Live Events & Brand Partnerships: The company produced 54 Carvaan Live shows in Q2, serving around 10,000 audiences, and completed Ilaiyaraaja's US tour across 11 cities, serving around 20,000 audiences. It also held 17 devotional shows. Management is shifting the mix gradually towards owned event IPs such as Carvaan Live, UN40, Hahakaar and Krishna. Initial investments in owned IPs are being expensed, impacting near-term profitability; however, management believes these formats can provide greater control and pricing power over the long term. **Q2 event revenue was at ₹45 crore, with H1 at ₹61 crore**.
- Video Segment: Video vertical revenue declined 16% YoY to ₹18 crore, following the planned wind-down of the film business and investment in Bhansali Productions; **management indicated that revenue may decline further during the transition**. The focus remains on Gen Z-oriented short-format content, TV and web shows, generally with an advertiser or platform lined up before production. **Pocket Aces achieved breakeven in FY26 and is moving towards profitability in FY27. Bhansali Productions is preparing for Love & War in Q4 and is working on its FY28 slate**.
- AI Initiatives: Management's approach remains focused on licensed AI innovation and protection of intellectual property against unlicensed covers and remakes. It indicated that two internal teams are working on content creation and process optimisation and ~100 hours of podcast content using GenAI tools are planned for Q3. The process team has already delivered marginal manpower cost savings, with the full impact expected over the next few quarters.

Exhibit 1: Quarter performance

	Q2FY27	Q2FY26	Q1FY27	YoY (%)	QoQ (%)
TV, Events & Film business	**113.6**	**69.9**	**79.0**	**62.5**	**43.8**
Revenue from Music Business	**200.7**	**160.1**	**184.6**	**25.3**	**8.7**
Carvaan	**21.1**	**20.7**	**17.5**	1.9	20.6
Music Streaming	**179.6**	**139.4**	**167.1**	28.8	7.5
Artist Management	**50.6**	**25.9**	**46.0**	95.3	9.8
Licencing Revenues	**179.6**	**139.4**	**167.1**	28.8	7.5
	Q2FY27	**Q2FY26**	**Q1FY27**	**YoY (%)**	**QoQ (%)**
Revenue	314.3	230.0	263.6	36.6	19.2
Other Income	9.2	11.5	3.0	-20.1	205.3
Employee Expenses	33.7	29.6	27.5	13.8	22.6
Other expenses	28.0	20.6	26.8	36.2	4.5
Operational Expenses	118.5	80.0	81.4	48.2	45.5
Advertisement and Sales promotion	13.8	12.2	17.1	13.0	-19.3
Royalties	18.3	18.9	17.5	-3.3	5.0
EBITDA	102.0	68.8	93.3	48.3	9.3
EBITDA Margin (%)	32.4	29.9	35.4	255 bps	-296 bps
Depreciation	24.0	19.0	23.6	26.5	1.7
Interest	1.3	1.1	2.2	16.8	-39.2
Total Tax	21.6	16.3	18.6	32.8	15.9

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**	**188**	**215**	27%	13%
Music Business (A+B+C)	**674**	**694**	**814**	**1032**	**1230**	16%	23%
A. Carvaan	130	82	70	75	73	-4%	2%
B. Music Licensing	523	543	614	765	937	15%	24%
C. Artist Management	21	69	131	193	220	NA	30%
Revenue	**803.0**	**1171.4**	**984.6**	**1219.7**	**1445.0**	17%	21%
EBITDA	**246.6**	**277.0**	**336.8**	**432.6**	**521.0**	21%	24%
EBITDA Margin (%)	**30.7**	**23.6**	**34.2**	**35.5**	**36.1**		

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(₹ Crore)	FY26	FY27E	FY28E
Total operating Income	984.6	1,219.7	1,445.0
Growth (%)	-15.9	23.9	18.5
Contract manf. charges	48.7	53.5	53.0
Cost of prod. of TV,Films	269.1	336.1	383.2
Employee Expenses	109.0	127.9	150.3
Other Expenses	221.1	269.6	337.5
Total Op. Expenditure	647.9	787.1	924.0
EBITDA	336.8	432.6	521.0
Growth (%)	21.6	28.5	20.4
Depreciation	81.6	97.6	104.0
Interest	5.4	6.1	6.0
Other Income	42.9	37.2	50.0
Exceptional Items	8.5	-	-
PBT	284.1	366.0	461.0
MI/PAT from associates	0.0	0.0	0.0
Total Tax	78.4	94.8	119.9
PAT	207.1	270.7	339.1
Growth (%)	1.4	30.7	25.3
EPS (₹)	10.7	14.0	17.6

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit after Tax	207.1	270.7	339.1
Add: Depreciation	81.6	97.6	104.0
Add: Interest Paid	5.4	6.1	6.0
(Inc)/dec in Current Assets	-156.8	-158.7	-154.3
Inc/(dec) in CL and Prov.	45.2	25.8	95.6
CF from op. activities	182.4	241.5	390.4
(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	-6.1	-6.0
Others	-0.9	0.0	0.0
CF from fin. activities	-33.7	-160.4	-160.2
Net Cash flow	-394.4	-68.9	80.1
Opening Cash	543.7	149.3	80.4
Closing Cash	149.3	80.4	160.5

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	1,789.9	1,974.8
Total Shareholders funds	1,692.7	1,809.2	1,994.1
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	1,940.9	2,125.7
Gross Block	988.9	1,138.9	1,288.9
Less: Acc Depreciation	253.4	351.0	455.0
Net Block	735.5	787.9	833.9
Capital WIP	-	-	-
Total Fixed Assets	735.5	787.9	833.9
Investments	378.6	378.6	378.6
Other non current Assets	54.3	54.3	54.3
Debtors	176.9	183.8	217.7
Loans and Advances	49.1	60.8	72.1
Other Current Assets	233.0	282.4	329.8
Cash	149.3	80.4	160.5
Inventories	243.4	334.2	395.9
Total Current Assets	851.7	941.5	1,176.0
Creditors	157.6	133.7	158.4
Provisions	76.8	65.2	77.2
Other Current Liabilities	257.0	318.4	377.2
Total Current Liabilities	491.4	517.2	612.8
Net Current Assets	360.3	424.3	563.3
Application of Funds	1,824.4	1,940.9	2,125.7

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
EPS	10.7	14.0	17.6
Cash EPS	15.0	19.1	23.0
BV	87.8	93.8	103.4
DPS	6.0	8.0	8.0
Cash Per Share	7.7	4.2	8.3
Operating Ratios (%)			
Adj. EBITDA Margin	34.2	35.5	36.1
PBT / Total Op. income	25.9	27.5	28.9
PAT Margin	21.0	22.2	23.5
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	15.0	17.0
RoCE	16.3	19.2	22.0
RoIC	26.2	28.9	33.0
Valuation Ratios (x)	-	-	-
P/E	59.4	45.4	36.3
EV / EBITDA	35.2	27.5	22.7
EV / Net Sales	12.0	9.8	8.2
Market Cap / Sales	12.5	10.1	8.5
Price to Book Value	-	-	-
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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