

Sector Thematic

Company

Saregama India

CMP : INR 410

TP : INR 559

Rating : Buy

Tips Industries

CMP : INR 422

TP : INR 569

Rating : Buy

The India music industry is expected to grow at a 15% CAGR over the next three years and is expected to reach INR 37 Bn by year 2026. In year 2023, the Indian music segment grew by 10%, reaching INR 24 Bn. Film music comprised 64% of total music consumption, but artist-driven music continued to grow and reached 27% of the total music consumed. Digital revenues accounted for 87% of total music segment revenues, and streaming platform revenues, including YouTube, increased by nearly 9% YoY to INR 18 Bn in 2023. Saregama India Ltd. has entered the rapidly expanding digital media space with its recent acquisition of Pocket Aces. In FY23, Saregama generated INR 4,410 Mn in licensing revenue with over 150,000 songs, and 48% of the licensing revenue now comes from 21st-century songs. Tips Industries has seen significant success with its catalog, leading to a rise in their market share. In FY24 Tips posted an EBITDA margin of 66%. Their goal is to attain an 11%-12% market share in the next 3 to 4 years based on current content, catalog and new release strategies. The collective revenue (FY23) market share of Tips Industries and Saregama is 32%.

Increasing smartphone adoption to drive Music streaming growth

The smartphone market in India is expected to experience 11% annual growth over the next decade. India, with a population of 1.42 Bn, currently has nearly more than 750 Mn smartphone users, among which around 350 Mn consume online music content and approximately 185 Mn are monthly active users on Music streaming platforms and apps. Over the next 4-5 years, India is set to witness significant growth in the number of individuals utilizing smartphones for music consumption. With increasing smartphone adoption, especially among the younger population, and the impending transition of 2G users to 4G or 5G networks facilitated by the availability of more affordable smartphones there is substantial market potential for Music streaming and growth in monthly active users.

Music licensing: Major revenue source in Music Industry

The music licensing segment has thrived as piracy has diminished. Saregama has taken advantage of this situation, consistently surpassing industry growth. The music licensing segment of Saregama has grown by 23% CAGR from FY19-23. Licensing revenue for Tips experienced an annual growth rate of about 30% in FY24 with focus on the domestic front. Saregama's revenue is largely driven by music licensing, which contributes 61% to their revenue in FY23.

AI's transformative impact enhancing music listening experiences

The music industry is undergoing a revolutionary transformation propelled by AI. AI, particularly generative AI, can provide a significant boost of INR 450 Bn to the Indian media and entertainment (M&E) sector by 2027. AI can result in 10% revenue growth and 15% cost efficiency for the M&E sector. 85% of M&E CXOs believe generative AI will drive innovation, with the biggest impact in content development (90%), product development (65%), and customer experience (60%). 70% believe generative AI will amplify the potential of the existing workforce as new opportunities emerge. Predictive AI investments and in-house developed generative AI enhance learning from existing music, serving as a catalyst for global audience discovery and immersive sound experiences.

Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Executive Summary

Music industry is at the centre of entertainment landscape and resonating deeply with individuals worldwide. The music industry, with its web of artists, producers, distributors and platforms contributes significantly to global economies.

The global music industry is predominantly controlled by three major record labels - **Universal Music Group, Sony Music Entertainment and Warner Music Group.**

Sony Music has a **content distribution deal** with **Tips Industries**, playing a key role in distributing their content to platforms such as Spotify and Apple Music, among others. In Q4FY24 Warner Music renewed its deal with TIPS for another 4 years to distribute Hindi content to global audio and OTT players. Also, TIPS **have given rights** to various broadcasting channels including Sony to use their content in shows like “The Kapil Sharma Show” and “India Idol”. and otIn FY23 Spotify led India's music and audio streaming market with a **26% share compared to 11% in FY20**, surpassing JioSaavn, Wynk, Apple Music, YouTube Music, Amazon Prime Music, Gaana other players in the market. Ever since Spoitfy’s launch in India it has been aggressively marketing its platform, encouraging users to opt for paid subscriptions. Considering the recent competition for top YouTube subscribers on a global scale, T-Series dominates the Indian music market. Among the listed companies in India, Saregama and Tips stand out. Currently, Music streaming apps has a base of **approximately 185 million active monthly users**. Film music rebounded after the pandemic, with the opening of cinemas and the release of over **1,796 films in 2023**.

Saregama has chosen to remain a content provider, distributing its work across platforms like YouTube, Netflix, and Spotify non-exclusively, rather than creating its own direct-to-consumer channel. The company is anticipating increased revenues in streaming platform due to shift towards subscription-based revenue models. Tips Industries concentrates on music production, aiming to release around **150-200 songs in FY25, focusing more on quality rather than quantity** and adapting to the rising demand for regional languages. Both companies show adaptability to industry trends, diversifying their content portfolios for ongoing success in the evolving entertainment landscape.

Exhibit 1: Comparative Financials and Valuation

Company	Rating	CMP (INR)	TP (INR)	EPS (INR)			P/E(x)		
				FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Saregama India	Buy	410	559	13.30	17.00	22.10	30.84	24.13	18.55
Tips Industries	Buy	422	569	12.69	16.48	21.59	33.25	25.61	19.55

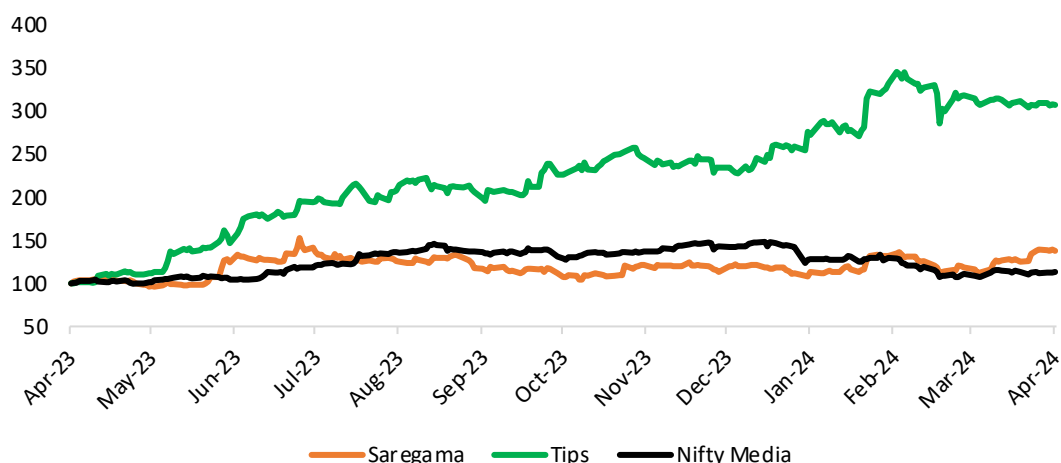
Company	Revenue (INR mn)			EBIDTA (INR mn)			EBIDTA Margin (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Saregama India	11,072	14,364	18,362	3,425	4,551	5,898	30.93	31.68	32.12
Tips Industries	3,104	4,014	5,218	2,044	2,668	3,501	65.84	66.47	67.09

Company	PAT (INR mn)			CFO (INR mn)			Capex (INR mn)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Saregama India	2,563	3,276	4,262	2,085	2,831	3,857	1,218	1,365	1,653
Tips Industries	1,622	2,107	2,760	1,681	2,423	3,063	93	120	157

Company	ROCE (%)			RoE (%)			OCF/EBITDA (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Saregama India	16.34	18.79	20.61	14.17	15.33	16.63	60.87	50.90	65.90
Tips Industries	62.21	63.25	55.68	67.68	65.33	53.52	82.24	90.81	87.49

Source: Arihant Research, Company Filings

Exhibit 2: Performance of Tips Industries and Saregama India with Nifty Media



Source: Arian Research, Company Filings

In both Tips Industries and Saregama India, we believe there's potential for strong performance. Their strategic positioning and growth prospects contribute to a positive outlook.

Saregama India: Saregama's positive outlook stems from its vast music licensing business and extensive catalogue of 150,000 songs spanning multiple languages. The company is experiencing significant growth due to the rising music listenership in India. Saregama's proactive approach includes acquiring new music across various languages, further increasing its offerings. With over 100 million users primarily on YouTube, Saregama is expanding its reach to younger audiences by acquiring Pocket Aces, through which it has gained an additional 100+ million users and followers on newer age platforms like Instagram. **We expect Saregama's revenue, EBITDA and PAT to grow at a CAGR of 28.48%, 31.44%, and 27.14%, respectively, over FY25E-27E. We initiate coverage with a "BUY" rating at a Target Price of INR 559 per share based on DCF; an upside of 36.4%.**

Tips Industries: The company expects a 30% increase in top-line as well as bottom line in FY25 with an aim to release about 150 – 200 new songs. For FY25 the company is focusing on quality rather than quantity, keeping the content acquisition budget same at around INR 750 to 800 Mn, the company has plans to acquire rights music right for big budget films. With the Warner deal getting renewed for another 4 years, Tips Industries remains optimistic about its business performance, market share and revenue potential across various platforms. **We expect Tips industries' revenue, EBITDA and PAT to grow at a CAGR of 29.6%, 30.9%, and 30.4%, respectively, over FY25-27E. We initiate coverage with a "BUY" rating at a Target Price of INR 569 per share based on DCF; an upside of 34.8%**

Exhibit 3: Estimated financial performance from FY25 to FY27 (%)

Company	Revenue growth	EBITDA growth	PAT growth	Average EBITDA Margin	Average PAT Margin	Average ROE	Average ROCE
Saregama India	28.48	31.44	27.14	30.87	23.30	14.28	16.41
Tips Industries	29.65	30.88	30.43	66.47	52.54	62.18	60.38

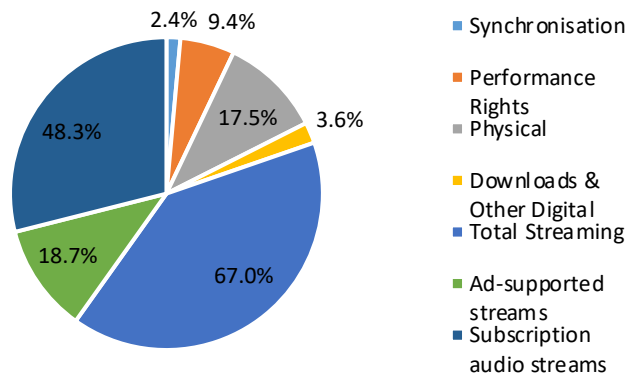
Source: Arian Research, Company Filings

Global Music Industry to reach US\$ 34 billion by FY27

Global Music Streaming Market Trends

- Global music streaming revenue is anticipated to climb to **US\$ 33.97 billion by FY27 at a 7.08% annual growth rate.**
- Global numbers of users is expected to reach 1.1 billion by FY27, projecting a user penetration rate of 14.1% (up from 12.0% in 2023).

Exhibit 4: Segment-wise global music revenues in FY22



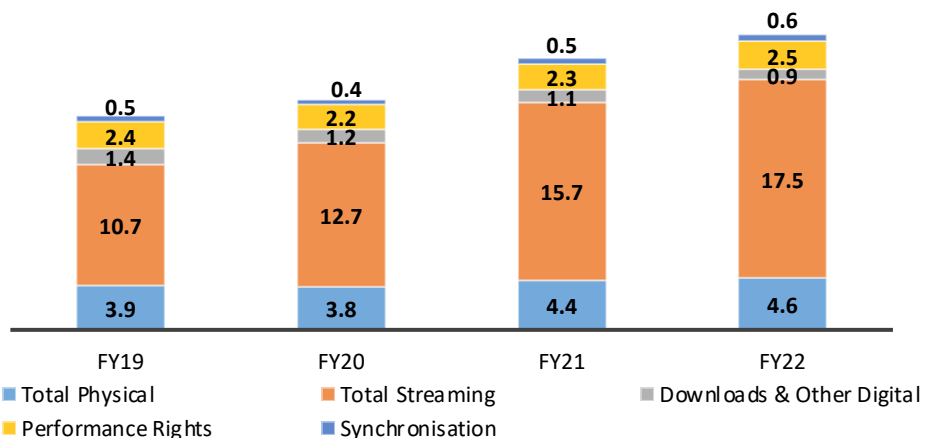
Source: IFPI

The music industry involves individuals and entities earning revenue through activities such as songwriting, producing and marketing music, organizing concerts and supporting music creators. The Music Market Landscape is categorized by Revenue Generation Formats which includes Physical Products, Performance Rights, and Synchronization Revenues etc across different geographical regions like Europe, Asia Pacific, Latin America and the Middle East and Africa.

In 2022, revenue increased in almost all format categories, with streaming remaining the primary contributor to the global revenue mix. Although the growth rates for all formats were lower compared to the previous year, where exceptional growth was partly due to a post-pandemic surge. Streaming experienced double-digit gains, and the physical market showed resilience.

The industry is somewhat concentrated with key players like UMG, Warner and Sony Music dominating recording services. Streaming service providers face intense competition, prompting continuous investments in partnerships and product development to increase market share. Notably, in April 2023, Sony Music Entertainment UK revealed the relaunch of Epic Records UK, aiming to position it as a leading label alongside other renowned Sony Music labels like RCA, Columbia, and Ministry of Sound, with a focus on promoting global music.

Exhibit 5: Global record music industry revenues (USD Bn)



Source: IFPI

Industry Overview

Revenue from music streaming has grown YoY since the mid-2000s

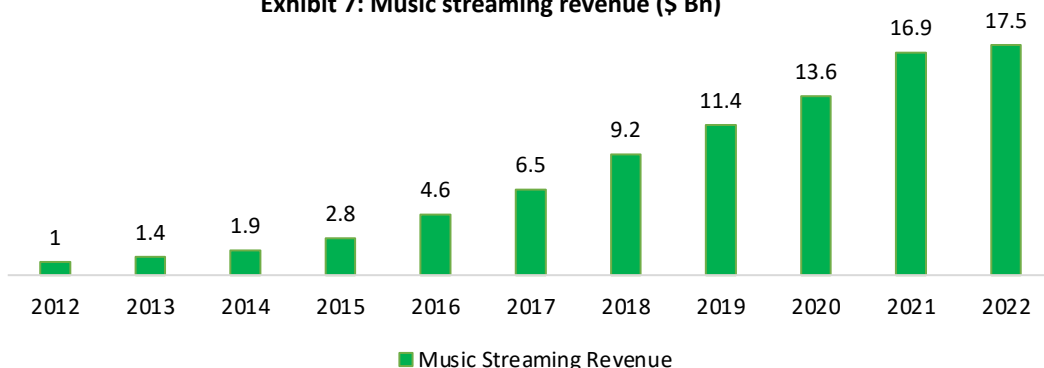
- Worldwide, music streaming platforms account for **67%** of the overall revenue in the music industry.
- Overall, music streaming contributes to 84% of the revenue in the US music industry, whereas physical sales make up only 10%.
- From Q4FY15 to Q2FY22, the count of music streaming subscribers surged from 68 million to 616.2 million, marking an almost tenfold increase.
- The industry is witnessing a significant shift towards subscription-based revenue models by streaming platforms.

Exhibit 6: Share of music industry revenue

Region	Music Streaming	Physical Sales
US	84%	10%
World	67%	16%

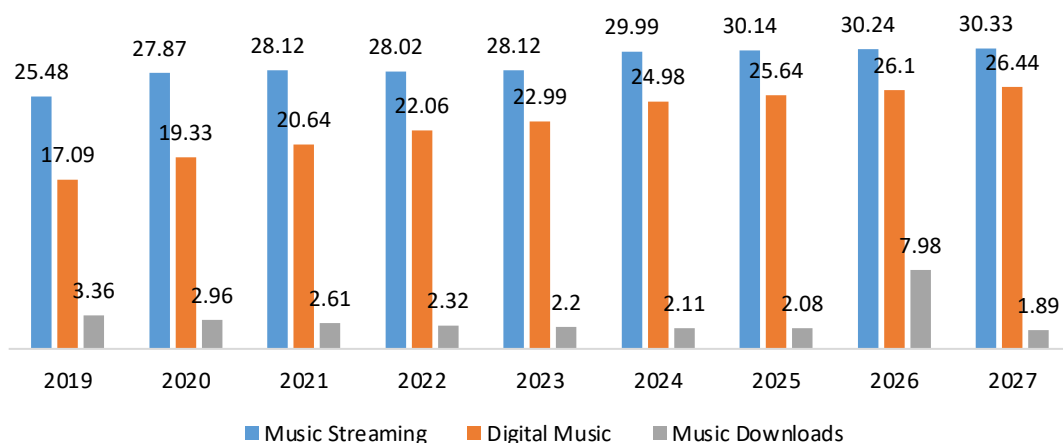
Source: IFPI, RIAA

Exhibit 7: Music streaming revenue (\$ Bn)



The growth in paid subscriptions has provided the music industry with a strong foundation. Paid music streaming now constitutes 48% of total music consumption and has contributed to a 9% growth in the global recorded music market in 2022. A key challenge for the entire music industry is to transition users from ad-supported services to paid subscriptions.

Exhibit 8: Music streaming revenue could surpass \$30 Bn by 2025



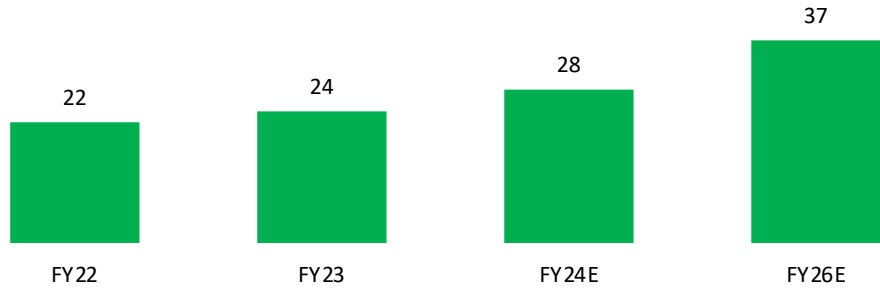
Source: Statista

Industry Overview

Music Streaming Market in India

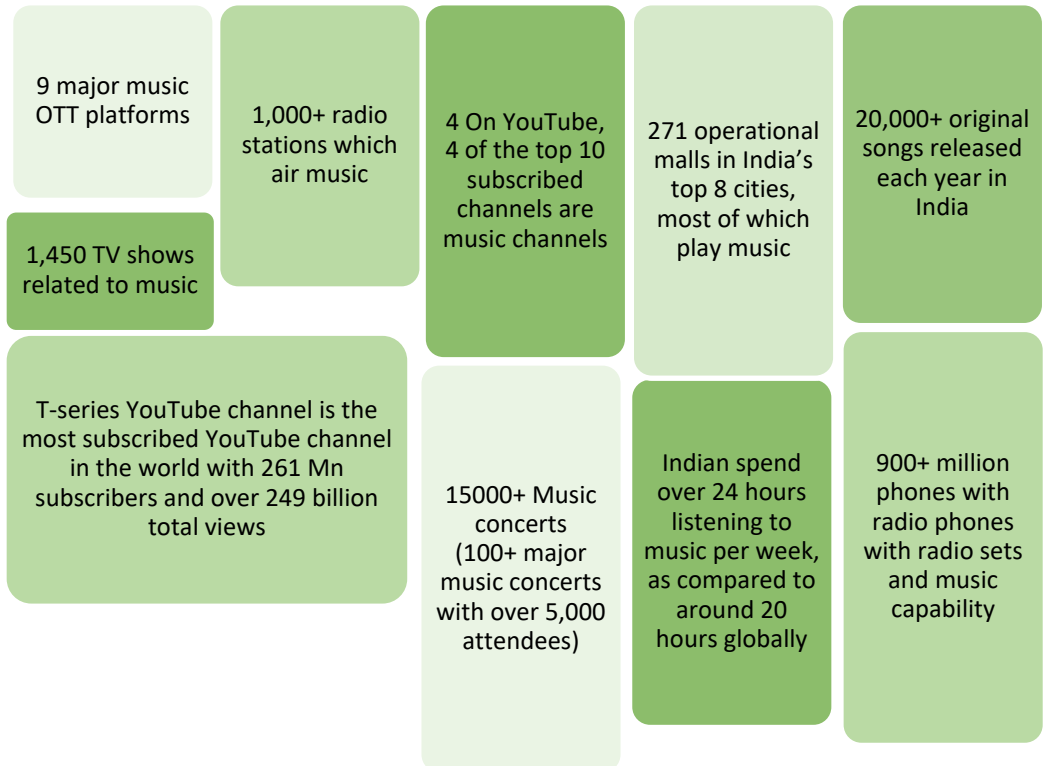
- The music industry is expected to grow at a **CAGR of 15%** to reach **INR 37 billion** by 2026.
- Currently, Music streaming apps had a base of approximately **185 Mn active monthly** users. The **paid subscriber** base stands at around **7.5 Mn** in 2023
- Indian consumers spent **24.4 hours/week** listening to music which is **higher** than global average of **20.1 hours/week**.

Exhibit 9 : Value of the music industry in India with estimates until FY26 (INR Bn)



Source: EY-FICCI M&E 2024

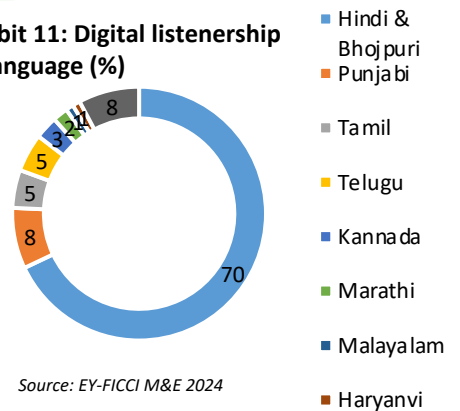
Exhibit 10: Music holds a significant role in India



Regional Music Growth

- Music from South Indian languages like Kannada, Malayalam, Tamil, and Telugu is getting really popular and has **14% contribution** in Digital listenership by language in 2023.
- Competition to acquire Tamil and Telegu music has increased. In 2023, 'Pushpa: The Rule' was sold for **estimated INR 650 Mn**.
- Punjabi Music which is contributing 8% is now gaining popularity internationally.

Exhibit 11: Digital listenership by language (%)

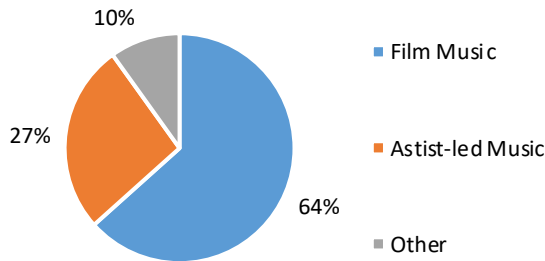


Source: EY-FICCI M&E 2024

Industry Overview

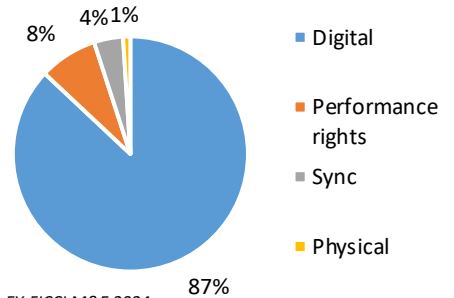
- The Indian music industry grew by **10%** to reach **INR 24,000 Mn in 2023**.
- **64%** of consumption was film music, this has reduced from ~80% three years ago as a more artist-driven industry emerged/
- Artist-driven music **comprised 27%** of the music consumed. 2023 marked the first time an Indian artist, Diljit Dosanjh, performed at the Coachella Valley Music and Arts Festival.
- Revenues at a **label level** increased from INR 25 billion in 2022 to **INR 29 billion** in 2023, driven by a growth in digital revenues of **17%** and performance rights of **20%**

Exhibit 12: Digital listenership by genre



Source: EY-FICCI M&E 2024

Exhibit 13: Break up of music segment revenue

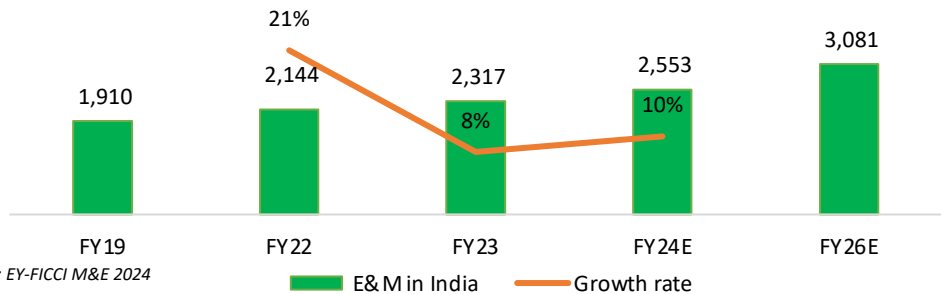


Source: EY-FICCI M&E 2024

Entertainment & Media Industry Projections

- Overall, M&E sector is expected to grow **10.2%** to reach **INR 2.55 trillion** by 2024, then grow at a **CAGR of 10%** to reach **INR 3.08 trillion** by 2026.
- While television remained the largest segment in 2023, the digital media is expected to overtake it in 2024.
- New media (digital and online gaming) grew the most, accounting for INR 122 billion of total growth, and increased its contribution to the M&E sector from 20% in 2019 to 38% in 2023.

Exhibit 14: Entertainment and media industry in India (INR Bn)

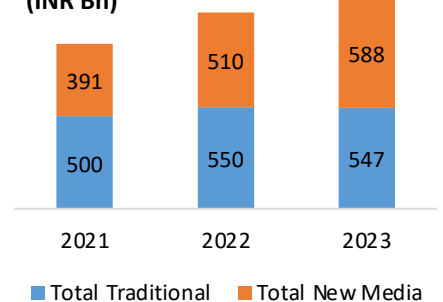


Source: EY-FICCI M&E 2024

Advertising

- Traditional media advertising remained stagnant, while new media advertising grew rapidly in 2023.
- **New media** advertising accounted for **52%** of total advertising and **105%** of absolute advertising growth.
- Digital media comprised **51%** of total ad spends, up from 31% pre-pandemic, and contributed the highest share of advertising in India.
- National media [television + new media] accounted for 78% of total advertising spending.

Exhibit 15: Ad revenue by Segment (INR Bn)



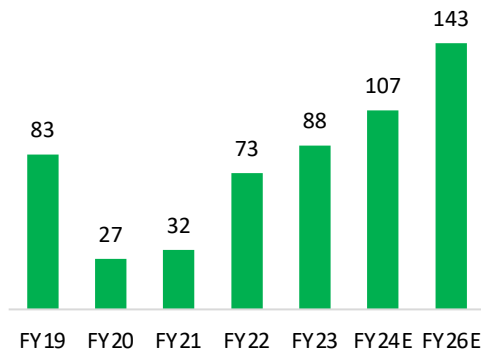
Source: EY-FICCI M&E 2024

Enhancements in Mobile Broadband (eMBB) impact

- Enhancements in mobile broadband will **boosts traditional media (music, video, games)** via increased data capacity and **wider mobile network coverage**.
- Faster bandwidth and lower latency improve **AR and VR experiences**, offering users more immersive content.
- The 5G Release **includes multicast and broadcast services (MBS)**, which improve TV and video distribution for better content delivery.

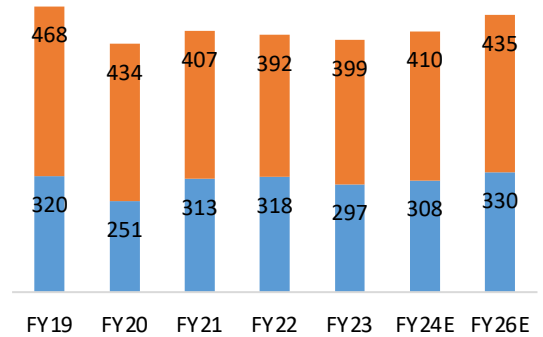
Industry Overview

Exhibit 16: Organized live events revenues in (INR Bn)



Source: EY-FICCI M&E 2024

Exhibit 17: TV segment revenues in (INR Bn)



Source: EY-FICCI M&E 2024

The live events segment is expected to grow at a CAGR of 18% over the next three years to reach INR 143 bn by FY26.

Exhibit 18: AI is transforming TV and video

Production

- Automated captioning & dubbing
- Advanced, automated camera operations & video capture
- Automated clip and trailers generation
 - Video upscaling
- Virtual sets & AR overlay graphics
- Generative AI (e.g. story-boarding, script generation, aging/de-aging actors, 3D virtual presenters)

Monetization

- Augmented analytics & modelling to support business decisions (e.g. optimum content bundles, churn prevention, TV/ film investments)
- AI enhanced TV advertising (e.g. optimized ad insertion, product placements, automated ad workflows)

Exhibit 19: Music Apps rating and Market Share (Global)

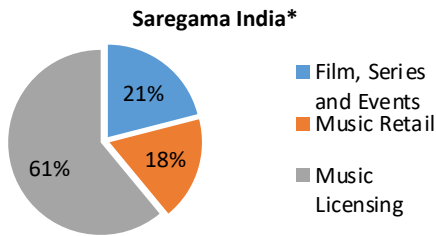
Sr No.	Service	Features	Rating	Market share
1	Spotify	Best music streaming service overall	9.5/10	30.5%
2	Apple Music	Best alternative to Spotify, library of more than 100 million songs	9/10	13.7%
3	Tencent Music	Tencent Music's apps include QQ Music, Kugou, Kuwo, and WeSing.	NA	13.4%
5	Amazon Music Unlimited	Best for Prime members, library of more than 70 million songs	8/10	13.3%
6	YouTube Music	Best for music videos, personalized playlists	8/10	8.9%

Source: Arihant Research, Company Filings

Industry Overview

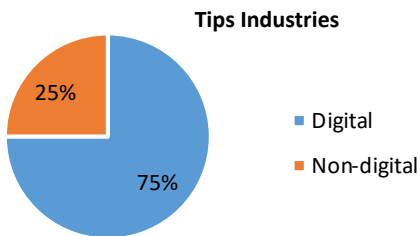
There are few major players in the industry including Saregama, Tips, Zee and Shemaroo.

Exhibit 20: Media & Entertainment players comparison based on revenue mix



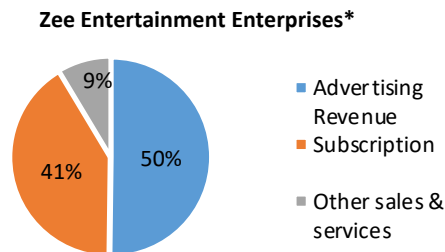
Source: Arianth Research, Company Filings
* As on FY23

Saregama derives a significant portion of its revenue from Music Licensing. Music Retailing along with Carvaan serves as a substantial revenue generator and an effective marketing tool.



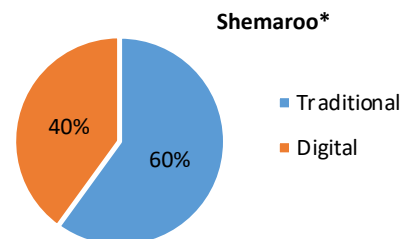
Source: Arianth Research, Company Filings

Tips Industries relies on licensing for its revenue, with 75% generated from Streaming and the remaining 25% from non-streaming/digital channels such as events, broadcasting, publishing, sync deals and more.



Source: Arianth Research, Company Filings
* As on FY23

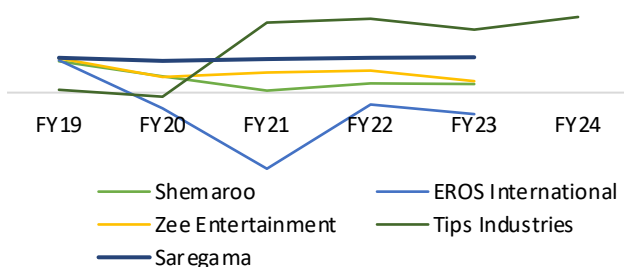
Zee recently experienced decline in advertising revenue, but it showed a growth in subscriptions and an increase in other sales and services in FY23. Their mix of income shows a good balance and highlights the importance of getting more subscribers in today's market.



Source: Arianth Research, Company Filings
* As on FY23

Shemaroo derives 60% of its revenue from digital channels, indicating that the company is adapting to the changing media landscape and seizing opportunities online.

Exhibit 21: EBIT trend M&E Players



Source: Arianth Research, Company Filings

Exhibit 22: Capex trend of M&E Players

Capex (INR Mn)	Saregama	Tips Industries	Shemaroo	ZEE	EROS
FY21	220	8	9	2,060	1,780
FY22	727	5	31	2,360	337
FY23	1,030	7	196	2,680	10
FY24	1218*	28	NA	2307*	NA

* Estimated numbers
Source: Arianth Research, Company Filings

Industry Overview

Exhibit 23: Media & Entertainment players comparison

	Saregama India Ltd.	Zee Entertainment Enterprises Ltd.	Tips Industries	Shemaroo Entertainment Ltd.
Media and Entertainment	<ul style="list-style-type: none"> - Produced 26k+ hours of content for Sun TV. - Currently airing 3-4 serials, creating 16 hours of weekly content. - Saregama owns the IP of these serials. 	<ul style="list-style-type: none"> - Focus on expanding offerings across key markets. - Accelerating efforts in both movies and digital content. 	<ul style="list-style-type: none"> - Tips Industries Catalogue comprises of music in over 25 languages available across multiple platforms globally. - The company has 25+Partners across media business. 	<ul style="list-style-type: none"> - Offers diverse content across genres, including movies, TV shows, comedy, devotional and film music. It caters to audiences of all ages.
Film and Music Production	<ul style="list-style-type: none"> - Saregama licenses music for TV and films, collaborating with production houses. Yoodlee Films, its production arm, has created 25 movies and web series, catering to theatrical releases and digital platforms. 	<ul style="list-style-type: none"> - Zee Music Company (ZMC) is a major player in India's music space and film music consumption. With hits like 'Apna Bana Le' from Bhediya, ZMC continues to major player in market, acquiring diverse music across 22 languages, establishing itself as an authentic pan-Indian music label. 	<ul style="list-style-type: none"> - Tips Films have achieved success with movies like 'Footpath,' 'Ishq Vishk,' and 'Fida.' - Tips excels at innovative distribution strategies and setting trends. - In 2025 Tips is coming up with their new film "Ishq Vishk Rebound" which is set to release in Q1FY25. 	<ul style="list-style-type: none"> - The company launched a platform with a notable lineup of direct-to-digital movie releases, plays, and original web-series.
Digital Content Distribution	<ul style="list-style-type: none"> - Saregama's music library has 1.5 lakh songs which is licensed on global platforms, fueling rapid revenue growth. Yoodlee expands film production to meet regional content demand in diverse languages. 	<ul style="list-style-type: none"> - ZEE5, India's leading content platform, excels with its technology and premium content, catering to audience preferences for a personalized viewing experience. 	<ul style="list-style-type: none"> - Tips Industries globally licenses its vast music catalog on platforms like YouTube and Spotify. With 25+ media partners, it reaches 97 million subscribers on YouTube, driving rapid revenue growth. 	<ul style="list-style-type: none"> - ShemarooMe is the company's subscription-based streaming platform, and its library is also distributed on major platforms like Amazon Prime, MX Player, Jio, Netflix and others.

Exhibit 24: Media & Entertainment players comparison

Company Name	Price (INR)	Market Cap (INR Mn)	Sales (INR Mn) FY24	EBITDA (INR Mn) FY24	PAT (INR Mn) FY24	ROE (%)	ROCE (%)	Basic EPS	PE (x)	EV/EBITDA
Saregama India Ltd.	424	81,944	7,366	2,210	1,850	13.75	14.34%	9.60	44.21	34.72
Zee Entertainment Enterprises Ltd.	131	1,44,558	80,879	11,069	2,514	0.35%	7.94%	2.62	57.6	13.18
Tips Industries Ltd*.	422	54,196	2,416	1,585	1,272	70.85%	61.25%	9.90	70.8	52.24
Shemaroo Entertainment Ltd.	150	4,077	5,566	473	96	1.61%	5.25%	3.45	43.5	8.40

* Tips Industries number as on fy24
Source: Arihant Research, Company Filings

CMP: INR 410

Rating: Buy

Target Price: INR 559

Stock Info

BSE	532163
NSE	SAREGAMA
Bloomberg	SARE:IN
Reuters	SARE.NS
Sector	Media & Entertainment
Face Value (INR)	1.00
Equity Capital (INR Mn)	193
Mkt Cap (INR Mn)	79,051
52w H/L (INR)	476/295
Avg Yearly Vol (in 000')	501

Shareholding Pattern %

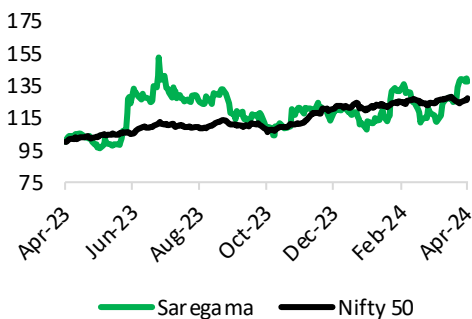
(As on Dec, 2023)

Promoters	59.09
FII	16.81
DII	2.62
Public & Others	21.48

Stock Performance (%)

	1m	3m	12m
Saregama	18.31	23.06	37.59
Nifty	2.57	3.83	27.02

Saregama India Ltd. Vs Nifty 50



Saregama India Ltd., is one of India's the oldest music label and a multi-language TV content producer. The company also holds intellectual property (IP) rights to over 40,000 hours of TV content in Hindi, Tamil, Telugu, Kannada, Malayalam, and Bengali. Currently, Saregama has the largest library of IP rights, including 150,000+ songs, 69 films and web series, and over 6,000 hours of television content. Saregama generates 61% of its revenue from Music Licensing, 18% from Music Retail and 21% from Films and Events vertical. Saregama has a market share of about 24% in Indian Music Industry.

Investment Rationale

Music Licensing and promising outlook of audio OTT platforms shifting to paid subscription: The music licensing vertical of the company has been experiencing a growth rate of 23% CAGR over the past five years. With the aim of acquiring 25% to 30% of all new music releases in India combined with strong growth projections of smartphone users and increased affordability of 5G data in India, the company anticipates music licensing business to potentially double its revenues in the next 3 to 3.5 years.

Increasing catalog of regional language songs and multilingual hit albums: Saregama currently acquires music in 14 languages, including Hindi, Tamil, Telugu, Bhojpuri, Gujarati, Punjabi, Malayalam, Bengali, and other regional languages, for both film and non-film music. By FY23, 72% of Saregama songs were in non-Hindi languages. Recent regional music releases include "Captain Miller" in Tamil, "Saindhav" in Telugu, and "Malaikottai Vaaliban" in Malayalam, along with songs by Bhojpuri superstar Neelkamal and Gujarati star Rakesh Barot.

Digital Domination: Saregama & Pocket Aces Synergies: Saregama recently acquired 52% stake in Pocket Aces and plans to acquire additional 40% in the next 15-18 months, using QIP funds and internal accruals. This collaboration aims to keep Saregama relevant to a diverse audience, covering various age groups. The partnership also fulfills Saregama's ambition to launch an independent music label for content creators.

Valuation & View: Our positive view on Saregama is driven by its Pocket Aces acquisition and gaining over 100 million subscribers on YouTube. The company is aggressively acquiring new music content and has planned INR 10,000 Mn in capex to acquire new content over the next 3 years. The company expects an overall growth of 22-23% for the current financial year, with approximately 75% of the revenues from the Films vertical in Q4. The films and series business is projected to achieve at least a 15% margin for FY24. **We expect Saregama's revenue, EBITDA, and PAT to grow at a CAGR of 28.48%, 31.44%, and 27.14%, respectively, over FY25E-27E. We initiate coverage with a "BUY" rating at a Target Price of INR 559 per share based on DCF; an upside of 36.4%.**

Exhibit 25: Financial overview

Year-end March (INR Mn)	Net Sales	Net Sales Gr. (%)	EBITDA	PAT	PAT Gr. (%)	EPS (INR)	EBITDA Margin	EV/EBITDA	P/E (x)
FY23	7,366	26.86	2,210	1,850	21.22	9.6	30.0%	34.7	44.2
FY24E	8,658	17.54	2,597	2,074	12.07	10.8	30.0%	28.5	38.1
FY25E	11,072	27.87	3,425	2,563	23.61	13.3	30.9%	21.8	30.8
FY26E	14,364	29.73	4,551	3,276	27.79	17.0	31.7%	16.6	24.1
FY27E	18,362	27.83	5,898	4,262	30.10	22.1	32.1%	12.8	18.6

Source: Arihant Research, Company Filings

Investment Rationale

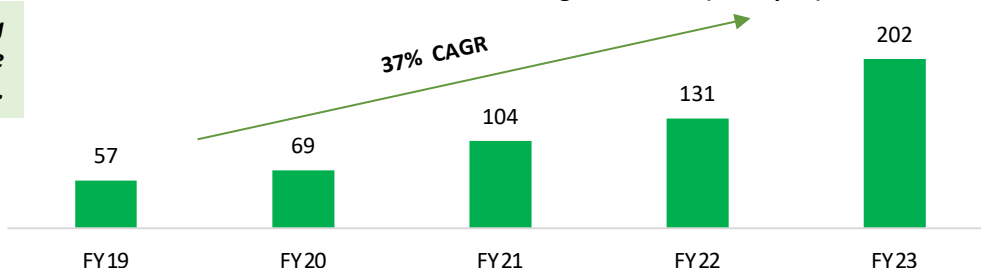
Saregama’s IP strategy and monetization approach

Saregama is recognized as India's oldest music label, possessing an extensive library of intellectual property (IP) rights, including over **150,000 songs**, film dialogues and background scores. Their extensive and diverse content across **18 languages**, various genres and eras has established them as a highly sought-after licensing partner for both audio and video platforms.

The company's primary strategy is to create monetize IP across various formats such as audio, video, music, films, series and short-format content. Monetization occurs through licensing agreements with third-party platforms, while also extending to the artists involved through brand endorsements and live events.

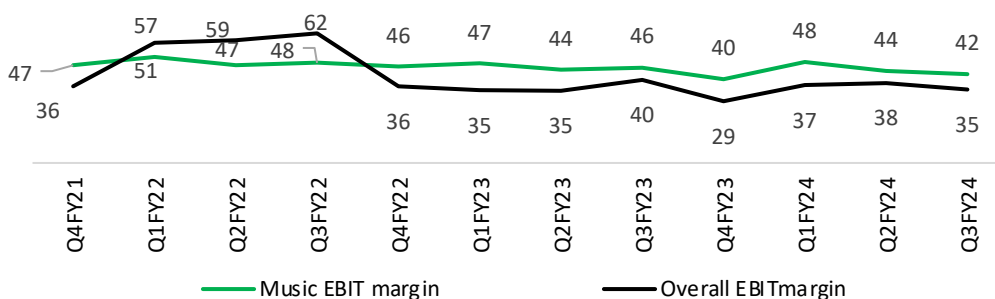
Exhibit 26: Views related to Saregama OTT IP (in Bn p.a.)

Saregama possesses a song library that spans the equivalent of 150 years.



Saregama’s extensive catalog of music recordings includes a vast collection of songs sung by **Lata Mangeshkar, Jagjit Singh** and many more renowned artists. The shelf-life of music by such artists is extended due to their legendary status and the timeless appeal of their songs to audiences across generations. Saregama has capitalized on this by continuously repackaging and re-releasing their music in various formats, catering to evolving consumer preferences and technological advancements. Furthermore, Saregama has leveraged the works of these legends, to foray into new business ventures. For instance, the company has ventured into digital streaming platforms, mobile applications, and content licensing, ensuring that the music of such legendary artists remains accessible to audiences globally.

Exhibit 27: Saregama’s music EBIT and overall EBIT margin (%)



Saregama holds IP rights to **69 films and series, along with over 6,000 hours of television serials**. With expertise in content creation and monetization, the company understands customer preferences well. The company has established partnerships with 65+ music licensing platforms, 30+ streaming platforms, 20+ broadcasting platforms, and 8+ social media platforms. Saregama also manages **12 music brands** and operates a retail distribution network of over 20,000 outlets. The company generates significant revenue from its catalog, which has achieved a growth rate of 12% annually over the last three years. *With the transition of OTT platforms to paywall models, the catalog's growth could range between 14% to 16%.*

Exhibit 28: Song library across genres

- Classics across languages (film, rare live recordings, iconic non-film albums)
- New-age Hindi Music, Regional Music and Ghazals (film and non-film)
- Devotional Music (Hindu, Gurbani, Islamic & Christian)
- Classical Music (Hindustani, Carnatic & Fusion)
- Folk Music
- Sufi

Investment Rationale

Music Licensing and promising outlook of audio OTT platforms shifting to paid subscription

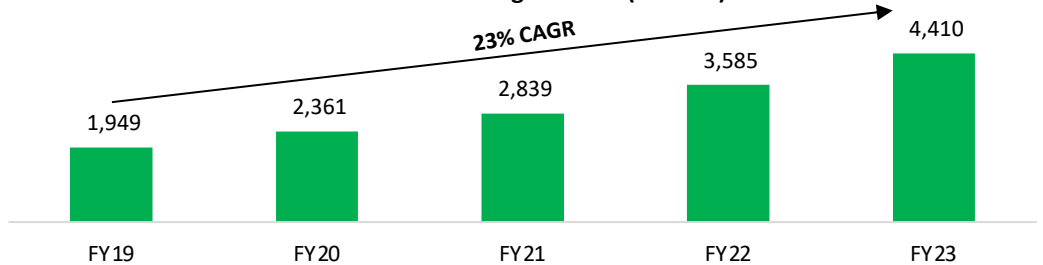
The music licensing vertical of the company has been experiencing a growth rate of **23% CAGR over the past five years**. Under their music licensing business, 70% of revenues come from the digital segment, with digital platforms like YouTube and audio streaming apps like Spotify being the largest contributors followed by short format apps like Instagram. As audio OTT platforms are shifting from free to paid models, Saregama and other labels have supported this transition by removing minimum guarantee conditions to foster a healthier music economy in the long-run. The strain of this removal of minimum guarantees on Saregama’s revenue is expected to be absorbed by FY24.

This adjustment period is seen as a foundation for a return to previous growth rates in music licensing, with the expectation that, over the next 12-18 months, the user base will adapt to paid models, boosting revenue for both platforms and labels, mirroring trends observed internationally and in India's video streaming sector.

With the aim of acquiring 25% to 30% of all new music releases in India combined with **strong growth projections of smartphone users and increased affordability of 5G data in India**, the company anticipates **music licensing business to potentially double its revenues in the next 3 to 3.5 years**. We are confident in their strategic direction and the resilience of their music licensing business amidst evolving market dynamics.

The company expects a growth of 22-23% in FY24 from music licensing

Exhibit 29: Music licensing revenue (INR Mn)

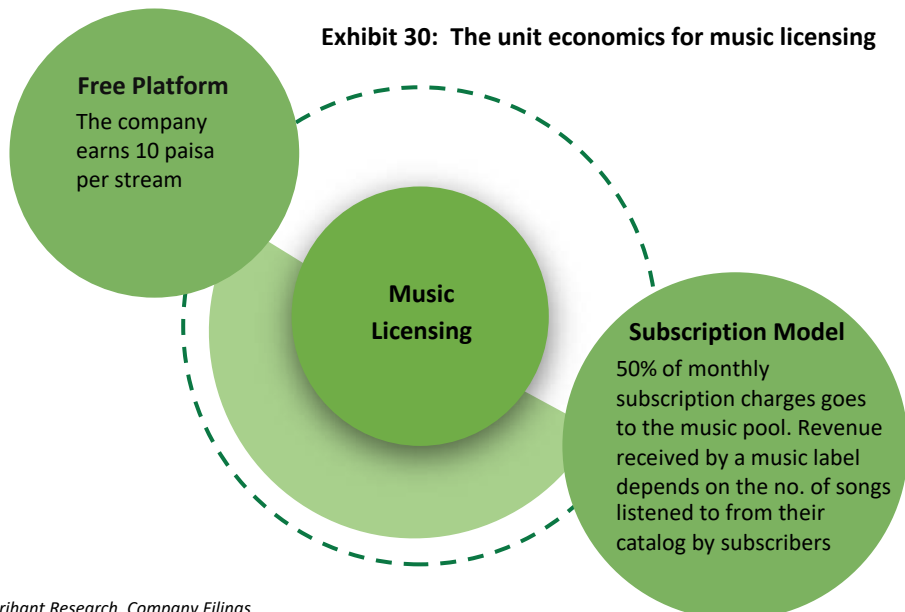


Source: Aриhant Research, Company Filings

Music labels gaining from subscription- based models

In a paid subscription model for music streaming platforms, 50% of the subscriber's monthly payment goes to the platform, while the other 50% goes into a music pool. The amount received by a music label is determined by the number of songs listened to by the subscriber from that label. For example, **if a subscriber pays INR 100 and listens to 100 songs in a month, the label receives 50 paisa per song. If 20 of those songs are from Saregama, the label receives INR 10.** This model ensures that labels like Saregama benefit from paid subscribers on the platform based on the number of songs listened to from their catalog.

Exhibit 30: The unit economics for music licensing



Source: Aриhant Research, Company Filings

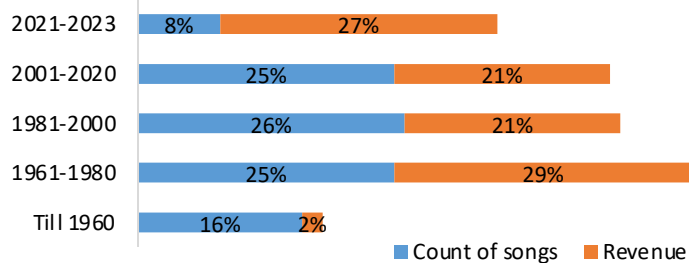
Investment Rationale

Saregama's IP dominance in entertainment landscape and reviving retro content for younger audiences

Music has the **longest shelf life among all IPs in the market**. In FY23, Saregama's music IPs witnessed **213 bn** engagements across audio OTT platforms, YouTube, radio stations and TV channels. Saregama's licensing of classic songs like "**Sar Jo Tera Chakraye**"(1957) for an advertisement and "**O Beta Ji O Babuji Kismat Ki Hawa Kabhi Naram Garam**"(1951) for a film in 2021 earned them substantial revenue which shows the company's consistent efforts in generating revenue from their existing IP.

Saregama is also actively revitalizing retro music to appeal to a younger audience. The company generated **52% of its music licensing income from songs released before the year 2000 in FY23**, indicating a significant revenue stream from its retro content catalog. This catalog is expanding at a rate of **12-14%** annually, ensuring sustained cash flows due to its rapid growth. Songs like "**Jhumka Gira re Bareil Ke Bazaar Mein**" was recreated as "**What Jhumka**" in the film Rocky Rani Ki Prem Kahani, and the recent recreation of the iconic Raj Kapoor song "**Mera Juta Hai Japanese**" into "**Juta Japanese**" by the young singer Krsna, rapidly gained popularity. This strategy enables Saregama to effectively monetize retro content among younger demographics. In the past 3 years, 48% of Saregama's music consumption came from 21st-century (newer) releases, and this share is steadily rising, now surpassing 50%.

Exhibit 31: FY23 era-wise licensing revenue breakup



Source: IP, Saregama India

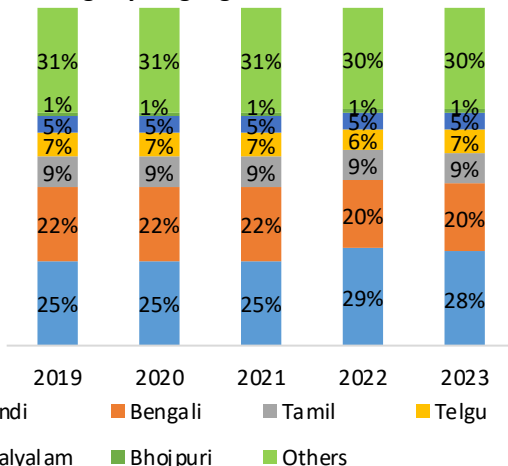
Increasing catalog of regional language songs and multilingual hit albums

Saregama is pursuing a different strategy from other music labels in India. The company is currently one of the leading player for new content production in languages such as Telugu, Malayalam, Gujarati, and Bhojpuri. Saregama is aiming to become the number two player in Tamil and the number one player in Kannada. In the Hindi music segment, Saregama is already the number two player and is aspiring to potentially reach the number one position. Additionally, the company is also producing non-film music. They have also been collaborating with Punjabi artists like **Diljit Dosanjh, B Praak** for non-film music and are soon set to release a new song by **Badshah**.

*To expand its regional non-film music offerings, the company has signed long-term deals with artists such as **Khesari Lal Yadav** and **Arvind Akela Kallu** for Bhojpuri content and **Rakesh Barot** and **Kajal Maheriya** for Gujarati content.*

Regional music consumption is increasing significantly; regional language songs such as "**Chamkeela Angeelesi**" from the film "**Dasara**" and "**Na Raja Nuvve**" from the film "**Kushi**" have surpassed **100 mn views** by 9MFY24. By FY23, 72% of Saregama songs were in non-Hindi languages. Recent regional language music releases include "**Captain Miller**" in Tamil, "**Saindhav**" in Telugu, and "**Malaikottai Vaaliban**" in Malayalam. Bhojpuri superstar **Neelkamal** has also contributed multiple songs to the releases. Furthermore, Saregama is expanding its reach into emerging regional language markets, such as Odia and Chhattisgarhi.

Exhibit 32: Trend in share of Saregama's songs by language



Source: Arihant Research, Company Filings

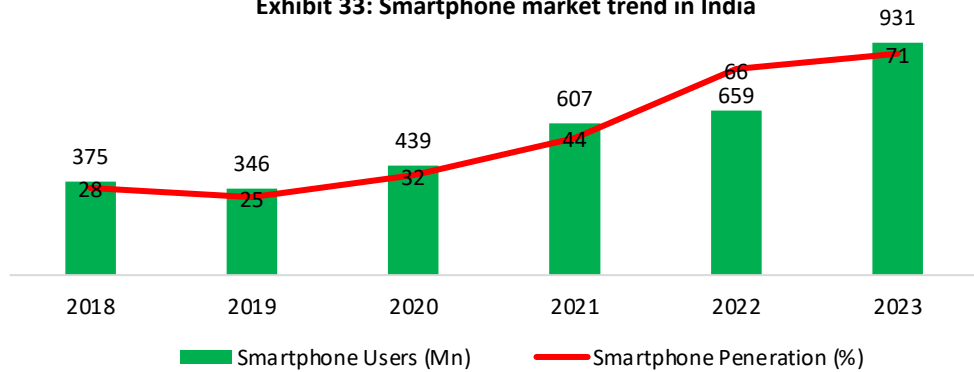
Investment Rationale

India's smartphone growth driving music consumption and Carvaan sales

In India, the smartphone user base exceeds 931 mn and is projected to surpass 1.1 bn by 2025, with a CAGR of 22%. Smartphone penetration reached 71% in 2023, according to Statista. **The increasing number of smartphone users, combined with the affordability of 5G data and the shift of 2G users to 4G and 5G, is expected to boost music consumption.**

The increasing sales of Carvaan are primarily driven by mobile phones, particularly Carvaan-branded feature phones. While unit sales are on the rise, the average revenue per unit sold is declining partly due to the predominance of mobile phones priced below INR 2,000. However, despite this trend, the company has assured that the percentage margins are maintained consistently across all Carvaan products, whether high-end or mobile phones.

Exhibit 33: Smartphone market trend in India



Saregama has intentionally reduced sales and marketing expenses for Carvaan and plans to transition it from a retail to an e-commerce selling product, focusing more on online sales to enhance gross margins. Unit sales for Carvaan increased by **18% YoY** in Q3FY24, reaching **199,000** units compared to 168,000 units.

Carvaan sales increased 40% to 5.6 Lakh units in FY23

Exhibit 34: Carvaan annual sales (units '000s)

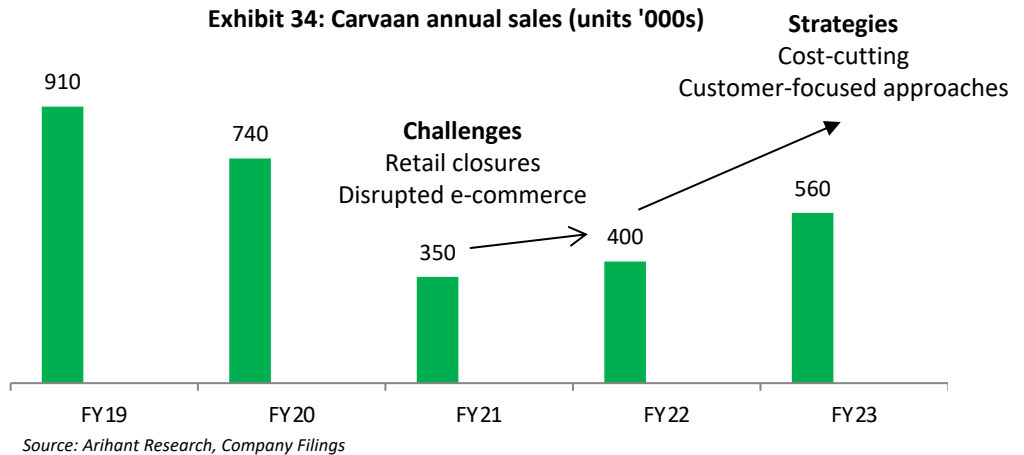
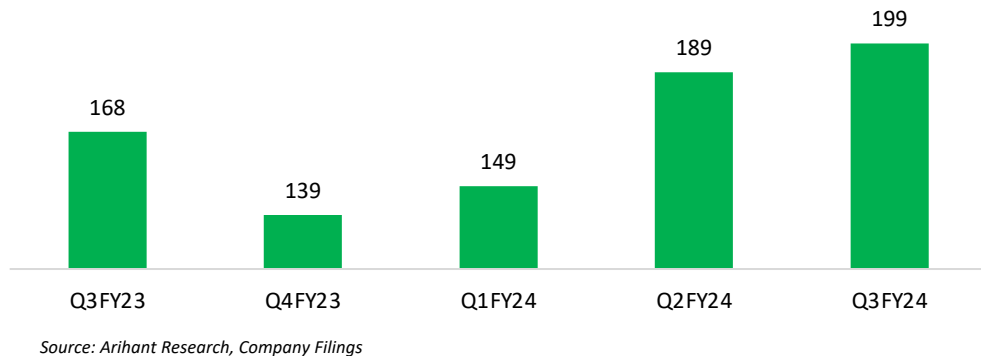


Exhibit 35: Carvaan quarterly sales (units '000s)

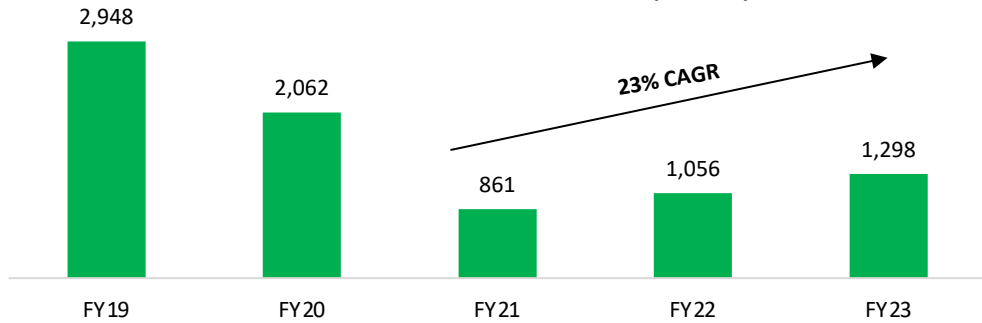


Investment Rationale

Music retailing with Carvaan

Music retail segment contributes **18%** to revenue, with Carvaan being an effective marketing tool. Carvaan serves not only as a major source of revenue but also as an effective marketing device for Saregama, enhancing the popularity of its music catalog, especially among younger listeners through passive listening. Songs featured on Carvaan have experienced a greater growth rate on digital platforms compared to the rest of the company's catalog.

Exhibit 36: Music retail revenue (INR Mn)



Source: Aриhant Research, Company Filings

Carvaan has an opportunity to leverage its relevance in catalog marketing and explore its potential as a platform for generating upfront margin, recurring advertising, and subscription revenue through the initiation of podcasts. The product has gained popularity across a wide consumer base even with a lower average realization per unit due to the affordability of its mobile phones.

Exhibit 37: New Launches



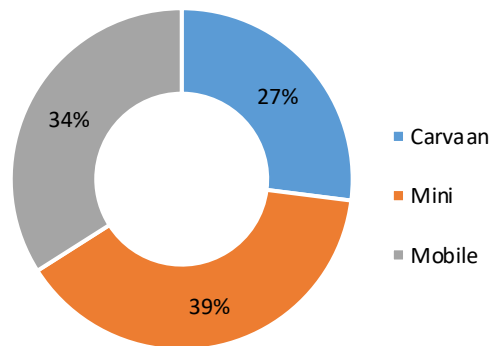
Carvaan Mobile: A robust keypad mobile with long battery life and best-in-class sound to enjoy preloaded Saregama evergreen songs.



Music Bar with Karaoke: Redefining music experience along with the joy of singing.

Source: Saregama Annual Report FY23

Exhibit 38: Product wise volumes of FY23



Source: Aриhant Research, Company Filings

Carvaan Mini and Carvaan Mobile are currently the main sales drivers, leading to higher unit growth compared to revenue growth. Despite this, Carvaan remains profitable and plays a crucial role in marketing the catalog, keeping the music relevant and engaging for listeners.

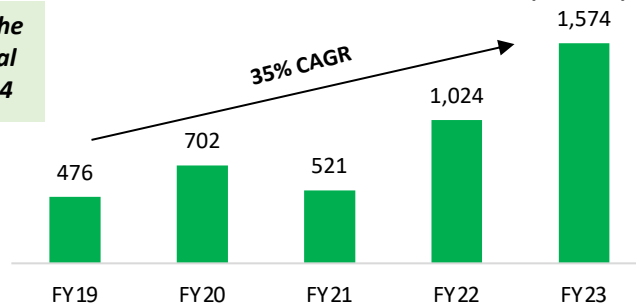
Investment Rationale

Yoodlee films: Content creation and future investments in live performances

In the video vertical, Saregama produces films under the Yoodlee Films brand and digital content under the Dice media brand, a division of Pocket Aces. Yoodlee Films creates engaging content for licensing to third-party digital platforms, using cost-effective production methods. Saregama typically retains the intellectual property (IP) rights of the content it creates. The proliferation of smartphones and affordable data is driving this vertical's growth. Despite being in the early stages compared to music, Saregama aims for a **25% CAGR over the next 5 years**, with a **target margin of 15%** for this vertical. With deal structures designed for favourable cash inflows and outflows, achieving a 15% margin would result in a 21% IRR on this business, primarily managed through internal accruals.

One of Saregama's differentiating factors in this business is its focus on integrating music from its catalog into the films and series. The company ensures that its popular music tracks get featured in the new content, thereby securing a unique commission for the company.

Exhibit 39: Film, series and events revenue (INR Mn)



The company expects the Films and Series vertical to grow by 25% in FY24

Exhibit 40: Saregama's content across various OTT

25 Movies and Web Series

- 14 on Netflix
- 4 on Hotstar
- 5 on Zee5
- 2 on Amazon Prime

Source: Arihant Research, Company Filings

For the movie business, Saregama follows a strategy of pre-selling at least 70% of the digital and TV licensing rights to lock in the recovery. This limits the company's exposure to only around 30% of the total film cost. Saregama charges the entire cost of producing the film or series in the first year itself. After that, it aims to achieve around **50% margins** on these projects.

A couple of **Malayalam films** and **Punjabi films** are lined up for release in Q4FY24 under Yoodlee brand. Films, series and events contributes **21%** to revenue. The company has a threshold of 18% of their total capital for this vertical. The current capital allocation of around 12% in film, series and events gives it room for future investments while balancing risk and potential returns.

Strategic artist collaborations and Live events driving brand revitalization

Saregama recently released a song with one of India's leading rappers, **Divine** and has also partnered with him for a concert tour across India, marking a twin relationship that aligns with the company's objective of rejuvenating its brand image by engaging with younger artists. Strategic moves such as the Pocket Aces acquisition and involvement in the latest Bollywood releases have contributed to reshaping the company's profile in the industry.

The company's live events segment, aimed at supporting their music business, has recently seen successful ventures like **Diljit Dosanjh's Australia tour** and a show featuring **Javed Akhtar** discussing iconic songs. These events serve as platforms to deepen relationships with artists like Diljit Dosanjh and Divine, fostering greater collaboration and content acquisition opportunities.

Saregama plans to leverage live events to nurture artist relationships, generating revenue through ticketing, sponsorships and digital asset usage. In FY23, 14 concerts attracted over 160,000 audiences.

Exhibit 41: Concerts held in FY23

India: Gurgaon, Jalandhar, Mumbai and Jaipur
Canada: Vancouver, Calgary, Winnipeg, Toronto
USA: Newark, Fairfax, Dallas, Houston, California, Oakland

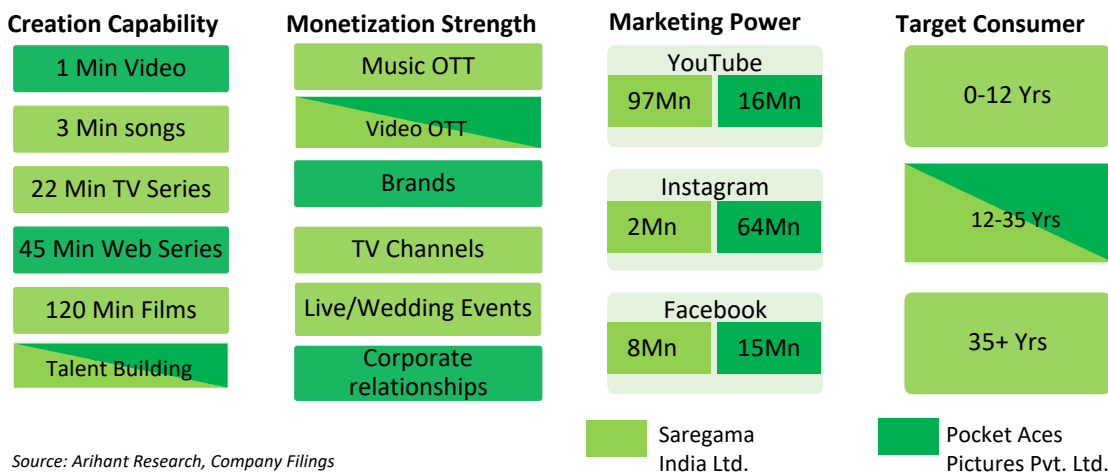
Source: Arihant Research, Company Filings

Investment Rationale

Digital Domination: Saregama & Pocket Aces Synergies

Saregama acquired 52% stake in Pocket Aces in Q2FY24 and plans to acquire additional 40% in the next 15-18 months, using QIP funds and internal accruals. This collaboration aims to keep Saregama relevant to a diverse audience, covering various age groups and preferences, from mainstream to counterculture content. Pocket Aces, through its channels like FilterCopy and Dice Media, brings a significant digital presence with a huge fan following among younger audiences. The partnership also fulfills Saregama's ambition to launch an independent music label for content creators, allowing the company to explore the indie music scene without compromising its traditional brand. **Pocket Aces reported a revenue of INR 1,040 Mn in FY23.**

Exhibit 42: Combined synergies of Pocket Aces and Saregama



Source: Arihant Research, Company Filings

Saregama is confident about achieving a minimum annual growth rate of 23% in FY25, and a combined revenue growth of 27-28% on a medium-term basis (around 3 years). The adjusted EBITDA guidance of 32%-33% remains consistent for both Saregama and Pocket Aces combined. With Pocket Aces acquisition, Saregama reach has increased from 120 Mn to 238 Mn subscribers and followers across YouTube, Instagram and Facebook

- Cost synergy:** Saregama's film focus combined with Pocket Aces' youth focused content will lead to cost savings through shared resources like lights and cameras, benefiting both companies in revenue and cost efficiency. With Pocket Aces representing numerous social media influencers, Saregama gains access to negotiating better deals for music promotions, maximizing impact, expanding reach and securing larger returns on marketing investments.
- Artist management synergy:** Saregama manages live performances for its signed artists, while Pocket Aces handles brand sponsorships for influencers. This mutual exchange of brand sponsorship will enhance the overall attractiveness of both Saregama and Pocket Aces in the market. This collaboration combines music content creation and video expertise to offer artists a platform for visibility, enabling diverse monetization channels like brand endorsements and live events.
- Brand synergy:** Saregama earns well from traditional brands targeting older audiences, but Pocket Aces bridges the gap by connecting with brands aiming for the younger crowd, helping Saregama directly earn from these brands instead of just through platforms.
- Increased Music reach and influencer expansion through Pocket Aces :** Saregama benefits greatly from its partnership with **Clout** under Pocket Aces, a leading artist-influencer management venture, enabling unique opportunities for artist collaboration in Saregama's content. This collaboration has swiftly yielded a digital reach of **60 Mn** for Saregama's music using Pocket Aces assets. Saregama plans to use Pocket Aces' digital capabilities to make its songs more popular while helping Pocket Aces grow its influencer business by creating music and videos. Saregama is willing to release content on digital influencers' channels to enhance reach and engagement. It is collaborating closely with platforms like Instagram, enabling users to utilize Saregama's music while retaining the right to monetize it. The digital advertising and influencer marketing business of Pocket Aces is a **high-margin revenue stream** that will boost Saregama's profitability.

Investment Rationale

Targeting larger share of India's booming digital ad revenue with Pocket Aces

Pocket Aces stands out as India's leading digital entertainment company, offering more than just production services or agency work. With extensive distribution across various social media channels, they've collaborated with 150+ brands across diverse sectors, showcasing their expertise and widespread reach in the digital entertainment landscape.

Exhibit 43: Pocket Aces media presence

16M Subscribers	15M Followers	8.6M Followers
YouTube	Facebook	Instagram

Source: Arihant Research, Company Filings

Digital advertising is experiencing higher growth rates compared to traditional print and television media. In India, as digital advertising growing alongside GDP growth, advertising spend is expected to rise to 6-6.5% of GDP. With the shift from traditional media to digital platforms, Pocket Aces acquisition allows Saregama use their content to secure a significant share of the expanding digital advertising market. Saregama can now use their popular songs to create short video content to increase customer reach. While Saregama's existing user base leans towards older demographics, Pocket Aces attracts a younger audience on platforms like Instagram.

In 2023, Pocket Aces' channel Filter Copy emerged as the largest youth-centric digital channel in India, amassing over 1 Bn views across multiple platforms.

Saregama is also collaborating with brands to produce branded content featuring its music and Pocket Aces' digital influencers. This approach allows the company to increase advertising revenues by offering a complete package of content, influencers, and music. **The company collaborated with "Meesho" for a creative content on Pocket Aces' YouTube channel "Filtercopy" along with one of their influences "Ayush Mehra," and the creative has already received over 1 Mn views on YouTube.**

Exhibit 44: Top brands Pocket Aces has collaborated with

Electronics	OnePlus, Samsung, Oppo, Xiaomi, Kent, Wonderchef, T-Series, Liebherr
Beauty / Fashion	Nykaa, HUL, Lifestyle, Bluestone, StreaX, Pipabella, Mia, Biotique, Meesho
Financial Services	Kotak Mahindra Bank, Phone Pe, Groww, EarlySalary, Aditya Birla Group, Moneyfront, SBI
Apps / Ecommerce	Amazon, Flipkart, Myntra, Pepperfry, Tinder, OkCupid, nestaway, OYO, Grofers, Swiggy, Furlenco, Google, Unacademy, Zoomcar, MPL, Curefit
Food and Beverage	PepsiCo, Cadbury, AB InBev, Marico, Bacardi, Epigamia, Nestle, Dewar's, Licious, FunFoods, Veeba, Betty Crocker, Weikfield, Butterfly Ayurveda, Kingfisher, McDowell's

Source: Arihant Research, Company Filings

Venturing into Artist Management

In the new artist management vertical of music licensing, Saregama signs and promotes artists, leveraging its IP releases across platforms like Pocket Aces and Yoodlee Films. This approach involves investing in artists' music creation, music videos, and comprehensive marketing. Once artists gain popularity, Saregama monetizes their reach through brand deals and live events, earning a share of their revenue.

Saregama has recently launched a new talent management vertical called "**Saregama Talent**". Under this initiative, the company is grooming young, talented individuals, including musical prodigies, to become great performers. The goal is not only to help them create successful music videos and songs, but also to start positioning them for live concerts. As part of this program, Saregama has already launched two young artists – Mahi and Pragati. The company believes that by nurturing these talented young individuals, they can be developed into becoming the non-film music superstars of the future.

With approximately **123 artists under Pocket Aces and 15 under Saregama**, the company expects increased investment in IP to further boost artist growth leading to greater revenue opportunities. Saregama anticipates a significant portion of this investment to gradually shift towards artists and influencers, with digital advertising increasingly expanding in India.

Investment Rationale

Launched AI integrated Music Learning App offering users a chance to release songs

Saregama has launched **Padhanisa** - an AI-based music learning app to simplify Indian vocal learning, providing a unique monetization strategy similar to Carvaan’s success in previous years.



- App provides personalized lessons tailored to each learner's needs, goals, progress using advanced algorithms
- Gives customized recommendations based on vocal range, warmups/workouts for improvement areas
- Offers comprehensive performance assessments after each level to help learners improve
- Provides live masterclasses by experts to learn music concepts in-depth and Q&A sessions
- Allows singers/aspirants to **earn by sharing singing** videos on the app
- Includes a talent hunt program for a chance to sing for Saregama music label
- It is a **subscription-based application**, with both monthly and longer-term (3-6 months or yearly) subscription models.

The company is targeting a subscription fee of around **INR 500** per month for the app. The app is expected to have high margins, as the only major costs are the initial development and marketing expenses. Since Padhanisa exclusively utilizes Saregama’s IP, the **content costs are minimal**, and it also ensures that no one else can provide instruction using the same content.

The company envisions Padhanisa as a high-potential new revenue stream that can contribute meaningfully to the overall financials as the app helps the company engage directly with consumers and build a recurring revenue stream. It allows Saregama to monetize its music IP in a new way, beyond just licensing and music streaming. The app also serves as a platform to **introduce new artists and promote Saregama's music catalog**.

The app seems scalable as it can serve a diverse user base and accommodate various skill levels. Its long-term success is backed by users consistently evolving into singers or instrument players, ensuring a lasting user community and a chance for recurring revenue.

Exhibit 47: Existing Saregama Apps

Logo	App Name	Features
	Saregama Bhakti App	The app has a rich collection of bhajans, discourses, and teachings from scriptures, offering free daily Panchang and Pooja Mahurats for auspicious occasions.
	Saregama Classical App	The app showcases the best Carnatic, Hindustani, and Fusion music, highlighting 224 Carnatic artistes, 443 Hindustani artistes, 108 Fusion artistes, and a diverse collection of 974 Raagas. The app provides a 7-day free trial followed by a subscription.
	Saregama Carvaan App	The app offers access to 5,000 songs, lets you search for specific content, enjoy 200 podcasts, and provides an additional 20,000 songs accessible via Wi-Fi, offering playback options on Carvaan or within the app.

Source: Aриhant Research, Company Filings

Investment Rationale

Winning diverse movie partnerships with a strong set of upcoming film music lineup

Saregama has successfully re-entered the new music acquisition space, forming partnerships with major production houses in the country, including **Dharma Productions, Sanjay Leela Bhansali Films, Vidhu Vinod Chopra Films and Jio Studios.**

The company also aims to expand beyond Hindi Bollywood music and dominate regional language markets to strengthen its negotiation positions with platforms. The company has significant involvement in Telugu and Malayalam spaces. Collaborations with renowned production houses like Mythri (producers of Pushpa) showcase Saregama’s ability to diversify across languages and genres, tapping into varied audience segments.

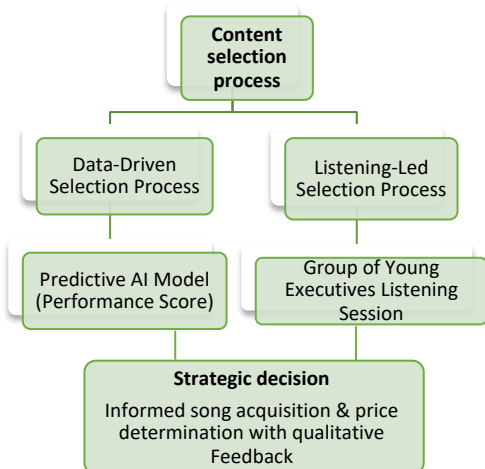
In FY25, Saregama is set to release three Dharma Production films, including one featuring **Alia Bhatt** and another starring **Vicky Kaushal and Tripti Dimri**, alongside four Jio Studio films like "Stree 2" and "Sky Force" starring Akshay Kumar. Additionally, upcoming releases include Ajay Devgan's "Maidan," Diljit Dosanjh and A R Rahman's "Chamkila," and music acquisitions from popular Kannada and Malayalam movies. Notable releases also include Suriya's "Kanguva" in Tamil and Ram Charan and Kiara Advani's "Game Changer" in Telugu, directed by Shankar. Furthermore, the company holds music albums of Punjabi superstar Gippy's films "Warning 2" and "Shinda Shinda No Papa."

The company is maintaining its commitment to a five-year payback period for music.

Exhibit 45: Major film albums released in 9MFY24

Film	Language	No. of Songs	Production House	Star Cast	Box office collection (INR Mn)
Rocky Aur Rani Ki Prem Kahaani	Hindi	14	Dharma Productions, Viacom 18 Studios 12th Street Entertainment	Alia Bhatt, Ranveer Singh	3500+
Zara Hatke Zara Bachke	Hindi	5	Maddock Films, Jio Studios	Sara Ali Khan, Vicky Kaushal	1150+
Jaane Jaan	Hindi	2	Northern Lights Films, Kross Pictures	Kareena Kapoor, Vijay Varma, Jaideep Ahiawat	Released on Netflix
12th Fail	Hindi	2	Vidhu Vinod Chopra	Vrikant Massey	650+
RDX	Malayalam	5	Weekend Blockbusters	Antony Varghese, Shane Nigam, Neeraj Madhav	1000+
Dasara	Telugu	10	Sri Lakshmi Venkateshwara Cinemas	Nani, Keerthy Suresh	1150+
Kushi	Telugu	5	Mythri Movie Makers	Samantha Prabhu, Vijay Deverakonda	700+
Maaveeran	Tamil	6	Shanthi Talkies	Sivakarthykeyan, Aditi Shankar	850+

Exhibit 46: Content creation with AI



Source: Arihant Research, Company Filings

Elevating musical experience by integrating AI and technology for enhanced content

The company places a strong emphasis on investing in both predictive artificial intelligence (AI) and generative artificial intelligence. The investments in predictive AI have proven successful, leading to a higher success rate for the company's music albums compared to competitors. Simultaneously, efforts are being made to develop generative AI tools in-house. This involves leveraging the extensive catalog of 150,000 songs and billions of data points to automatically create new content, ensuring there are no copyright concerns.

The company is committed to upgrading old hit songs using the latest technology by implementing Dolby Atmos mix, to provide an enhanced listening experience. This upgrade involves breaking down the songs into individual parts and enhancing each part to ensure advanced sound quality when played on modern platforms by users.

Investment Rationale

Saregama's YouTube success: Monetizing content and investing in originals

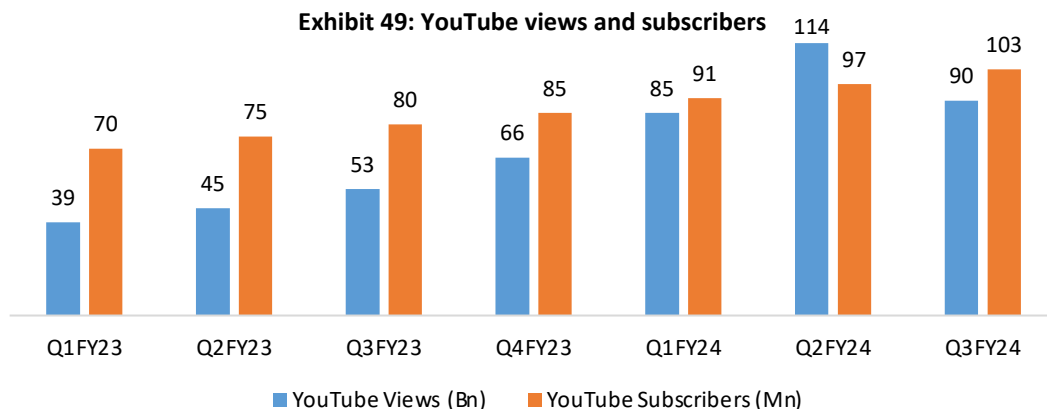
Saregama has **32** channels on YouTube with a cumulative subscriber base of over 103 Mn (i.e. 61% increase from the FY22 base of 64 Mn). YouTube generates advertising revenues on views that is shared with Saregama. This also applies to advertising running on 3rd party content that uses any of Saregama's IP (song, lyrics, music composition, dialogues) within the video. Saregama has issued 1-2 years of fixed-fee licenses to other social media platforms, allowing their users to upload videos containing Saregama songs.

Exhibit 48: List of Saregama's YouTube channels and subscribers

Saregama Music	40M	Saregama Tamil Devotional	55.9k
Saregama Regional	528K	Saregama TV Shows Tamil	7.94M
Saregama Hindustani Classical	169k	Saregama Malayalam	1.19M
Saregama Bhakti	5.52M	Saregama Telugu	5.82M
Saregama Jhankar Beats	293k	Saregama Telugu Mix Station	6.3k
Saregama Mix Station	119K	Saregama Punjabi	1.86M
Saregama Ghazal	1.35M	Saregama Punjabi Mix Station	32.7K
Saregama Karaoke	4.73M	Saregama Bengali Mix Station	6.32K
Saregama Hum Bhojpuri	13.7M	Saregama Bengali	6.84M
Saregama Marathi	2.76M	Saregama Gujrati	2.92M
Saregama Tamil	6.92M	Yoodlee Films	127K

The company also invested heavily in non-film songs to monetize on the growing popularity of independent music. It launched multiple high-profile Hindi, Tamil & Punjabi songs under the brand 'Saregama Originals', helping to grow both OTT streams and YouTube views.

Exhibit 49: YouTube views and subscribers



Source: Arianth Research, Company Filings

The standard YouTube service operates on a free model where Saregama earns 55% of ad revenue for any ads shown on their content, with YouTube retaining the remaining 45%. On the other hand, YouTube Premium is a paid subscription service where users pay to access ad-free content. In this model, a portion of the subscription fee is allocated to a content pool, which is then distributed equally among the content consumed by the user. Consequently, paid subscribers consuming Saregama's music content tend to be 2 to 3 times more valuable compared to free users.

Exhibit 50: Quarterly Financial Performance

Consolidated (INR Mn)	Q3FY24	Q2FY24	Q3FY23	QoQ%	YoY%
Net sales	2,043	1,724	1,818	18.5%	12.4%
Cost of materials consumed	624	406	467	53.7%	33.6%
COGS	624	406	467	53.7%	33.6%
GP	1,418	1,318	1,351	7.7%	5.0%
Employees benefits expense	238	216	190	9.8%	24.9%
Advertisement and sales promotion	171	132	251	29.2%	-31.9%
Royalty expense	142	152	165	-6.7%	-14.1%
Other expenses	212	209	115	1.7%	84.8%
EBITDA	656	609	630	7.8%	4.2%
[g] Depreciation and amortisation expense	93	83	59	12.6%	58.3%
EBIT	563	430	571	31.0%	-1.4%
Other Income	150	132	151	13.3%	-1.2%
Finance Cost	12	2	14	450.0%	-10.7%
PBT	701	656	709	6.8%	-1.2%
Tax	177	176	181	0.7%	-2.1%
Reported PAT	524	480	528	9.1%	-0.9%
EPS	2.7	2.5	2.8	8.6%	-1.8%

	Q3FY24	Q2FY24	Q3FY23	QoQ (bps)	YoY (bps)
RMC/Sales	30.6%	23.6%	25.7%	700.2	485.3
Employee exp/Sales	11.6%	12.6%	10.5%	-91.8	117.1
Advertisement and sales/Sales	8.4%	7.7%	13.8%	69.2	-543.8
Royalty expenses/Sales	6.9%	8.8%	9.1%	-187.0	-213.2
Other exp/Sales	10.4%	12.1%	6.3%	-171.5	407.4

Source: Aриhant Research, Company Filings

Comments on the performance

- Revenue stood at INR 2,043 Mn in Q3FY24, up by 18.5% on QoQ basis and up by 12.4% on YoY basis led by release of 370+ Originals and Premium Recreations across Hindi, Bhojpuri, Gujarati, Punjabi, Tamil, Telugu, Malayalam, Marathi and Bengali languages.
- EBITDA stood at INR 656 Mn as compared to INR 609 Mn and INR 630 Mn in Q2FY24 and Q3FY23 respectively.
- PAT stood at INR 524 Mn as compared to INR 480 Mn and INR 528 Mn in Q2FY24 and Q3FY23 respectively.
- Music licensing is crucial for achieving the targeted 27% to 28% growth in next three years.
- Revenues from streaming platform is anticipated to increase by 150-300% due to transition to Subscription-Based Revenue Models in coming 12-18 months.
- Pocket Aces recorded INR 104 crores in revenue with a loss of INR 16 crores in FY23. The acquisition of a majority stake in Pocket Aces is driven by the evolving nature of the advertising market, with digital advertising expected to grow at a CAGR of 31% .
- Saregama aims for a medium-term growth of 22% to 23% for FY24.

Q3FY24 Concall Highlights**Financial performance**

- Revenue for Q3FY24 stood at INR 2,043 Mn up by 12% YoY and 19 % QoQ
- EBITDA for Q3FY24 stood at INR 656 Mn up by 4% YoY and 8% QoQ
- PAT for Q3FY24 stood at INR 524 Mn down by 1 % YoY and up by 9 % QoQ

Music Segment Highlights

- This vertical has experienced a growth rate of 23% Compound Annual Growth Rate (CAGR) over the last 5 years.
- This year has witnessed significant pressure on the OTT audio side. Many platforms, facing financial strain, have opted to transition from free to paid models.
- With a stated goal of acquiring 25% to 30% of all new music released in India, the company expresses confidence that its music licensing business will be able to double its revenues in the next 3 to 3.5 years.

OTT Platform

- The catalogue has been comfortably growing at 12% per annum, and there doesn't seem to be any reason why it would be negatively impacted over the next 12 to 18 months.
- Once the OTT platforms start moving behind the paywall, there is a projection that the catalogue will easily manage 14% to 16% growth.

Partnership with Divine

- Collaboration with India's biggest rapper Divine showcases a significant milestone.
- Divine agreed to release a song and conduct a concert tour across India with Saregama, indicating a twin relationship on the live-event and music sides.
- Collaboration aligns with the objective of attracting younger artists and rejuvenating the brand image.

Upcoming Lineup

- The company has three Dharma Production (Karan Johar) films set to release over the next 7 to 8 months. One of them features Alia Bhatt, while the second stars Vicky Kaushal and Tripti Dimri.
- The company plans to release 4 Jio Studio films during this period, including "Stree 2" and "Sky Force" featuring Akshay Kumar. Additionally, Ajay Devgan's "Maidan" and Diljit Dosanjh and A R Rahman's "Chamkila" are scheduled for release. In Kannada, the company has acquired the music rights for Darshan's "Devil" and Sudeep Kiccha's "Max."
- In Malayalam, the company has Mammooty's "Bazooka" music set to release. In Tamil, Suriya's fantasy film, "Kanguva," is generating significant hype and publicity.

Music Learning App Launch

- Launching a music learning app to teach singing and instrument playing, integrated with company's music library.
- Converting older songs into Dolby Atmos or spatial audio format.
- Carvaan unit revenues decline strategically as focus shifts to e-commerce sales

Content Investment.

- On the music part, the investment will be spread between both Hindi and Regional, with a large share going to the regional side. It is believed that regional music ends up providing a better return on investment.

Expansion of Digital Footprint with Pocket Aces

- Pocket Aces has contributed over 120 million to Saregama's overall digital footprint. Currently, Saregama has over 230 million subscribers/followers on digital media.

Outlook and Valuation

Saregama's positive outlook stems from its vast music licensing business and extensive catalogue of 150,000 songs spanning multiple languages. The company is experiencing significant growth due to the rising music listenership in India. Saregama's proactive approach includes acquiring new music across various languages, further increasing its offerings. The company is exploring all audio and video opportunities, including podcasts and new revenue models for their content. With over 100 million users primarily on YouTube, Saregama is expanding its reach to younger audiences by acquiring Pocket Aces, through which it has gained an additional 100+ million users and followers on newer age platforms like Instagram. Despite short-term market volatilities, the firm anticipates a steady 22-23% growth in music licensing. The company is actively working on creating their own generative AI tools dedicated to modernizing all popular songs. Carvaan is now making a profit with increased sales of its feature phones, though the overall Carvaan business is experiencing slight decline despite growth in mobile phone sales. The introduction of an AI-powered music learning app, leveraging its rich IP, is anticipated to draw a diverse audience, offering opportunities for budding talents. The company's focus on regional content and newer artists is expected to further drive growth. The acquisition of Pocket Aces is expected to aid margin expansion by increasing advertising revenues and leveraging content synergies. Overall, the management believes that owning IP and exploring diverse monetization avenues is crucial for long-term success in the content business. The company expects an overall growth of 22-23% for the current financial year, with approximately 75% of the revenues from the Films vertical in Q4.

We expect Saregama’s revenue, EBITDA, and PAT to grow at a CAGR of 28.48%, 31.44%, and 27.14%, respectively, over FY25E-27E. We initiate coverage with a “BUY” rating at a Target Price of INR 559 per share based on DCF; an upside of 36.4%.

Exhibit 51: P/E valuation plot

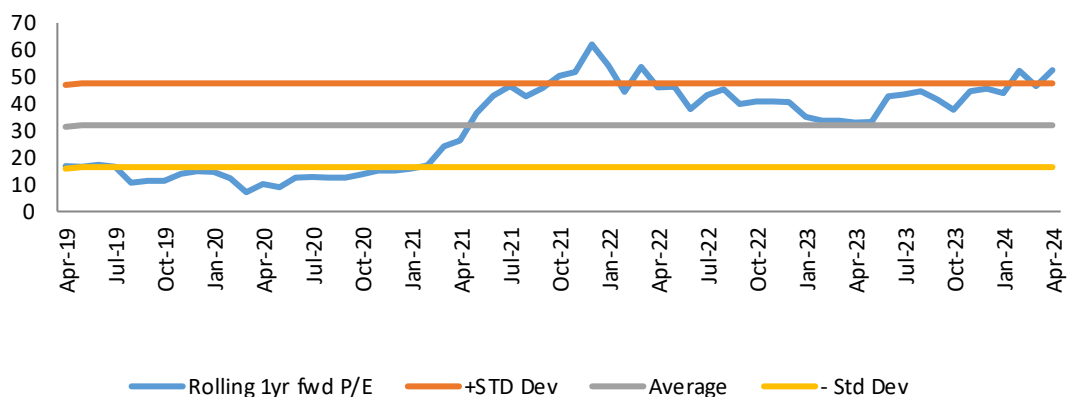
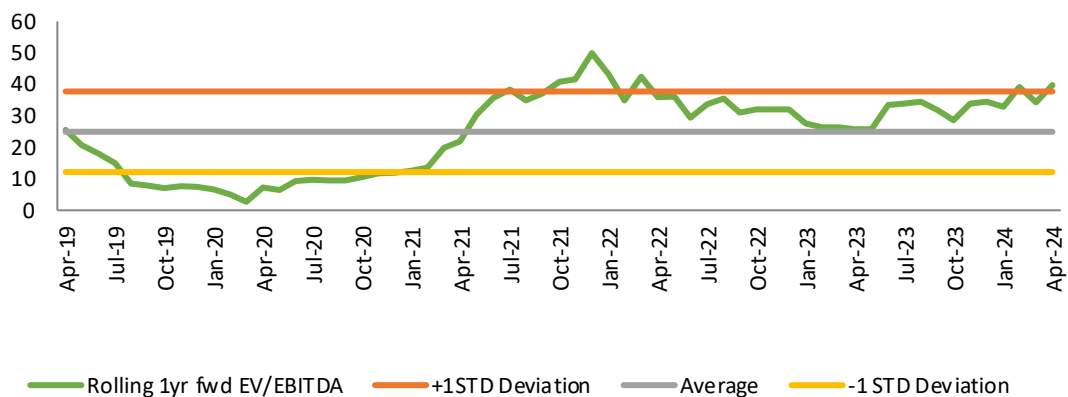


Exhibit 52: EV/EBITDA valuation plot



Source: Aриhant Research, Company Filings

DCF Valuation

Valuation Assumptions

g (World Economic Growth)	3%
Rf	7%
Rm	13%
Beta	0.8
CMP (INR)	410

WACC

We	99.9%
Wd	0.1%
Ke	11.74%
Kd	7.67%
WACC	11.74%

Valuation Data

Total Debt (long term borrowings) (2023)	41
Cash & Cash Equivalents (2023)	4,885
Number of Diluted Shares (2023)	193
Tax Rate (2024)	27%
Interest Expense Rate (2024)	11%

MV of Equity	79,052
Total Debt	41
Total Capital	79,093

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase					Terminal Yr
Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
EBIT * (1-Tax Rate)	2,214	2,986	3,909	4,981	6,173	7,434	8,695	9,865	10,849	11,553	11,900	12,257
Dep	392	460	544	781	926	1,105	1,319	1,481	1,629	1,741	1,789	1,843
Purchase of Assets	1,218	1,365	1,653	1,992	2,160	2,230	2,261	2,368	2,387	2,426	2,380	2,451
Changes in Working Capital	-1,015	-1,698	-1,276	-2,247	-2,770	-3,039	-3,793	-4,254	-4,615	-4,979	-5,107	-5,252
FCFF	2,403	3,779	4,076	6,016	7,707	9,347	11,546	13,233	14,707	15,847	16,416	16,901
% Growth in Post Tax EBIT		34.89%	30.90%	27.42%	23.93%	20.44%	16.95%	13.46%	9.98%	6.49%	3.00%	3.00%
As % of Post Tax EBIT												
Dep	17.72%	15.40%	13.91%	15.68%	14.99%	14.86%	15.18%	15.01%	15.01%	15.07%	15.03%	15.04%
Purchase of Assets	55.01%	45.70%	42.28%	40.00%	35.00%	30.00%	26.00%	24.00%	22.00%	21.00%	20.00%	20.00%
Changes in Working Capital	-45.86%	-56.86%	-32.64%	-45.12%	-44.87%	-40.88%	-43.62%	-43.12%	-42.54%	-43.10%	-42.92%	-42.85%
FCFF	2,403	3,779	4,076	6,016	7,707	9,347	11,546	13,233	14,707	15,847	16,416	16,901
Terminal Value												1,93,479
Total Cash Flow	2,403	3,779	4,076	6,016	7,707	9,347	11,546	13,233	14,707	15,847	16,416	2,10,380

Enterprise Value (EV)	1,02,984
Less: Debt	41
Add: Cash	4,885
Equity Value	1,07,828

Equity Value per share (INR)	559
------------------------------	-----

% Returns	36.4%
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Rating	BUY
--------	-----

Terminal Growth (%)									
WACC (%)	559.25	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
10.99%	581	594	607	622	637	654	672	690	
11.24%	561	573	586	600	614	629	646	663	
11.49%	543	554	566	579	592	606	621	637	
11.74%	526	536	548	559	572	585	599	614	
11.99%	510	519	530	541	552	565	578	591	
12.24%	494	503	513	523	534	546	558	570	
12.49%	479	488	497	507	517	528	539	551	
12.74%	466	474	482	491	501	511	521	532	

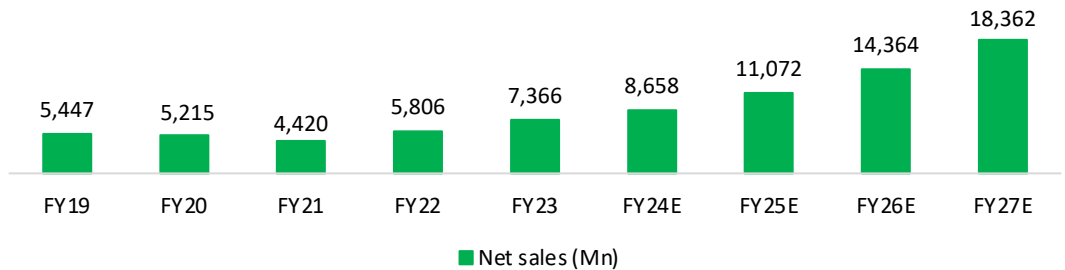
Source: Company reports, Aриhant Capital Research

Story in charts

Revenue

- This year, there has been a slightly increased focus on the domestic front.
- Licensing revenue is experiencing an annual growth rate of 22-23%.
- There is a shift towards subscription-based revenue models by streaming platforms, expecting a significant increase in streaming platform revenues in the future.

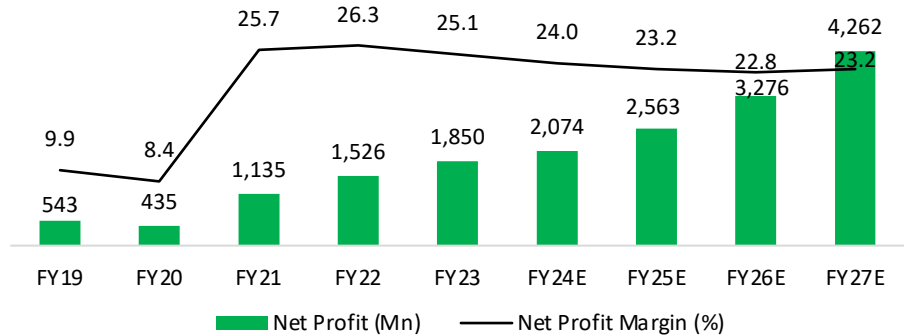
Exhibit 53: Continuous and expanding revenue growth is evident



Net Profit

- The company's aim is not only to be profitable but to become India's largest entertainment company while also generating substantial profits.
- The proportion of fixed costs in relation to revenue is expected to decrease consistently.

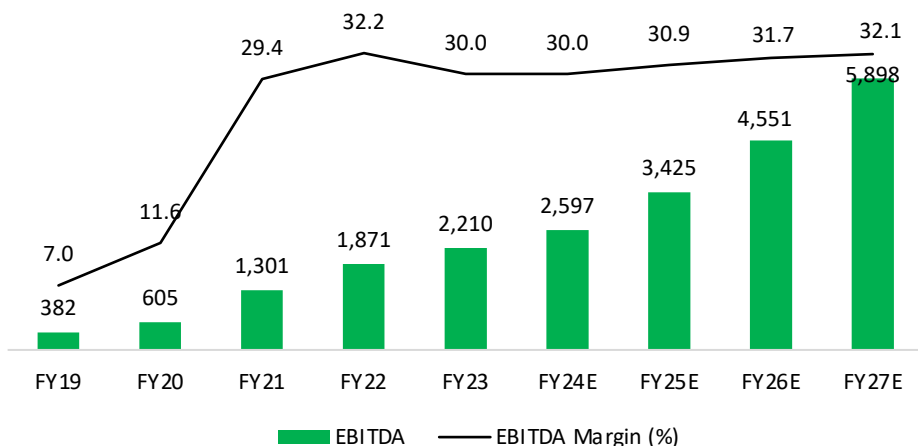
Exhibit 54: Saregama continues to experience a consistent and steady growth in net profit



EBITDA and EBITDA Margins

- The absolute EBITDA will keep increasing along with revenue growth, given the expectation that expenses will largely remain stable.
- The films and series business is expected to maintain a minimum margin of 15% throughout the year.

Exhibit 55: Strong margins driven by Pocket Aces' continued growth

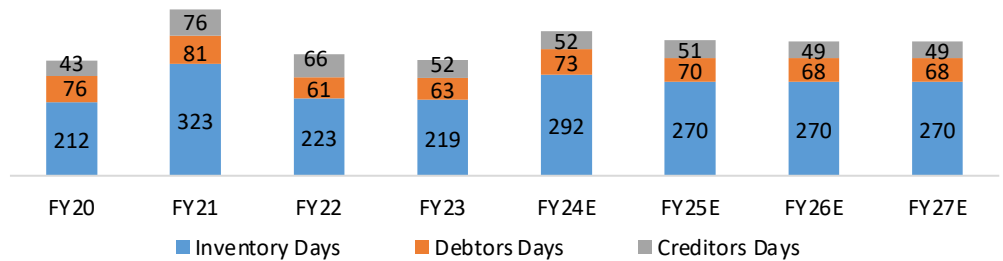


Source: Arianth Research, Company Filings

Working Capital

- In the short term, debtors collection period is expected to increase.
- The management of inventory days is also anticipated to rise. Overall, in the long run, the working capital cycle is expected to stabilize.

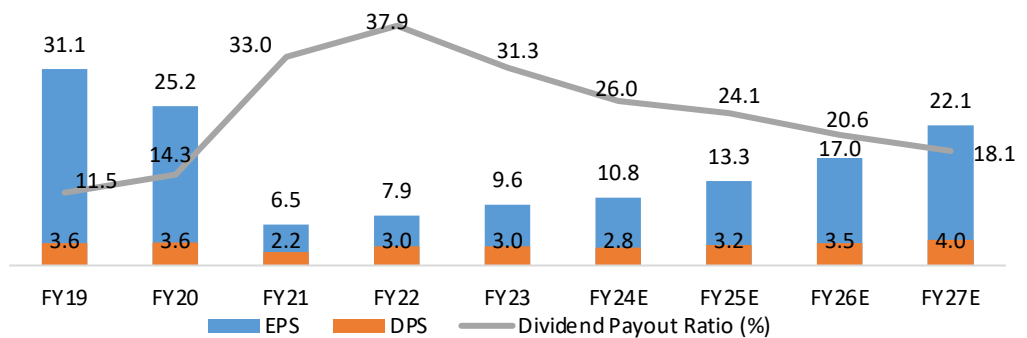
Exhibit 56: Improvement in working capital cycle



EPS

The company is expected to continue increasing EPS in the coming years at a stable growth rate and will also impact DPS

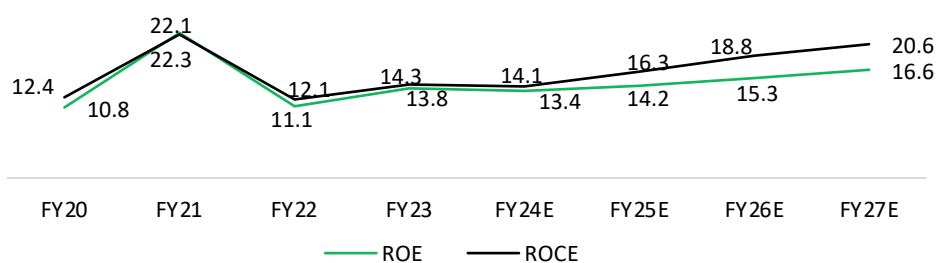
Exhibit 57: Healthy momentum of dividend Payout ratio



ROCE and ROE

The allocation of total capital to films, series, and events business currently stands at 12% of the overall capital.

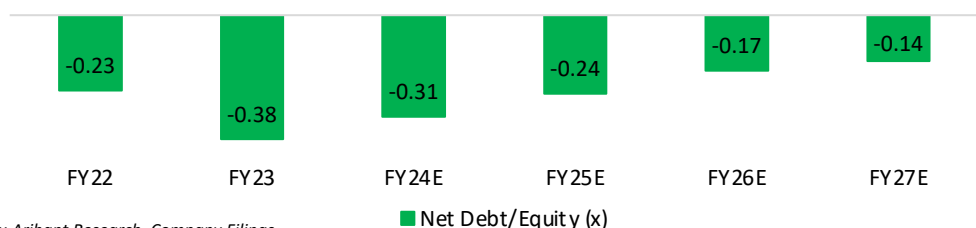
Exhibit 58: Returns in an upward trend owing to Pocket Aces



Net Debt

- Currently, the company does not have any borrowings, with lease liabilities being the sole component constituting the company's debt.
- The company intends to utilize the funds obtained through the QIP only for music content acquisitions.

Exhibit 59: Company maintains to be debt-free



Source: Arianth Research, Company Filings

Business Overview

About Company

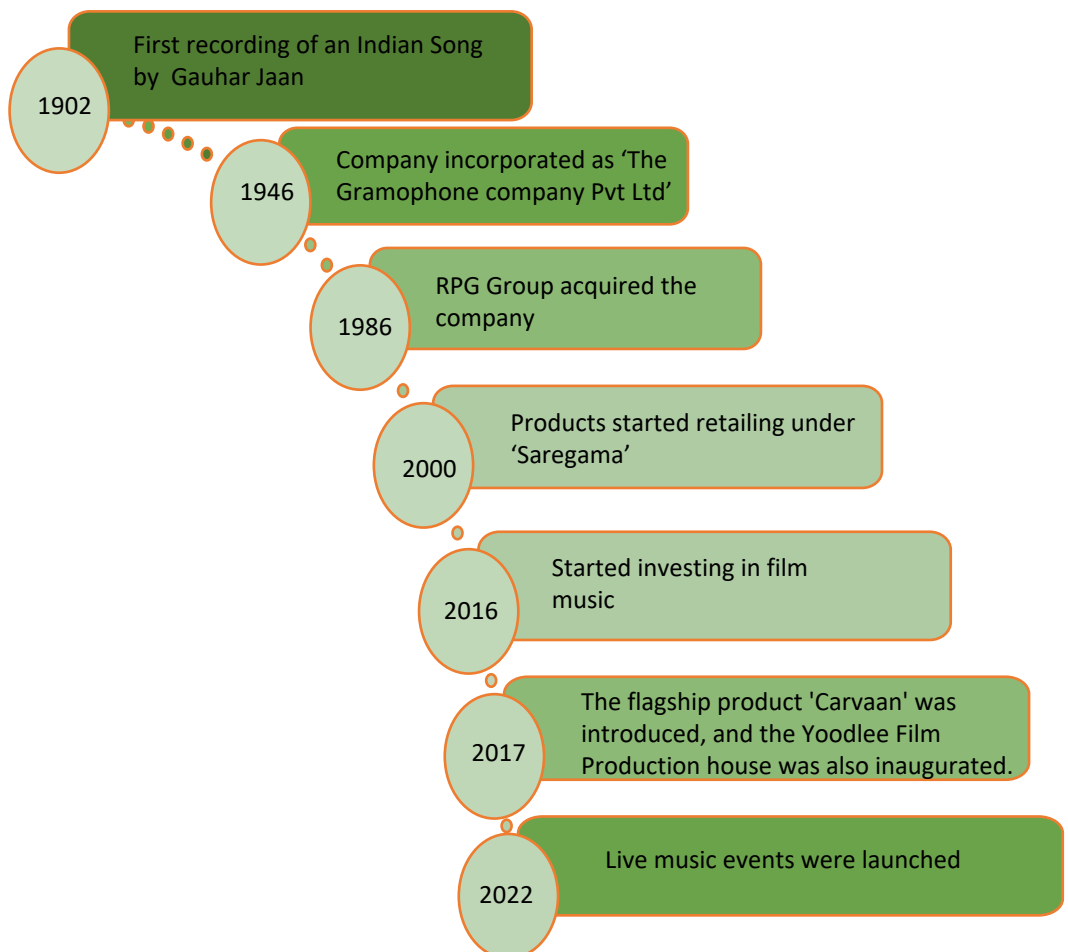
Saregama India Ltd., part of the RP Sanjiv Goenka Group, is the country's oldest music label and a diversified media company. Established in 1902, it released India's first studio-recorded song and has since become the largest global owner of sound recording and publishing copyrights in 14 languages. In addition to its extensive music catalog, Saregama expanded into TV content production in multiple languages.

Over the years, the company ventured into retail, offering music through various mediums, including CDs, apps, and thematic music cards. In 2017, Saregama gained attention with the launch of two noteworthy initiatives: Saregama Carvaan, a portable digital music player with a retro twist featuring 5000 Hindi songs, and Yoodlee Films, a film production venture focusing on fearless storytelling with realistic and provocative themes.

Saregama Carvaan has quickly become the company's flagship product, providing a nostalgic music experience for the older generation amidst the digital age. Yoodlee Films produces movies that tackle unconventional subjects and aims to distribute them through various platforms.



Key Milestones:



Source: Aриhant Research, Company Filings

Product Portfolio

Carvaan

Introduced in 2017, Carvaan is a digital music player with 5000 songs from Saregama's collection, sorted by singers, lyricists, composers, and moods. Although initially designed for individuals aged 40 and above, it unexpectedly gained popularity among younger audiences and became a sought-after festival gift. The successful collaboration between Saregama and The Womb, relied on word-of-mouth promotion. With the launch sale of 4 lakh units, a premium version was later introduced, featuring mobile app control.



Products	Features
Carvaan	5000+ songs classified by artistes, moods and geetmala, 80+ dedicated stations
Carvaan Lite	3000+ songs preloaded superhit songs, 80+ dedicated stations
Carvaan Mini+	1000 preloaded evergreen songs, Multiple connectivity options
Carvaan Soundbar	Comes preloaded with 1000 Evergreen Hindi Songs
Carvaan Mobile	100 Preloaded superhit songs, Large memory space.
Sleep by Carvaan	20+ soothing sounds, upto 10 hours of playtime
Carvaan Plug Play (Bhakti and Wellness)	25 preloaded mantras 16 preloaded meditation tracks

Source: Aриhant Research, Company Filings

Yoodlee Films

Introduced in 2017, Yoodlee Films is one of the additions to Saregama's business ventures, specializing in cost-effective video content like films and web series. The company maintains ownership of the intellectual property associated with its creations. Initially, Yoodlee Films exclusively licensed its content to third-party OTT platforms and TV channels for varying durations. However, Saregama has recently diversified its approach by delving into theatrical releases for regional movies.



Source: Aриhant Research, Company Filings

Segments

Music Segment

Saregama's key business include a diverse music library spanning across various genres and 18 languages, containing both catalog and new releases in film and non-film categories. The company holds rights to Master IP and Publishing IP for songs across all media on a global scale. Saregama ensures that songs undergo thorough digitization, including detailed metadata, making it simple and efficient to search for specific songs. Along with various languages, Saregama also produces devotional music.



Events

Saregama Live is enhancing artist relationships through engaging live performances, leveraging ticket sales as the primary revenue stream, complemented by sponsorships and the utilization of video assets on digital platforms. These efforts aim to deepen relationships and elevate brand value, particularly benefiting the music licensing vertical. Concerts attracts diverse fanbases, which contributes to the overall success of the events segment



Television and Web Series

Saregama aims to expand its presence in regional languages to reach a broader audience in India and as well as in the international market. The company intends to accelerate the growth of its web series and TV segment to maximize intellectual property monetization in the future. Saregama's music has been licensed to various Video OTT platforms and production houses for use in web-series. The TV serial vertical has successfully produced popular shows for 21 years, accumulating over 6,000 hours of TV content for Sun TV. This content is increasingly monetized on various digital platforms, and the South TV YouTube channel achieved over 2 billion views in FY23.

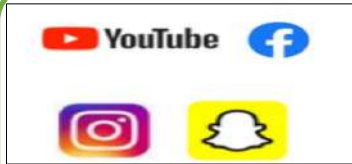


Licensing Partners



A. Music Streaming Apps (OTT)

Saregama profits from licensing music to online platforms, growing over 20% annually. Increased smartphone use, affordable data, and reduced piracy boost song plays on OTT platforms. The rise of subscription-based streaming will enable Saregama to generate recurring income.



B. Social Media Platforms (incl. Video sharing Apps)

Saregama has a cumulative subscriber base of over 84 Mn on YouTube, a 31% increase from the previous fiscal year. They earn from ads on their content and third-party videos using their intellectual property. The company has also issued fixed-fee licenses to other social media platforms for users to feature their songs in videos.



C. Video streaming platforms

Saregama profits from global video streaming platforms like Netflix and Disney+ Hotstar using its music, driving rapid revenue growth. They earn through fixed-fee licenses to Program Producers, expanding their reach and tapping into the growing demand for Indian music globally.



D. Broadcasting Platforms – TV Channels, Brands

Saregama makes money by licensing its music to TV channels and brands for various programs and ads. Their user-friendly search tool aids creators in finding the perfect song. Saregama is maximizing its music across diverse media platforms with 1-2 year fixed-fee licenses to TV channels.

Source: Aриhant Research, Company Filings

Exhibit 58 : Chartbusters Songs of 2023



- #1 Youtube Global Charts
- #1 Spotify Top 50 India
- 5 Mn Instagram Reels
- #1 Wynk Top 100
- #1 Air Check India
- #1 Billboard India Songs Charts



- #2 Youtube Music Video India
- #40 Spotify India
- #4 Wynk
- #1 Radio Check Hyderabad
- #1 Amazon Music Most played



- #4 Youtube Global Charts
- 7 Mn Instagram Reels
- #2 Spotify Top 50 India
- #2 Wynk Top 100
- #2 Air Check India
- #2 Billboard India Songs Charts



- #1 Air Check India
- #2 Apple Top 100 India
- #5 Spotify Charts
- #2 Trending Now on Wynk
- #4 Billboard India
- #1 Amazon Trending Songs



- #1 Hyderabad Air Check
- #4 Apple India Risers Shazam
- #2 Hungama Telugu Trending 20
- #2 Wynk Telugu Top 20
- #4 Billboard India
- #1 Amazon 50 Most Played : India

Source: Aриhant Research, Company Filings

Distinctive Strengths

Saregama is among the few entertainment companies in India, they possesses intellectual property (IP) assets spanning various media channels, delivery platforms, and business models. These include music, films, web series, TV serials, physical and digital distribution, as well as licensing and retail operations.

They have a substantial IP portfolio comprising over 150,000 songs, 70 films and web series, and more than 6,000 hours of television content.

The company has established strong partnerships with streaming apps and platforms to license both music and video content.

The company is focusing on expanding the IP collection while establishing a significant presence in prominent Indian languages.

The company is investing in data analytics and technology to enhance content acquisition and ensure intellectual property (IP) protection.

They have strong financial position with a history of increasing revenue, expanding margins, and generating positive cash flow.

The company has seasoned, and innovative leadership demonstrated by both the Management Team and Promoter Group.

The company stands out as the sole media house with a market positioning targeted at the youth, making it appealing to platforms, creative talent, and brands.

The Influencer Management business, **Clout**, holds the top position in India with the highest number of digital influencers and revenue.

Source: Aриhant Research, Company Filings

Journey towards dominance in the music industry

Higher proportion of new content in Hindi & regional languages

Acquisition of small & mid-size music catalogs using cash reserves

Enhance monetization through catalog and fresh content strength

Investments in Data Analytics, AI, and marketing power

Strengthen artiste bonds via management & live events

Strong financial foundation & decentralized decision-making

Growth strategy adopted in Video segment

Film and Cast Selection Based on Digital and TV Licensing Success

Web Series Selection Pre-Approved by VoD Platforms

Maintain IP for Portfolio Expansion & Future Utilization

Prioritize Regional Movies for Higher ROI

Increase Film/Series Volume for Cost Efficiency

Source: Aриhant Research, Company Filings

Business Strategies

Saregama aims to become a dominant player in the entertainment industry by focusing on content creation and capitalizing on the global increase in content consumption. The company's strategy involves producing engaging content for sustained returns, ensuring value for investors, artists, employees, and business partners. Overall, Saregama aims for long-term relevance in the entertainment sector.

Strategic priority 1	Strategic priority 2	Strategic priority 3
Monetise existing Music IP	Build new Music IP	Building Films, TV and Events segment

Actions taken in FY 2022-23

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> Secured and maintained a wide range of licenses, including brand, digital content, and film sync licenses across music streaming, broadcasting, video streaming and social media platforms. Introduced new Carvaan models including "Mobile" and "Music Bar." | <ul style="list-style-type: none"> Released 1,000+ songs in Hindi and regional languages, along with 7,000+ derivatives, for catalog expansion. Signed deals with singers like Arijit Singh, Adnan Sami, and Stebin Ben for creation of original non-film songs. | <ul style="list-style-type: none"> Released 6 films, telecasted 470 hours of TV serials and launched 2 web series on OTT platforms. Produced movies in Punjabi and Malayalam languages, capable of monetising multiple rights. Organised 14 concerts with Diljit Dosanjh in Canada, India and the US. |
|--|--|--|

Priorities for FY 2023-24

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> Expand music licensing revenue sources. Launch Carvaan podcasts for upfront margin and ongoing ad/subscription revenue. | <ul style="list-style-type: none"> Increase percentage share of new content Inorganically acquire content at right valuations. Increase focus on recreations. | <ul style="list-style-type: none"> Broaden presence in regional languages to access wider reach across pan-India and globally. Increase growth in Films and TV Segment to maximise IP monetisation and grow revenue and margins through events. |
|--|--|---|

Strategic priority 4	Strategic priority 5
Artiste Management and promoting new talent	Using AI to create strategic advantage

Actions taken in FY 2022-23

- | | |
|---|--|
| <ul style="list-style-type: none"> Identified and groomed young artists. Launched a dedicated program for upcoming artists to create monetizable content through revenue-sharing. | <ul style="list-style-type: none"> Build predictive AI using last 3 years song performances in the industry New content selection done using these AI tools. |
|---|--|

Priorities for FY 2023-24

- | | |
|---|--|
| <ul style="list-style-type: none"> Ensure required promotion of artistes managed by company Create new revenue streams for these artists. | <ul style="list-style-type: none"> Invest in Generative AI. Decrease reliance on human intervention. |
|---|--|

Exhibit 60: Saregama's Business Model

Business model of Saregama India Ltd

Inputs	Business activities	Outputs	Outcomes
<p>1. Financial Capital</p> <p>a. Net worth- INR 13,455 Mn</p> <p>b. Liquidity- INR 7,975 Mn in liquid assets</p> <p>2. Entertainment and Intellectual Capital:</p> <p>a. The largest music IP in India featuring over 150K songs in 18 languages.</p> <p>b. Holds rights to 69 films and series, and 6K+ hours of television serials.</p> <p>3. Human Capital:</p> <p>The company's human capital comprises 325 employees</p>	<p>1. Music Licensing</p> <p>Focuses on content procurement, production and aggregation, owning a vast IP library, engaging artistes, and monetizing through licensing to various platforms.</p> <p>2. Music Retailing</p> <p>Employs marketing and distribution strategies, leveraging its retail network for one-time revenue generation.</p> <p>3. Video (Film, Web Series & TV)</p> <p>Entire film production lifecycle, from concept creation, pre-production to production, post-production, and distribution</p>	<p>Saregama achieved notable output milestones</p> <p>a. Adding over 8,000 new songs to its library</p> <p>b. Releasing 6 films and web series</p> <p>c. Launching 2 television serials</p> <p>d. Selling 5.6 lakh Carvaan units</p>	<p>1. Financial Capital</p> <p>Revenue- INR 7,366 Mn</p> <p>PAT- INR 1,851 Mn</p> <p>Market capitalization- INR 63,850 Mn</p> <p>2. Entertainment and Intellectual Capital:</p> <p>YouTube views- 202 Bn across its own and third-party channels, featuring 11 songs with 100 Mn+ views released in 2022.</p> <p>3. Human Capital: Employee benefits investment- INR 750 Mn</p> <p>Employee productivity - INR 8 Mn with 23% of managerial positions held by women.</p>

Source: Arianth Research, Company Filings

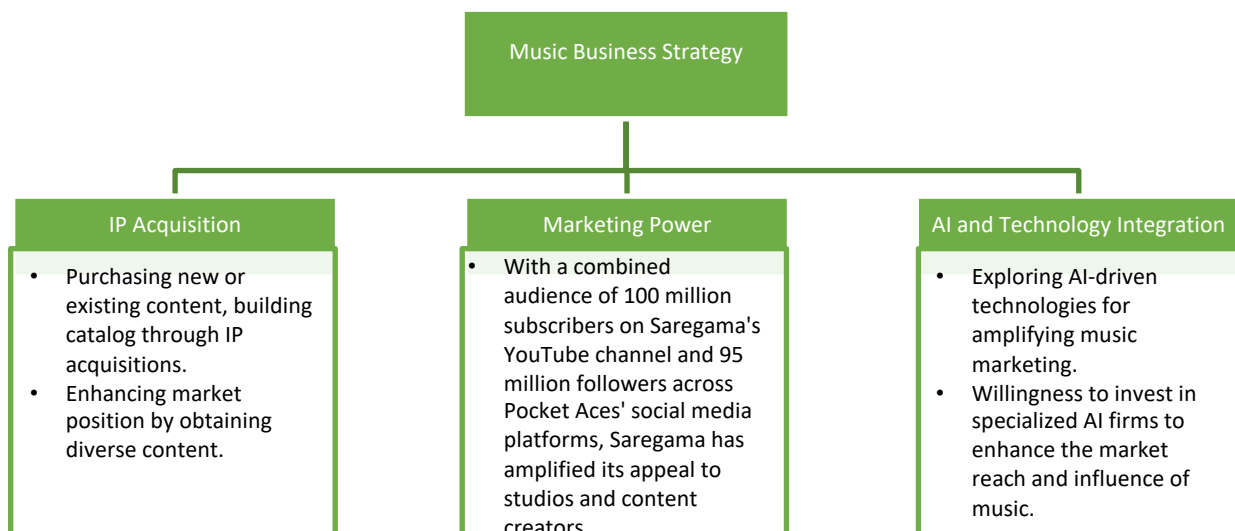
Exhibit 61: Credit Rating

The company secured recent credit ratings from CARE Ratings Limited. Long-term bank loan facilities were rated CARE A+; Positive (Single A Plus; Outlook: Positive), while short-term facilities were re-affirmed as CARE A1+ (A One Plus).

Rating Agency	Security Type	Rs. in Crores	Credit Rating	Outlook
CARE Ratings Limited	Long term bank facilities	65.00	CARE AA-	Stable
	Short term bank facilities	10.00	CARE A1+	-

Source: Arianth Research, Company Filings

Exhibit 62: Saregama's Music Business Strategy



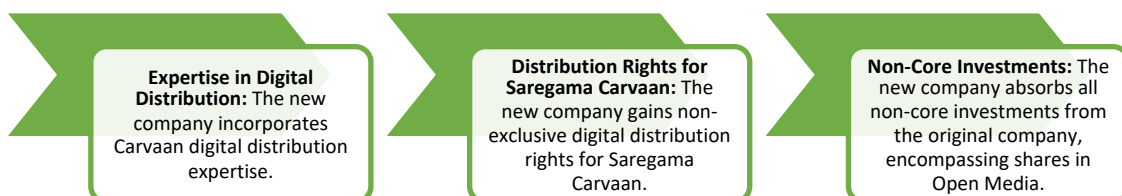
Source: Arianth Research, Company Filings

Saregama Demerged its E-commerce Distribution Business

Earlier in the year, the company had announced the demerger of its e-commerce business into a separate entity. The record date for the spinoff was July 27. The demerger will see shareholders being allotted one share of the demerged entity for every five shares of Saregama.

The e-commerce spinoff **Digidrive Distributors Limited (DDL)** would also be listed on the BSE and the NSE and will no longer be a subsidiary of the company.

Demerger Purpose



Financial and Shareholding Impact

Swap Ratio:

- For every 5 equity shares of INR 1 each of Saregama India Limited, DDL will issue 1 fully paid-up equity share of INR 10 each.
- Post-demerger, DDL's paid-up share capital will be twice that of Saregama India Limited, despite of the small turnover of the demerged entity compared to Saregama India Limited's core business.

Future Prospects:

- Saregama India Limited will focus on its core business without providing support to the loss-making magazine business.
- There is speculation about the resulting company's potential delisting or merger with another group entity.

Financials of the demerged Undertaking

Particulars	Amount
Total Revenue FY 21	INR 17.42 crore
% Of total revenue of SIL	3.78%
Dividend Income FY 21	INR 6.95 crore
Publication Revenue FY 21	INR 4.38 crore
Publication EBIT FY 21	INR -11.77 crore (loss)

Revenue & Operational Profits for the Publishing Business in the last 4 years:

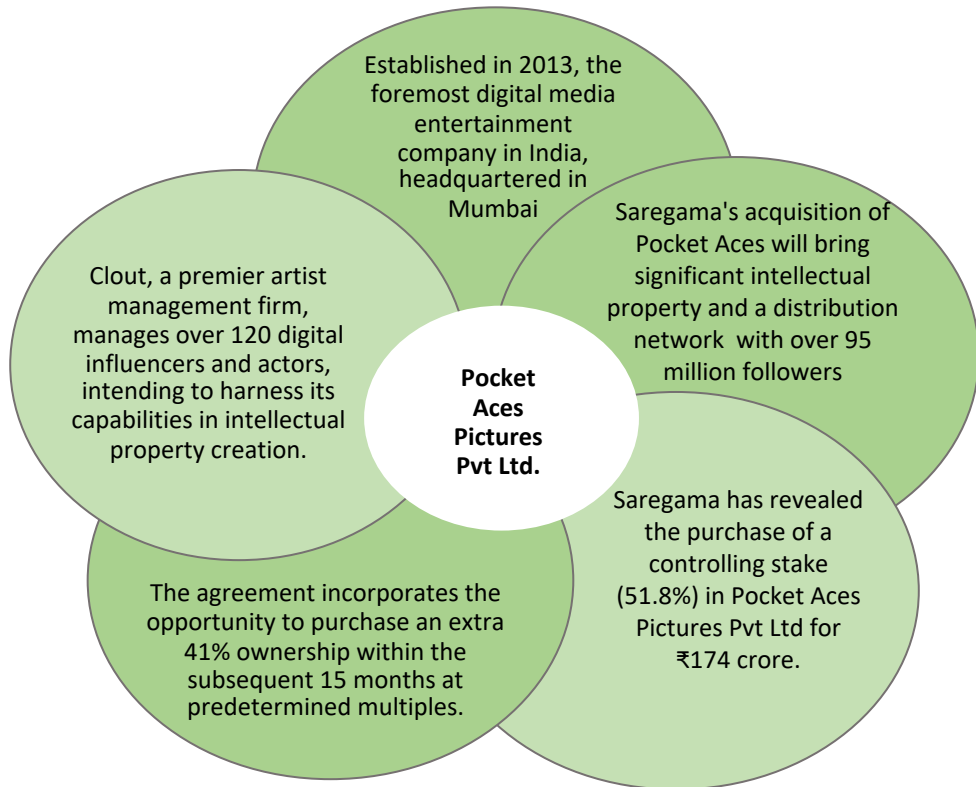
(INR crore)

Particulars	Revenue (after eliminating revenue from SIL)	Revenue from SIL	EBIT
FY 2022	4.43	NA	-12
FY 2021	4.38	11.03	-12
FY 2020	6.88	10.11	-13
FY 2019	7.38	-	-10

Source: Arihant Research, Company Filings

Acquisition of Pocket Aces Pictures Pvt Ltd

Pocket Aces, a prominent digital entertainment company, operates three popular content channels: FilterCopy (short videos), Dice Media (long-form videos), and Gobble (food and lifestyle videos). Additionally, it runs Loco, a direct-to-consumer platform for live and interactive e-sports. With over 3,000 content pieces in its intellectual property catalog, Pocket Aces caters to a youth-centric audience. The company manages Clout, a talent management arm overseeing 100 digital influencers. Its other vertical, Dice Media, produces web series for major OTT platforms, contributing to the company's FY23 revenue of INR 1,040 Mn. Pocket Aces stands out with its unique blend of distribution ownership, intellectual property, and talent management, with 35 million subscribers and 700 million monthly video views across social media platforms. Major investors include Sequoia Capital, 3one4 Capital, DSP Group, North Base Media, and Infosys co-founders.



Source: Arianth Research, Company Filings

Exhibit 63: Saregama: Bollywood Music Partnerships

Saregama has teamed up with top film studios to get new music. They're the go-to music partner for big Bollywood names, worked on movies like "Rocky Aur Rani Ki Prem Kahani," "Baiju Bawra," "12th Fail," Chamkila, and Stree 2. This trend continues in Telugu and Malayalam cinema, with production houses like Mythri, creators of "Pushpa," trusting Saregama for marketing.



Source: Arianth Research, Company Filings

Exhibit 64: Shareholding pattern (Dec'23)

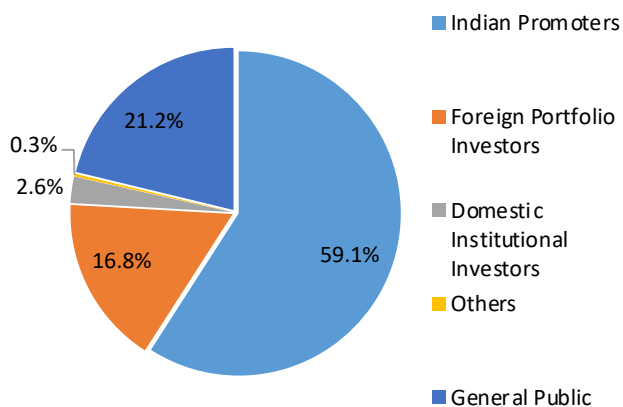


Exhibit 65: Geographical Revenue Mix (%)

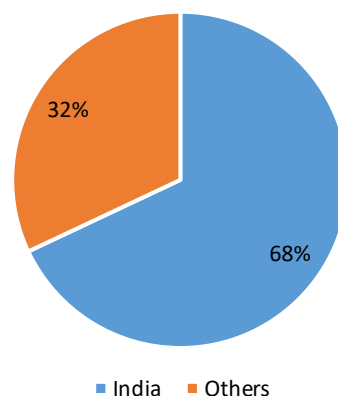


Exhibit 66: Segment wise revenue mix of FY23

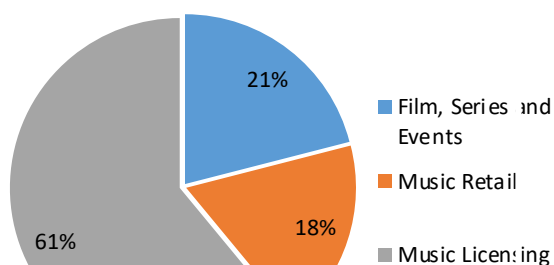


Exhibit 67: Product- wise Volumes of FY23

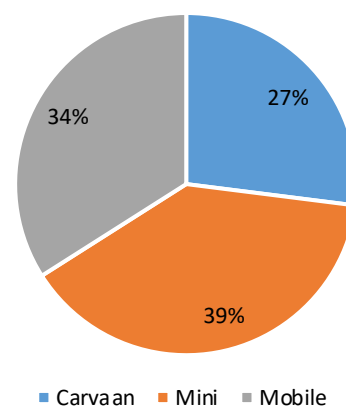


Exhibit 68: Fund houses invested in the stock (%)

Fund	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
Tata Mutual Fund	0.234	--	--	--	--
WhiteOak Capital Mutual Fund	0.218	0.243	0.242	0.215	0.195
Union Mutual Fund	0.152	0.306	0.161	0.289	0.298
360 ONE Mutual Fund	0.113	--	--	--	--
LIC Mutual Fund	0.112	0.101	0.080	--	--
Nippon India Mutual Fund	0.027	0.022	--	--	--
Motilal Oswal Mutual Fund	0.018	0.016	--	--	--
SBI Mutual Fund	0.013	0.010	--	--	--

Source: Arihant Research, Company Filings

Management team



Vikram Mehra

Managing Director

Has been with the company since October 2014.

MBA degree from IIM Lucknow and B.Tech in Computer Science from IIT Roorkee.



Pankaj Chaturvedi

Chief Financial Officer

Chartered Accountant with over 2 decades of experience in various industries including Telecom, Aviation and Consumer Electronics.



Kartik Kalla

Vice president Music

25+ years of experience in radio industry and advertising. He has handled businesses for Coca-Cola, Sprite, Nestle, Dominos and Reckitt Benckiser.



Kumar Ajit

Exec. Vice President, Music & Retail

Post Graduate in Business Management in Marketing & Finance from ICFAI Business School, Hyderabad.



B. R. Vijayalakshmi

Exec. Vice President, South TV

She's Asia's First Woman Cinematographer, listed in the Limca Book of Records for producing 4,000+ hours of TV content across all genres and South Asian languages since 2001.



Siddharth Anand Kumar

Sr. Vice President, Films, Series & Events

Has been a cinematographer, editor, writer, director and producer in the Indian Film and TV industry since the last 19 years.

Post-graduation from Hampshire College (MA, USA)



Sonalika Johri

Vice President, HR & Administration

Heads Human Resources & Administration function at Saregama since 2016.

MBA degree from IISWBM and Psychology (Hons) from Delhi University.



Yazad Anklesaria

GM, IT & Technology

Software engineering professional with over 20 years of experience in telecom, media and content domains.

Income statement (INR mn)

Year End-March	FY23	FY24E	FY25E	FY26E	FY27E
Gross Sales	7,366	8,658	11,072	14,364	18,362
Net Sales	7,366	8,658	11,072	14,364	18,362
YoY (%)	26.86%	17.54%	27.87%	29.73%	27.83%
Adjusted COGS	2,250	2,506	3,173	4,048	5,143
YoY (%)	57.25%	11.36%	26.61%	27.57%	27.05%
Personnel/ Employee benefit expenses	750	1,012	1,283	1,650	2,090
YoY (%)	2.11%	34.95%	26.77%	28.59%	26.69%
Advertisement and sales promotion	775	775	961	1,233	1,557
YoY (%)	48.95%	0.00%	24.02%	28.22%	26.32%
Royalty expense	643	777	982	1,275	1,630
YoY (%)	1.90%	20.72%	26.47%	29.76%	27.86%
Manufacturing & Other Expenses	737	991	1,247	1,608	2,043
YoY (%)	19.38%	34.37%	25.87%	28.96%	27.05%
Total Expenditure	5,156	6,061	7,647	9,813	12,464
YoY (%)	18.09%	17.55%	31.86%	32.87%	29.62%
EBITDA	2,210	2,597	3,425	4,551	5,898
YoY (%)	18.09%	17.55%	31.86%	32.87%	29.62%
EBITDA Margin (%)	30.00%	30.00%	30.93%	31.68%	32.12%
Depreciation	208	339	392	460	544
% of Gross Block	5.38%	6.71%	6.08%	5.75%	5.52%
EBIT	2,002	2,258	3,033	4,091	5,355
EBIT Margin (%)	27.17%	26.08%	27.39%	28.48%	29.16%
Interest Expenses	57	54	52	49	47
Non-operating/ Other income	536	617	524	446	490
PBT	2,481	2,820	3,505	4,487	5,798
Tax-Total	630	747	942	1,212	1,537
Profit After Tax	1,850	2,074	2,563	3,276	4,262
PAT Margin	25.12%	23.95%	23.15%	22.80%	23.21%
Shares o/s/ paid up equity sh capital	193	193	193	193	193
Adj EPS	10	11	13	17	22
Dividend per share	3	3	3	4	4
Dividend payout (%)	31.26%	26.03%	24.07%	20.60%	18.10%
Retained earnings	1,272	1,534	1,946	2,601	3,491

Balance sheet (INR Mn)

Year-end March	FY223	FY24E	FY25E	FY26E	FY27E
Sources of Funds					
Equity Share Capital	193	193	193	193	193
Reserves & Surplus/ Other Equity	13,262	15,336	17,899	21,175	25,437
Networth	13,455	15,529	18,092	21,368	25,630
Unsecured Loans/ Borrowings/ Lease Liabilities	15	49	49	49	50
Other Liabilities	1,947	1,972	2,027	2,047	2,080
Total Liabilities	3,586	3,805	4,077	4,378	5,447
Total Funds Employed	17,041	19,334	22,169	25,746	31,077
Application of Funds					
Net Fixed Assets	3,418	4,364	5,488	6,741	8,251
Investments/ Notes/ Fair value measurement	3,491	4,020	4,924	6,124	7,567
Current assets	12,520	13,757	15,347	17,537	21,211
Inventory	1,643	2,005	2,350	2,999	3,810
Days	219	292	270	270	270
Debtors	1,480	1,732	2,109	2,685	3,432
Days	63	73	70	68	68
Other Current Assets	1,928	2,329	2,874	3,630	4,398
Cash and Cash equivalent	5,083	4,885	4,424	3,567	3,618
Current Liabilities/Provisions	3,080	3,321	3,614	3,975	5,093
Creditors / Trade Payables	703	816	986	1,217	2,199
Days	51	52	51	49	49
Liabilities	922	967	1,015	1,065	1,118
Net Current Assets	9,441	10,436	11,732	13,563	16,117
Total Asset	17,041	19,334	22,169	25,746	31,077
Total Capital Employed	7,600	8,898	10,437	12,183	14,960

Cash Flow Statement (INR Mn)					
Year End-March	FY23	FY24E	FY25E	FY26E	FY27E
Profit After tax	2,481	2,820	3,505	4,487	5,798
Adjustments: Add					
Depreciation and amortisation	208	339	392	460	544
Interest adjustment	(479)	(562)	(473)	(397)	(444)
Change in assets and liabilities	2,158	2,391	3,100	4,014	5,133
Inventories	(588)	(362)	(346)	(648)	(811)
Trade receivables	(402)	(252)	(377)	(576)	(747)
Trade payables	57	114	169	231	983
Other Liabilities and provisions	545	72	76	79	83
Other Assets	(207)	(224)	(291)	(386)	(224)
Taxes	(135)	(197)	(247)	(398)	(559)
Net cash from operating activities	1,429	1,541	2,085	2,316	3,857
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	(831)	(1,285)	(1,516)	(1,713)	(2,054)
Net Sale/(Purchase) of investments	4,373	(419)	(782)	(1,067)	(1,296)
Others	(255)	506	403	312	343
Net cash (used) in investing activities	3,286	(1,198)	(1,896)	(2,468)	(3,007)
Interest expense	(39)	8	(29)	(32)	(34)
Dividend paid	(578)	(540)	(617)	(675)	(771)
Other financing activities	(2,253)	(9)	(4)	1	6
Net cash (used) in financing activities	(2,870)	(541)	(649)	(705)	(799)
Closing Balance	5,083	4,885	4,424	3,567	3,618

Key Ratios					
Year-end March	FY23	FY24E	FY25E	FY26E	FY27E
Solvency Ratios					
Debt / Equity	0.00	0.00	0.00	0.00	0.00
Net Debt / Equity	-0.38	-0.31	-0.24	-0.17	-0.14
Debt / EBITDA	0.00	0.02	0.01	0.01	0.01
Current Ratio	-2.30	-1.86	-1.28	-0.77	-0.61
DuPont Analysis					
Sales/Assets	0.43	0.45	0.50	0.56	0.59
Assets/Equity	1.27	1.25	1.23	1.20	1.21
RoE	13.75%	13.35%	14.17%	15.33%	16.63%
Per share ratios					
Reported EPS	9.60	10.76	13.30	16.99	22.10
Dividend per share	3.00	2.80	3.20	3.50	4.00
BV per share	69.78	80.54	93.83	110.82	132.93
Cash per Share	8.54	9.81	11.69	14.53	18.42
Revenue per Share	38.20	44.91	57.42	74.50	95.23
Profitability ratios					
Net Profit Margin (PAT/Net sales)	25.12%	23.95%	23.15%	22.80%	23.21%
Gross Profit / Net Sales	69.45%	71.06%	71.34%	71.82%	71.99%
EBITDA / Net Sales	30.00%	30.00%	30.93%	31.68%	32.12%
EBIT / Net Sales	27.17%	26.08%	27.39%	28.48%	29.16%
ROCE (%)	14.34%	14.10%	16.34%	18.79%	20.61%
Activity ratios					
Inventory Days	218.71	292.00	270.37	270.37	270.37
Debtor Days	63.37	73.00	69.52	68.22	68.22
Creditor Days	51.31	52.14	51.41	49.32	49.32
Leverage ratios					
Interest coverage	35.02	41.59	58.80	83.48	115.04
Debt / Asset	0.0	0.0	0.0	0.0	0.0
Valuation ratios					
EV / EBITDA	40.52	33.48	28.57	21.80	16.60
PE (x)	51.79	42.72	38.12	30.84	24.13
OCF/EBITDA (%)	55.18	64.67	59.32	60.87	50.90

CMP: INR 422

Rating: Buy

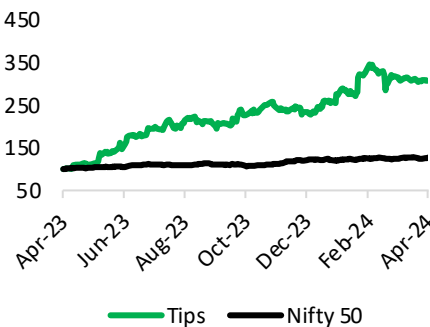
Target Price: INR 569

Stock Info	
BSE	532375
NSE	TIPSINDLTD
Bloomberg	TPS:IN
Reuters	TIPS.NS
Sector	Media & Entertainment
Face Value (INR)	1.00
Equity Capital (INR Mn)	128
Mkt Cap (INR Mn)	54,196
52w H/L (INR)	531/164
Avg Yearly Vol (in 000')	432

Shareholding Pattern % (As on Mar, 2024)	
Promoters	63.86
FII	2.09
DII	8.17
Public & Others	25.88

Stock Performance (%)	1m	3m	12m
Tips Industries Limited	-3.02	19.05	207.58
Nifty	1.77	3.61	26.07

Tips Industries Limited Vs Nifty 50



Tips Industries Limited is involved in the acquisition and exploitation of music rights. The company has a diverse music catalog available in over 25 languages across various global platforms. Their library comprises over 30,000 songs spanning across multiple genres and languages. Tips operates in single segment and generates 100% of its revenue from Licensing, with 75% generated from streaming and 25% from non-streaming/digital sources. In the Indian Music Space, Tips has a market share of about 10%. As of March 2024, Tips Music has about 97 Mn subscribers on and 194 bn views on YouTube.

Investment Rationale

YouTube's performance boosts Tips Industries' revenue: YouTube accounts for 45-50% of the company's revenue. With 97 million subscribers across its various channels, the company recorded 48 billion views on YouTube in the Q4FY24. Tips Industries has seen success in its streaming segment, especially on platforms like YouTube, Spotify and Jio.

Optimized approach to regional and mainstream content: The company prioritizes mainstream Hindi content, dedicating about 70% of its efforts to it and assigning 30% to regional content. They anticipate a gradual shift, planning to focus primarily on mainstream Hindi content and then on regional content as part of its future strategy.

Content cost strategy: Tips Industries charges off the entire cost of content in the quarter of release. The company expects content costs to return to previous levels, the company has disclosed a content acquisition budget of INR 750 – 800 Mn with a target to acquire music rights of 8 to 10 films across languages in FY25.

Tips Industries' shift to quality in music production: The company released 179 new tracks in Q4FY24, totalling to 733 new songs in FY24. 90% of the company's business comes from its catalogue up to year 2020. For FY25, Tips has refined the approach, focusing more on quality rather than quantity, with a target to release 150 new songs in FY25.

Valuation & View: The company expects 30% increase in top-line as well as bottom-line in FY25 with an aim to release 150 – 200 new songs. For FY25 the company is focusing on quality rather than quantity, keeping the content acquisition budget at around INR 750 to 800 Mn, the company has plans to acquire music rights for big budget films. With the Warner deal getting renewed for another 4 years, we remain optimistic about Tips business performance, market share and revenue potential across various platforms. **We expect Tips industries' revenue, EBITDA, and PAT to grow at a CAGR of 29.65%, 30.88%, and 30.43%, respectively, over FY25-27E. We initiate coverage with a "BUY" rating at a Target Price of INR 569 per share based on DCF; an upside of 34.8%.**

Exhibit 69: Financial overview

Year-end	Net Sales	Net Sales Gr. (%)	EBITDA	PAT	PAT Gr. (%)	EPS (INR)	EBITDA Margin(%)	EV/EBITDA	P/E (x)
March (INR Mn)									
FY23	1,868	37.8	1,019	765	19.4	6.0	54.6	52.2	70.8
FY24	2,416	29.3	1,585	1,272	66.2	9.9	65.6	33.4	42.6
FY25E	3,104	28.5	2,044	1,622	27.6	12.7	65.8	26.1	33.3
FY26E	4,014	29.3	2,668	2,107	29.9	16.5	66.5	20.0	25.6
FY27E	5,218	30.0	3,501	2,760	31.0	21.6	67.1	15.1	19.5

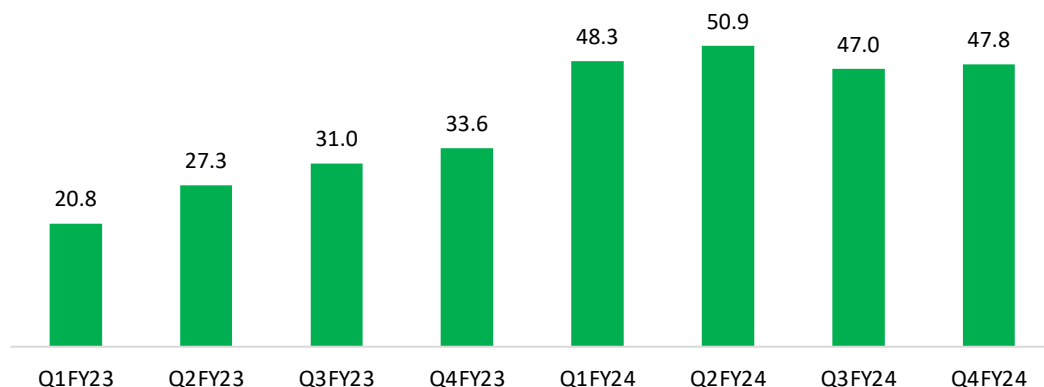
Source: Arihant Research, Company Filings

Investment Rationale

YouTube's performance boosts Tips Industries' revenue

Tips Industries has seen success in its streaming segment, especially on platforms like YouTube, Spotify and Jio. The strategy involves offering free content initially and gradually converting users to subscribers due to enhanced user experience. With **97 Mn** subscribers across its various channels, the company recorded about **48 bn** views on YouTube in Q4FY24, showing a **42% increase** from Q4FY23. The rise in numbers is partly due to the popularity of a new YouTube feature called "Shorts". The revenue generation from this particular service is structured as a lump-sum deal with YouTube. In the broader context, YouTube's overall performance remains on an upward trajectory.

Exhibit 70: Increasing trend of YouTube Views and subscribers (bn)



Source: Arihant Research, Company Filings

YouTube accounts for 45-50% of the company's revenue

Optimized approach to regional and mainstream content

Tips Industries' approach to regional content has changed over time. Initially, before 2005-2006, they had a strong presence in various regional languages. However, there was a shift and are now focused majorly on Hindi content, especially smaller-scale productions. This focus on Hindi remained until the COVID-19 pandemic in 2020. In response to the changing landscape Tips Industries re-embraced regional content, introducing 10 to 15 regional channels covering various languages. Looking forward, Tips Industries anticipates a gradual shift in its future strategy, with the company **focusing 70-75% on mainstream Hindi content and the remainder on regional content, depending on content cost. In FY25, the company is targeting to acquire rights of 3 – 4 South films, with an aim to release 30 – 40 songs.**

Exhibit 71: Tips YouTube channels

YouTube channels	Subscribers
Tips Official	65.5M
Tips Jhankar Gaane	5.0M
Tips Punjabi	3.7M
Tips Films	3.3M
Tips Bhojpuri	3.0M
Tips Bhakti Prem	2.3M
Tips Marathi	1.6M
Tips Tamil	1.1M
Tips Rajasthani	1.1M
Tips Gujarati	288K
Tips Bengali	169K
Tips Malayalam	76K

Source: Arihant Research, Company Filings

Traditionally centred around Hindi content, Tips Industries is strategically adapting to the increasing demand for regional languages by venturing into Punjabi, Tamil. In Q4FY24, Tips signed an independent artist from South DJ Flipside to produce exclusive remixes of Tips Music.

Investment Rationale

Aiming for rapid Streaming segment growth with rising paid subscriptions

Streaming constitutes approximately **75%** of the company's total income and **Paid Streaming** constitute around **5%**. The company has grown with a constant increase in its market share. Tips Industries has been exploring streaming platforms to maximize revenue streams, drawing parallels with models like YouTube. YouTube and Spotify are actively encouraging more users to pay for their services, resulting in a **27% increase in paid subscriptions last year**. Although paid streaming is steadily increasing, it will take another **2-3 years** to make a significant contribution to the company's revenue. The company's engagement with **Spotify** which currently has the **largest market share** in India, signifies a shift in market dynamics. Tips Industries believes that platforms like Spotify recognize the intrinsic value of content based on its actual performance rather than just its acquisition. Spotify recently announced that their next **five-year plan** in India includes converting **60-70%** of their user base to **paid members**. Tips **achieved massive** success in Q4FY24 with their album from the film "Crew," which starred Tabu, Kareena Kapoor Khan and Kriti Sanon. Songs from the film, such as "Choli ke Peeche", "Naina", and "Ghagra", were among the **top ten trending songs across major platforms**. The song "Dil Laga Liya" from the film Dil Hai Tumhara has **surpassed 1 Bn views** on YouTube.

Exhibit 72: Presence across different platforms

YouTube	✓	moj	✓	deezer	✓
Spotify	✓	prime music	✓	resso	✓
JioSaavn	✓	Apple MUSIC	✓	Red Bull	X
ShareChat	✓	Apple iTunes	✓	Instagram	X

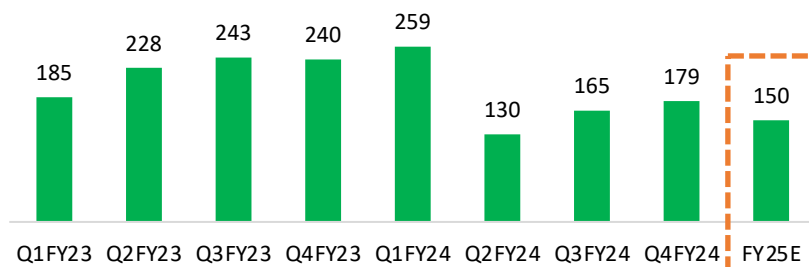
Source: Aриhant Research, Company Filings

The company aims to achieve an 11%-12% market share in the next 3 to 4 years based on its current content, catalog, and strategy for new releases.

Tips Industries' shift to quality in music production

In Q4FY24 the company released **179 new tracks**. The company has been focusing on creating a diverse collection, expanding into different languages since 2020, ensuring broader accessibility across platforms. Initially, the focus was on producing more songs, but now there's a shift towards improving the quality of the content. **The company has set a target of releasing about 150 – 200 new songs in FY25** while keeping content costs roughly the same as in previous years to **around INR 750 to 800 Mn in FY25**. This change could help use resources more efficiently and potentially enhance the overall quality of the music. By keeping the content acquisition budget constant, the company aims to acquire rights to quality songs from big budget songs.

Exhibit 73: Number of songs added each quarter



Source: Aриhant Research, Company Filings

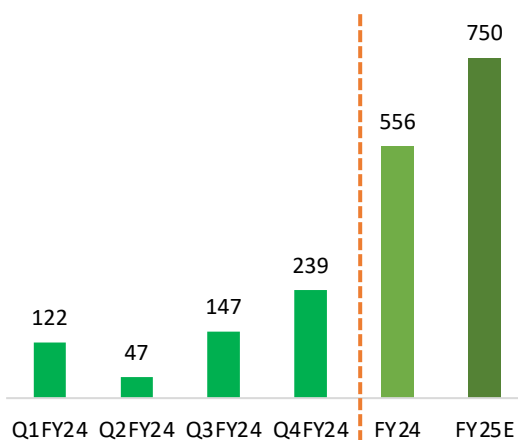
90% of the company's revenue is derived from songs released before 2020

Investment Rationale

Content cost strategy

Tips Industries **charges off the entire cost of content in the quarter of release**. They fund content acquisition internally without relying on borrowings and their catalogue performance is driving profitability upward. **The typical payback period for content acquisition is projected to be around 4 to 5 years**. They plan to maintain content costs at 30% of revenue in future, emphasizing a strategic and disciplined approach to content acquisition. Q2FY24 is considered a one-off due to the absence of major content. With a focus on quality content acquisition, the company is **expecting a 30% increase in both top-line and bottom-line performance**, with potential upside and improved margins in FY25.

Exhibit 74: Content cost trend



Source: Arihant Research, Company Filings

The company has a strong A&R team that collaborates with artists from diverse genres and languages, enabling them to support and promote emerging talents.

Expanding global reach through strategic partnerships and new deals



In Q4FY24, Tips **renewed** their existing partnership with Warner Music for **another 4 years**. This new deal gives Warner Music access to Tips music's full extensive catalogue globally. Warner Music has been exclusively distributing Tips Music's 13,000+ strong Hindi catalogue since 2020, and has played an important role in growing the company's Bollywood soundtracks on the international stage. **This new deal will now see Warner Music take on the commercial and distribution responsibilities** for all Tips Music's frontline and catalogue music on all audio streaming apps, which spans across 23 Indian languages and 30,000+ songs.

The new deal with Warner Music is on a **Minimum Guarantee basis**, with Tips receiving the amount in advance at the start of each year. This minimum guarantee amount is fixed for four years and is **10x more** than the previous deal. Tips will receive an **additional 85% from overflows**, with Warner keeping the remaining 15%. **New Warner deal is expected to contribute about 30 – 35% in top-line.**

Most importantly the deal with Warner Music will also enables Tips to distribute their music to the world's largest social media platform, Meta.

Apart from Warner Music, Tips also teamed up with Sony Music Publishing (SMP) in May 2023, for a global partnership to boost publishing and royalty revenues and expand its artists' global reach. This deal includes handling administration, synchronization and promoting Tips Music's extensive catalog with over 30,000 tracks and 5,500 albums in 24 languages. In the same month, Tips industries also secured a one-year deal with JioSaavn which had an instant positive impact on its revenue.

Investment Rationale

Tips Film's upcoming line-up

Tips Industries has **separated its film and music divisions two years ago**, aiming to amplify its film business. The company intends to invest significantly in producing **8-10 films annually**, across both regional and mainstream categories. Tips Films has produced 50 films, 85-90% of which were successful, and consistently delivering hit music for these films which benefits Tips Industries. *Currently, they hold assets worth approximately INR 1,000-1,250 Mn in both film and music.* **Given the rising demand across platforms like OTT, satellite and theatrical releases, the company sees ample opportunities to monetize its content.** The upcoming year seems promising for the company with these significant movie releases. This diversification and strategic partnerships, especially for significant projects, will aid the company's financial growth.

Exhibit 75: Recent and upcoming film releases

Tips Film has multiple major releases scheduled, with exclusive music rights held by Tips Industries
"Ishq Vishk Rebound" starring Rohit Saraf and Pashmina Roshan expected to release in Q1FY25.
"Buckingham murder" starring Kareena Kapoor Khan expected to release in Q2FY25
Shridevi Prasann featuring Sai Tamhankar and Siddharth Chandekar released in Q4FY24.
Soulmates (In pipeline)
Motha Maanus (A Nilu Phule Biopic) (In pipeline)
Kolhapur to Pattaya (Tentative Title) (In pipeline)

Source: Arihant Research, Company Filings

30-35% of content cost will be kept aside for acquiring content from group company Tips Films.

Tips Industries' Film music acquisition strategy

TIPS is confident that its music business will continue to deliver consistent growth and revenue. The company has been at the forefront of leveraging the latest technology and innovation in the industry. Their music library is a comprehensive one, featuring a collection of evergreen and rich content, which are available for streaming and download across leading streaming platforms like iTunes and Google Play, as well as popular streaming platforms like YouTube, Spotify, Jio Saavn, Resso, Apple Music, etc.

Tips Industries has a unique way of acquiring film music compared to the usual bidding process. Instead of formal auctions, the company relies on strong relationships with key industry players. Through open discussions and adjusting perceived values the company acquires music content from outside Tips Films and recreate songs. The company's recreation songs has been doing exceptionally well. Even in periods without collaborations with major services and fewer new releases, **Tips Industries has sustained growth rates of 50% and 38% over two consecutive years.** This success is attributed to strategies, such as recreating songs from existing catalogs. Looking forward, the company's growth trajectory seems promising, indicating sustained growth and stability for the next 20-25 years.

The company is targeting to acquire rights from 8 to 10 films across languages in FY25, with a target of acquiring around 50 songs from the film side.

Investment Rationale

Growing influence of non-streaming/digital revenue streams

Non-streaming/digital revenue constitutes approximately **25%** of the company's total income. Within the non-digital revenue segment, Tips Industries has identified key avenues such as television and public performances. Despite expectations of limited growth on television, *Tips Industries has been successful in gaining recognition and ranking third in priority for TV stations.* This improved position leads to increased financial gains, as TV stations allocate more resources to content partners. **The company strategically uses its streaming success to negotiate higher payments from TV networks.** Overall, Tips Industries shows a consistent track record of success in this changing landscape, where the performance on digital platforms positively influences revenue from television.

Licensing revenue sources for Tips Industries' catalog

OTT Platforms

Content Aggregators

TV Channels

Telecom Companies

Radio Stations

Advertisers

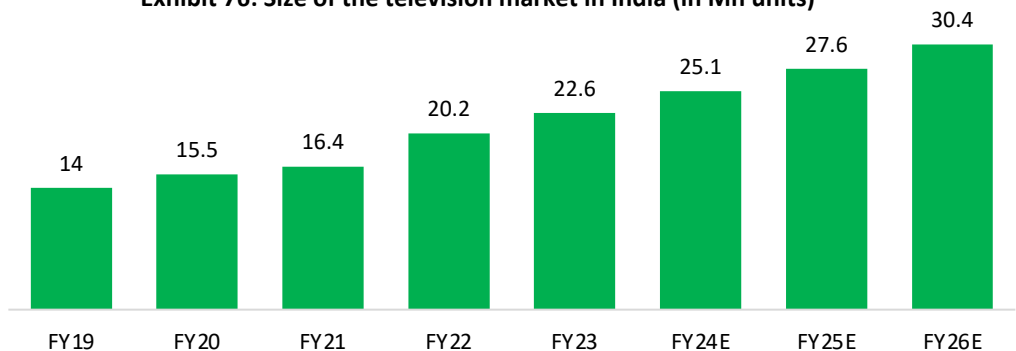
Event Management Companies

Hotels, Restaurants and others

Source: Aриhant Research, Company Filings

In Q4FY24, wearables brand "Boat" used TIPS song "Hai Rama" to promote their new headphones which featured Ranveer Singh, contributing to Tips non-streaming revenue.

Exhibit 76: Size of the television market in India (in Mn units)



Source: Statista

Legal victory and prospective collaborations

Tips Industries had a longstanding dispute with Wynk Ltd. over unauthorized usage of its music catalog without a formal agreement. However, after initiating legal action three years ago, TIPS Industries has secured a favourable judgment. Currently, the company aims to engage in constructive discussions with Wynk Ltd. to resolve outstanding issues and potentially renew their business relationship. The company expects incremental benefits once the deal is structured and finalized. *They are optimistic about re-establishing partnerships with both Wynk and Instagram, with negotiations currently underway.* The company maintains its position on the valuation of its content. The company has stringent strategies in place for new partnerships to accurately reflect the true worth of their content.

Exhibit 77: Quarterly financial performance

Consolidated (INRMn)	Q4FY24	Q3FY24	Q4FY23	QoQ%	YoY%
Net sales	633	648	520	-2.42%	21.61%
Employees benefits expense	43	26	20	64.34%	110.85%
Other expenses	288	188	236	53.15%	21.92%
EBITDA	302	434	264	-30.49%	14.48%
EBITDA Margin (%)	47.71%	66.98%	50.69%	-1,927	-289
Depreciation and amortisation expense	5.0	4.4	3.7	15.16%	36.10%
EBIT	297	430	260	-30.96%	14.17%
EBIT margin (%)	46.92%	66.30%	49.97%	-1,938	-305
Other Income	53	34	19	54.92%	176.12%
Finance Cost	0.84	0.69	0.71	21.34%	18.58%
PBT	349	464	279	-24.66%	25.38%
Tax	92	117	95	-21.71%	-3.85%
Reported PAT	258	347	183	-25.66%	40.58%
PAT margin (%)	40.73%	53.46%	35.23%	-1,273	550
EPS	2.0	2.7	1.4	-25.66%	40.58%

	Q4FY24	Q3FY24	Q4FY23	QoQ%	YoY%
Employee exp/Sales	6.75%	4.01%	3.89%	274.22	285.68
Other exp/Sales	45.54%	29.01%	45.42%	1,652.39	11.58

Source: Arihant Research, Company Filings

Comments on the performance

- Revenue stood at INR 633 Mn, up by 22% on YoY basis and down by 2% on QoQ basis.
- EBITDA stood at INR 302 Mn, up by 14% on a YoY basis and down by 30% on a QoQ basis.
- EBITDA margin stood at 47.7% in Q4FY24, compared to 66.9% and 50.7% in Q3FY24 and Q4FY23 respectively.
- Decrease in EBITDA margin was largely on the account of increased content cost in Q4FY24.
- PAT stood at INR 258 Mn as compared to INR 347 Mn and INR 183 Mn in Q3FY24 and Q4FY23 respectively.
- The content cost for the Q4FY24 stood at INR 239 Mn compared to INR 190 Mn in Q4FY23.
- The company released 179 new songs in Q4FY24. Out of 179 songs, 123 were new film songs and 56 non-film songs. Key releases for Q4FY24 were “Choli ke Peeche”, “Naina” and “Ghagra”.
- YouTube subscribers now stand at 97 Mn. For Q4FY24 YouTube views were 47.8 Bn up 42% YoY.

Q4FY24 Concall Highlights**Financial Performance**

- FY24 revenue stood at INR 2,416 Mn, up by 29% YoY.
- EBITDA stood at INR 1,585 Mn in FY24, up by 55% YoY. EBITDA margin stood at 65.6% in FY24 as against 54.6% in FY23.
- PAT stood at INR 1,272 Mn in FY24, up by 66% YoY.
- Content cost for FY24 stood at INR 556 Mn.
- YouTube contributes around 40-50% of the company's overall streaming revenue.

Content Acquisition and Release

- The company focuses on a two-pronged approach: producing music with promising singers and selectively purchasing music rights from other producers.
- Tips Industries released 179 new songs in Q4 FY24, bringing the total for FY24 to 733 compared to 896 in the FY23. The focus has shifted towards quality over quantity.
- The company plans to acquire music rights for 8-10 films in various regional languages, including Hindi, Tamil, and Telugu, with an average of 5 songs per movie.

Warner Music Deal

- Tips Industries signed a new 4-year global exclusive contract with Warner Music Group for music distribution across various platforms. This deal provides upfront payments and minimum guarantees for Tips.
- If the minimum guarantee is exceeded, overflow occurs, and the distribution split will be between Tips and Warner at a ratio of 85% to 15%, respectively.
- The company has received a higher advance payment in the first year of the deal compared to the subsequent 3 years. This advance payment has been accounted for as a non-current liability (INR 1,710 Mn) and other current liability (INR 640 Mn) in the balance sheet.
- The deal gives Warner Music Group access to distribute Tips Industries' content across various audio streaming platforms, including those where the company previously did not have a direct presence, such as JioSaavan and Gaana.

Employee Costs

- The employee costs of INR 47 Mn for Q4 FY24 included a one-time acquisition payment of around INR 12 Mn to employees.
- The management indicated that employee costs may slightly increase going forward as they hire more expensive talent for new business initiatives.

Concerns

- The South Indian music industry is experiencing growing competition, presenting a hurdle in acquiring content.
- Although there's a shift towards a paid streaming model, it may take 2-3 years to gain substantial traction in India.

Other Highlights

- The company anticipates a slight increase in employee costs due to new hires for supporting business expansion initiatives.
- The company is actively engaging with brands and exploring opportunities in music synchronization for films and advertisements.
- While the South Indian market has become aggressive, the company aims to acquire 3-4 regional films, contributing around 20-30 songs to their portfolio.
- The company has short-term investments of INR 910 Mn, primarily invested in debt mutual funds and liquid/short-term funds.
- The management aims to earmark a maximum of 30-35% of the total content cost for obtaining content from group companies.

DCF Valuation

Valuation Assumptions

g (World Economic Growth)	3%
Rf	7%
Rm	13%
Beta	0.8
CMP (INR)	422

WACC

We	99.9%
Wd	0.1%
Ke	12.0%
Kd	7.9%
WACC	11.98%

Valuation Data

Total Debt (long term borrowings) (2024)	50
Cash & Cash Equivalents (2024)	1,312
Number of Diluted Shares (2024)	128
Tax Rate (2024)	25%
Interest Expense Rate (2024)	11%

MV of Equity	55,735
Total Debt	50
Total Capital	55,785

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase					Terminal Yr
Year	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
EBIT * (1-Tax Rate)	1,504	1,958	2,566	3,274	4,068	4,916	5,774	6,585	7,287	7,816	8,119	8,362
Dep	38	57	80	93	121	147	169	195	216	231	240	247
Purchase of Assets	93	120	157	201	249	301	354	404	447	479	498	513
Changes in Working Capital	(820)	(783)	(1,131)	(1,513)	(1,767)	(2,191)	(2,583)	(2,913)	(3,243)	(3,478)	(3,606)	(3,719)
FCFF	2,270	2,678	3,620	4,679	5,706	6,952	8,171	9,289	10,299	11,045	11,466	11,815
% Growth in Post Tax EBIT		30.2%	31.0%	27.6%	24.2%	20.8%	17.4%	14.1%	10.7%	7.3%	3.9%	3.0%
As % of Post Tax EBIT												
Dep	2.5%	2.9%	3.1%	2.9%	3.0%	3.0%	2.9%	3.0%	3.0%	2.9%	3.0%	3.0%
Purchase of Assets	6.2%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Changes in Working Capital	-54.5%	-40.0%	-44.1%	-46.2%	-43.4%	-44.6%	-44.7%	-44.2%	-44.5%	-44.5%	-44.4%	-44.5%
FCFF	2,270	2,678	3,620	4,679	5,706	6,952	8,171	9,289	10,299	11,045	11,466	11,815
Terminal Value												1,31,611
Total Cash Flow	2,270	2,678	3,620	4,679	5,706	6,952	8,171	9,289	10,299	11,045	11,466	1,43,426

Enterprise Value (EV)	71,434
Less: Debt	50
Add: Cash	1,312
Equity Value	72,696

Equity Value per share (INR)	569
------------------------------	-----

% Returns	34.8%
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Rating	BUY
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WACC (%)	Terminal Growth (%)								
	568.7	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
11.23%	591	603	617	631	646	662	680	698	
11.48%	571	583	596	609	623	638	654	671	
11.73%	553	564	576	588	601	615	630	646	
11.98%	536	546	557	569	581	594	607	622	
12.23%	519	529	539	550	562	574	586	600	
12.48%	504	513	523	533	543	555	566	579	
12.73%	489	498	507	516	526	537	548	559	
12.98%	475	483	492	500	510	520	530	541	

Source: Company reports, Arihant Capital Research

Outlook and Valuation

The company expects a 30% growth in top-line and bottom-line in FY25. For FY25, the company is focusing more on quality, when it comes to acquiring music rights. In FY24 they released 733 new songs. For FY25, focusing more on quality rather than quantity Tips has a target to release 150 new songs. The content cost is expected to be in range of INR 750 – 800 Mn and the company plans to acquire music rights of 8 – 10 Films across languages with focus on acquiring rights of big budget films. The company expects YouTube's overall performance to remain on an upward trajectory. They plan to focus 70-75% on mainstream content and rest on regional content as part of their future strategy. Traditionally centered on Hindi content, the company is adapting to the rising demand for regional languages, particularly Punjabi, Tamil and Telegu to tap into growing language markets. Their goal is to attain an 11%-12% market share in the next 3 to 4 years based on current content, catalog and new release strategies. In the past 4 years their revenue has grown at a CAGR of 39%. With the Warner deal getting renewed for another 4 years, we remain optimistic about Tips business performance, market share and revenue potential across various platforms. . **We expect Tips industries’ revenue, EBITDA, and PAT to grow at a CAGR of 29.65%, 30.88%, and 30.43%, respectively, over FY25-27E. We initiate coverage with a “BUY” rating at a Target Price of INR 569 per share based on DCF; an upside of 34.8%.**

Exhibit 78: P/E valuation plot

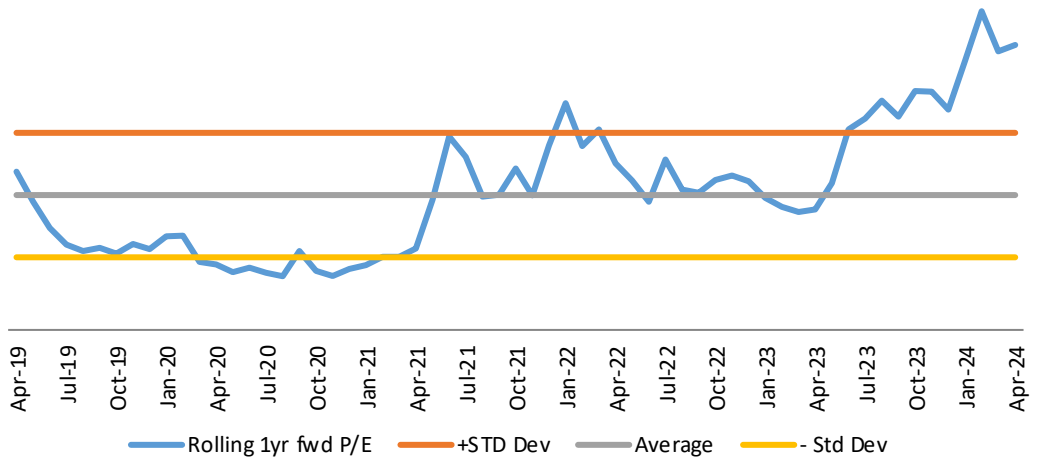
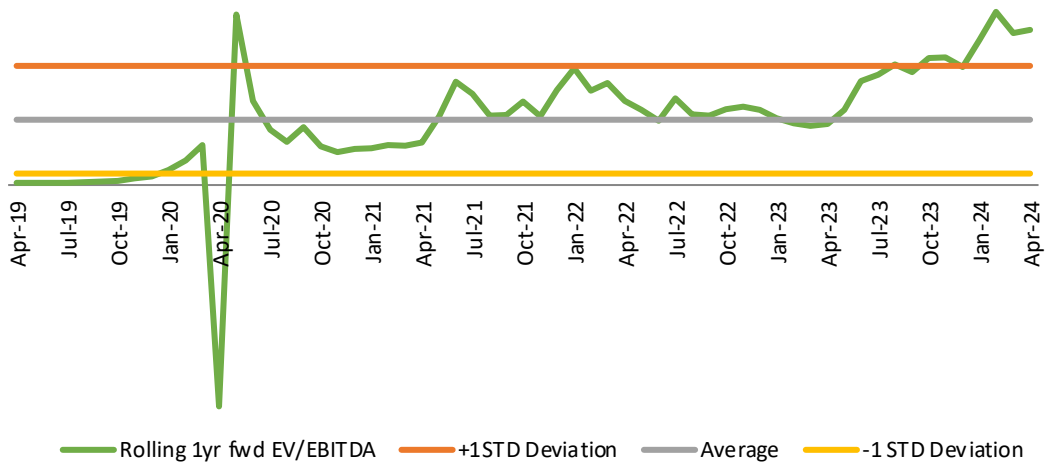


Exhibit 79: EV/EBITDA valuation plot



Source: Arihant Research, Company Filings

Story in charts

Exhibit 80: Consistent top line revenue growth

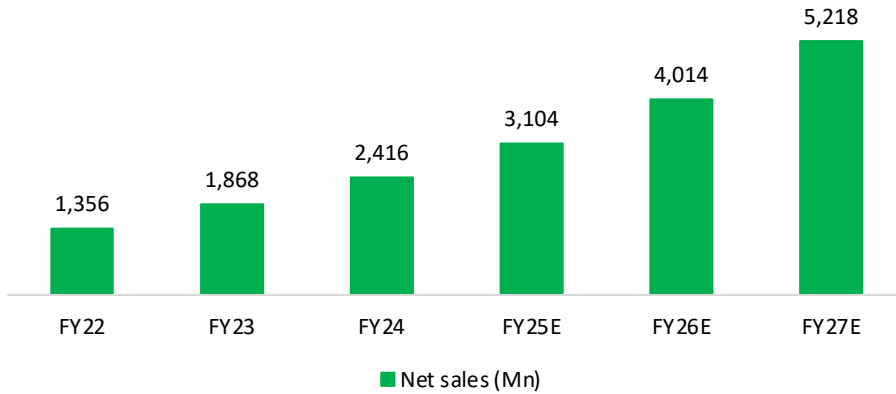


Exhibit 81: Steady bottom line PAT growth

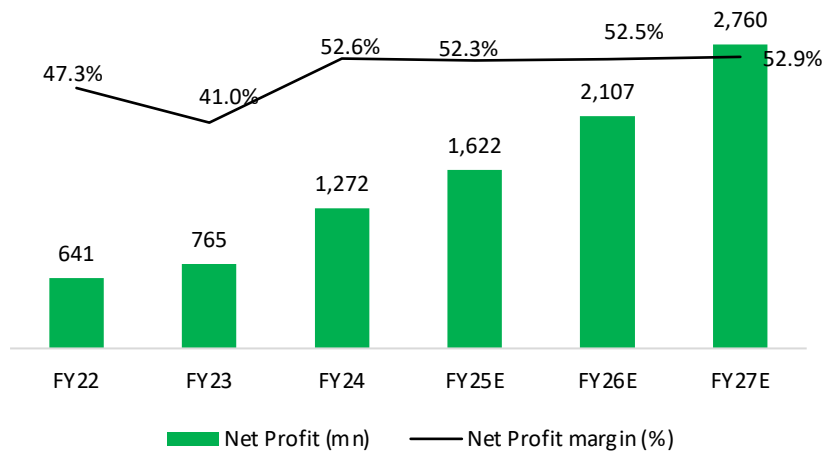
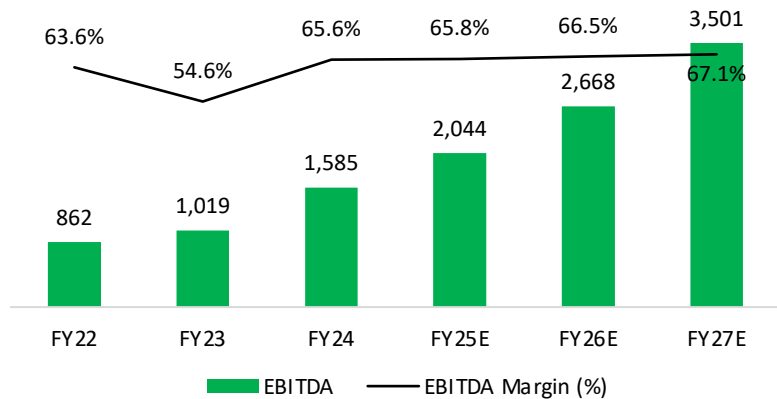


Exhibit 82: Growth in EBITDA margins is expected to be sustainable.



Source: Arianth Research, Company Filings

Exhibit 83: Working Capital cycle post the demerger

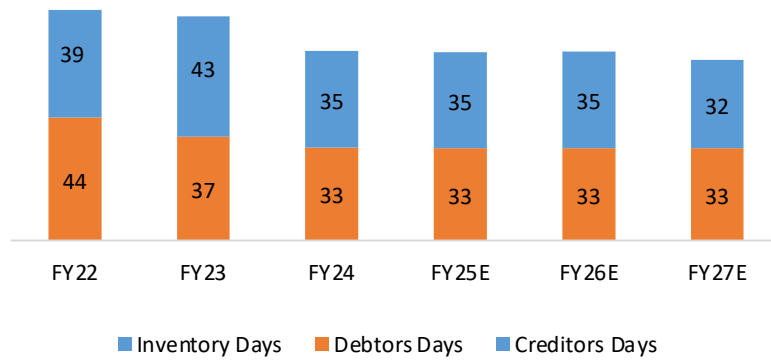


Exhibit 84: Growth in Earnings Per Share (EPS)

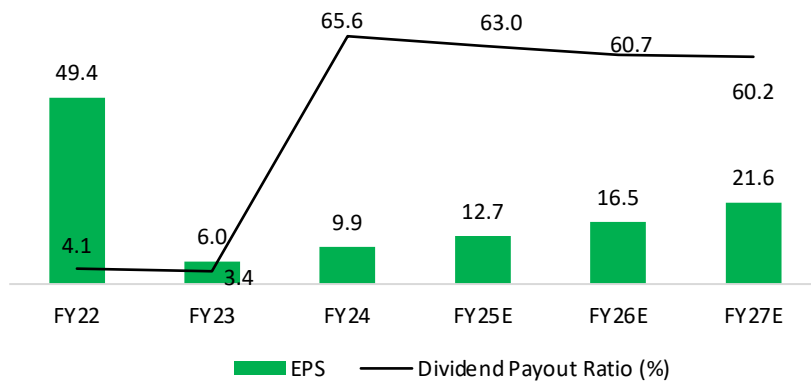


Exhibit 85: Return ratios to be stable over the long term

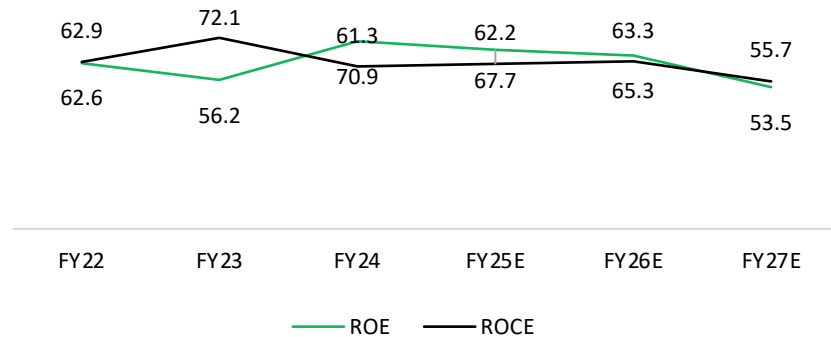
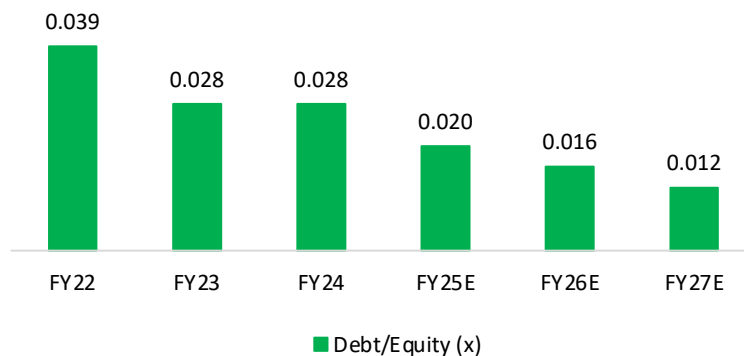


Exhibit 86: Company maintains to be debt-free



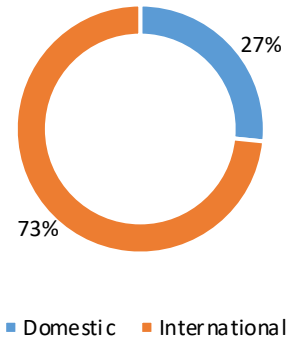
Source: Arihant Research, Company Filings

Business Overview

About Company

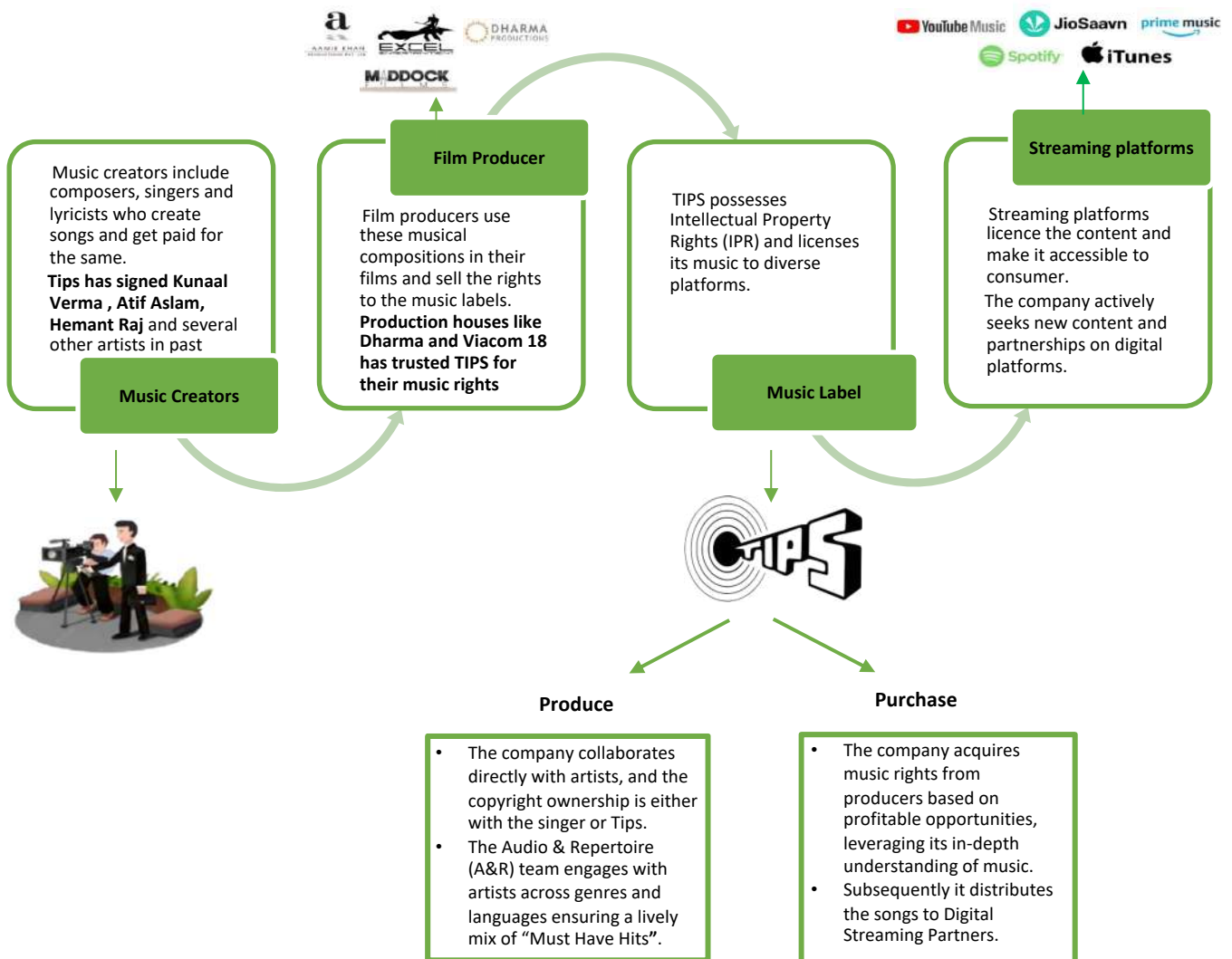
TIPS Industries Limited, specializes in production and distribution of music. Established in 1990, the label has been launching soundtracks for some of the most significant Bollywood hits during the 1990s and 2000s. Their diverse music business holds a wide-ranging catalog, including film, non-film, devotional, pop and remixes across various Indian languages such as Hindi, Punjabi, Gujarati, Bhojpuri, and more, covering all popular music genres. The catalog is licensed to various entities, including over-the-top (OTT) video platforms, content aggregators, television channels, telecom companies, radio stations, advertisers, event management firms, hotels, restaurants, and other relevant stakeholders.

Exhibit 87: Remittance from customers (YouTube etc.)



Source: Arihant Research, Company Filings

Exhibit 88: Tips Industries Business Model



Source: Arihant Research, Company Filings

Revenue growth is primarily driven by consumption & utilization of their music on digital platforms. The company is aiming for a 30% increase in revenue and the content cost is expected to be around 30% of revenue. Moreover, the company is hopeful about the growth potential of digital platforms and is open to partnerships and acquisitions to expand its business.

Tips listenership & Content Addition

Tips Industries music library comprises over 30,000 songs spanning various genres, languages, and decades. During FY24 the company released 733 new songs and has registered 193.9 billion views on YouTube showcasing 72% growth YoY. The company added 179 new songs in Q4FY24 alone. The company’s content has been doing really well their YouTube views has grown at a CAGR of 64% from FY20 to FY24 and over the past 4 years, their revenue has more than doubled. TIPS has been successful in recreating songs with artist like Yo Yo Honey Singh and others.

Exhibit 89: Existing Content + Continuous Additions

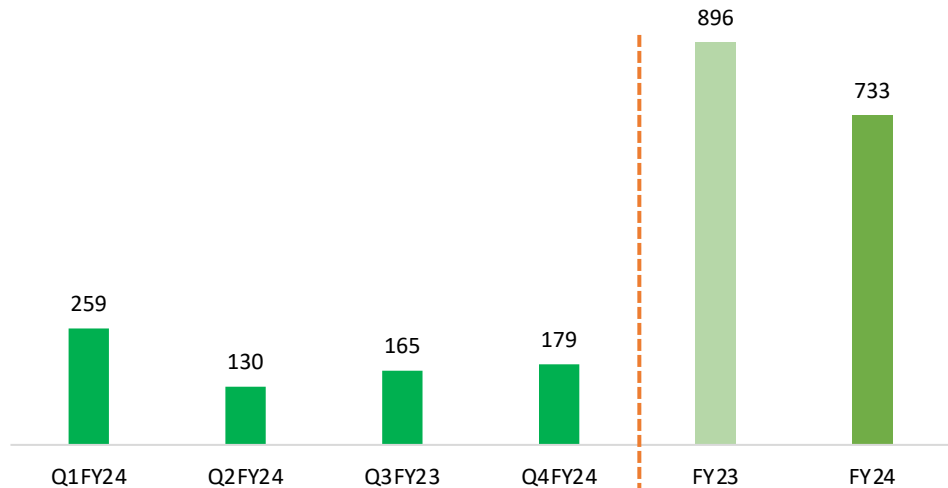


Exhibit 90: Partners and deals

Digital Partners	
Sync Deals	
Broadcast Partners	

Source: Arianth Research, Company Filings

Demerger of Tips Films

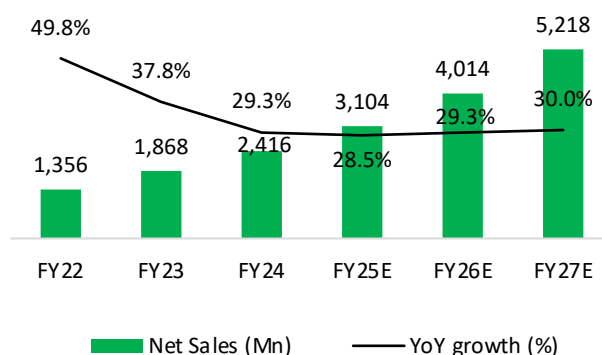
- On May 10 2021, TIL's board approved the demerger of TIL into two separate entities: Tips Industries Limited and Tips Films Limited.
- On March 3 2022, the National Company Law Tribunal (NCLT) sanctioned the Scheme of Arrangement and Demerger between Tips Industries Limited and Tips Films Limited, along with their respective shareholders.
- The Company received this order on March 17, 2022. following the effective implementation of the scheme, the Film Division Business of Tips Industries Limited has been officially transferred and vested in the company, starting from the appointed date of the scheme, i.e., April 01, 2021.
- After the demerger, Tips Films acquired property valued at **INR 120 million, cash amounting to INR 500 Mn, and insurance worth 100 Mn.**

Objective: To transfer the film production business into a distinct entity, leading to enhanced stability in revenue and profitability for the music segment company.

About Tips Films

- Tips Films Limited was established as a Public Unlisted Company on June 5, 2009 in Maharashtra, the company did not initiate any business operations.
- Tips Films is involved in the production and distribution of movies through various channels such as Satellite, Theatres and Digital platforms.

Exhibit 91: Consistent growth in revenue post demerger



Reasons behind film business demerger

- TIL could focus on its core music business and meanwhile Tips films can focus upon film production and distribution.
- The demerger enhanced the financial transparency of each entity. The creation of independent financial statements and separate valuations for each company could attract particular investors with specific interests.
- The demerger enhanced efficiencies leading to operational synergies, simplification, focused management, and optimization of the group structure, resulting in efficient administration.
- It can help mitigate risks from the unpredictable film industry, by reducing the impact of potential failures or market downturns on TIL's overall performance.

Exhibit 92: Ratio of apportionment of cost of acquisition of the original TIL shares

Sr.	Name of the Company	Percentage of cost of acquisition of equity shares
1	Tips Industries Limited (Demerged Company)	40.05%
2	Tips Films Limited (Resulting Company)	59.95%
Total		100.00%

Source: Arian Research, Company Filings

Key Milestones from 2014-2023

- Successful repayment of INR 1,330 million in debt, along with an additional INR 545 million in accumulated interest.
- Shareholders received dividends exceeding INR 240 million.
- Buybacks totaling INR 689 million were conducted.
- Investments of INR 1,573 million in creating new content.
- The entire cost of new content is written off in the year of its release.

Exhibit 93: Key facts about TIL

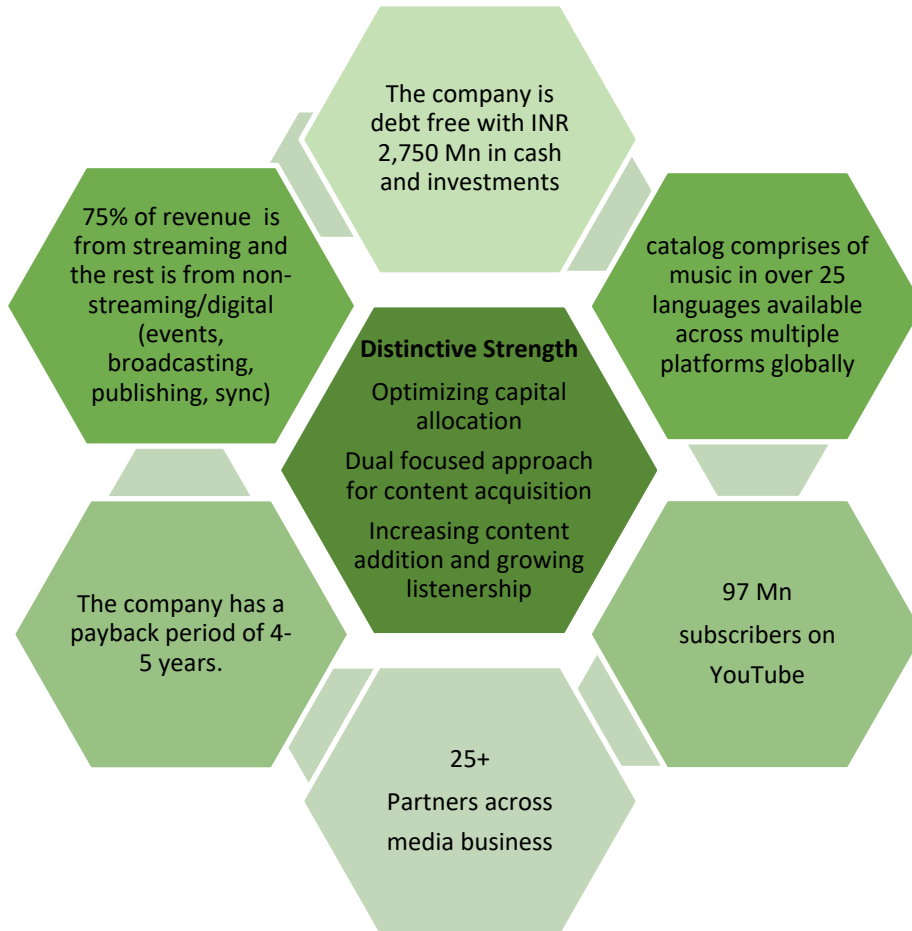
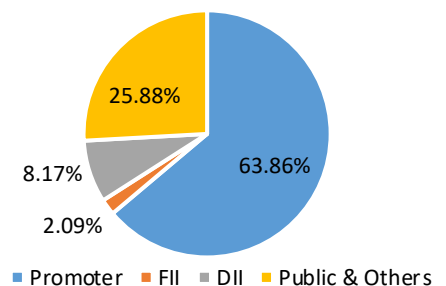


Exhibit 94: Fund houses invested in the stock

Funds	Mar-24
SBI Mutual Fund	4.99
Motilal Oswal MF	2.29
Samco Mutual Fund	0.41
Bank of India MF	0.04

Exhibit 95: Share holding as on Mar 2024



The promoters sold 11% equity. Their holding came down to 64% from 75% and there are no plans to further reduce the stake. The money gained from selling off the stake will be used in the films business, Tips Films.

Source: Arihant Research, Company Filings

Management team



Kumar S. Taurani

Chairman & Managing Director
Currently the Chairman of the India Music Industry as well under which two royalty bodies PPL and IPRS operate.



Ramesh S. Taurani

Managing Director
Started the musical journey in the early 1980s with the repertoire of regional and devotional music titles.



Girish Taurani

Executive Director
Possesses a commerce bachelor's degree, with extensive experience in media and entertainment, particularly in music, oversees the overall operations and expansion of the company's music business.



Hari Nair

Chief Executive Officer
25 years of diverse experience in media and technology. In 2019, he joined ByteDance and led music partnerships and licensing in South Asia for them.



Sushant Dalmia

Chief Financial Officer
19 years of diverse experience in finance, strategy, M&A, fund raising and operations. His qualifications include CA and CFA.



Amitabh Mundhra

Independent Director
Possessed B.Sc. Eng. Degree from Kolkata University. He is also associated with other Trusts and Institutions to promote music, art and cultural activities.



Radhika Pereira

Independent Director
She is a graduate of life science and law from Mumbai University and a postgraduate from Cambridge University as well as Harvard University.



Venkitaraman S. Iyer

Independent Director
He holds Masters Degree in Commerce and is a Practising Accountant, wide range of exposure and experience in the field of Corporate Laws, Finance, Audit and Taxation matters.

Income statement (INR Mn)

Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Gross Sales	1,868	2,416	3,104	4,014	5,218
Net Sales	1,868	2,416	3,104	4,014	5,218
YoY (%)	37.76%	29.34%	28.50%	29.30%	30.00%
Personnel/ Employee benefit expenses	73	109	205	261	334
YoY (%)	17.19%	48.73%	88.01%	27.34%	28.00%
Manufacturing & Other Expenses	775	722	855	1,085	1,383
YoY (%)	79.93%	-6.86%	18.43%	26.83%	27.47%
Total Expenditure	849	831	1,060	1,346	1,717
YoY (%)	18.18%	55.49%	28.99%	30.53%	31.22%
EBITDA	1,019	1,585	2,044	2,668	3,501
YoY (%)	18.18%	55.49%	28.99%	30.53%	31.22%
EBITDA Margin (%)	54.56%	65.59%	65.84%	66.47%	67.09%
Depreciation	13	20	38	57	80
% of Gross Block	10.42%	11.64%	14.46%	14.91%	14.86%
EBIT	1,006	1,565	2,006	2,611	3,421
EBIT Margin (%)	53.85%	64.77%	64.62%	65.05%	65.56%
Interest Expenses	3	3	3	3	3
Non-operating/ Other income	54	144	185	239	311
PBT	1,056	1,705	2,188	2,847	3,729
Tax-Total	291	434	565	740	969
Net Profit After Tax	765	1,272	1,622	2,107	2,760
PAT Margin	40.97%	52.64%	52.26%	52.49%	52.89%
Shares o/s/ paid up equity sh capital	128.43	128.43	127.83	127.83	127.83
Adj EPS	5.96	9.90	12.69	16.48	21.59
Dividend per share	25.94	834.77	1,022.66	1,278.32	1,661.82
Dividend payout (%)	3.39%	65.64%	63.04%	60.68%	60.22%
Buyback amount	400	-	-	-	-
Retained earnings	739.28	436.90	599.58	828.37	1,097.91

Balance sheet

Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds					
Equity Share Capital	128	128	128	128	128
Reserves & Surplus/ Other Equity	1,233	1,667	2,269	3,097	5,028
Networth	1,362	1,795	2,397	3,225	5,156
Unsecured Loans/ Borrowings/ Lease Liabilities	1	7	7	7	7
Other Liabilities	0	0	0	0	1
Total Liabilities	565	1,594	1,684	1,869	2,069
Total Funds Employed	1,927	3,389	4,081	5,094	7,225
Application of Funds					
Net Fixed Assets	51	80	127	190	209
Investments/ Notes/ Fair value measurement	224	547	821	984	1,181
Current assets	1,646	2,756	3,129	3,914	5,829
Debtors	203	263	282	367	475
Days	37	33	33	33	33
Other Current Assets	343	268	437	612	862
Cash and Cash equivalent	969	1,312	840	737	1,414
Current Liabilities/Provisions	533	834	857	966	1,081
Creditors / Trade Payables	160	147	101	128	149
Days	43	35	35	35	32
Other Liabilities	365	674	741	815	898
Net Current Assets	1,113	1,922	2,272	2,948	4,748
Total Asset	1,927	3,389	4,081	5,094	7,225
Total Capital Employed	814	1,467	1,810	2,146	2,477

Cash Flow Statement

Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Profit after tax	765	1,272	1,622	2,107	2,760
Adjustments: Add					
Depreciation and amortisation	13	20	38	57	80
Interest adjustment	-51	-140	-182	-236	-308
Change in assets and liabilities	754	1,986	2,501	3,206	4,194
Inventories	0	0	0	0	0
Trade receivables	-23	-61	-19	-84	-109
Trade payables	119	-14	-46	27	21
Other Liabilities and provisions	301	308	67	74	82
Other Assets	62	-91	-67	-143	-196
Taxes	-17	-6	-6	-7	-11
Net cash from operating activities	1,158	1,513	1,681	2,423	3,063
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	1	-48	-85	-120	-99
Net Sale/(Purchase) of investments	0	0	0	0	0
Others	-59	-179	-88	75	114
Net cash (used) in investing activities	-58	-227	-173	-45	15
Interest expense	9	11	-2	5	8
Dividend paid	-26	-835	-1,023	-1,278	-1,662
Other financing activities	-430	-842	-1,024	-1,282	-832
Net cash (used) in financing activities	-749	-943	-1,980	-2,480	-2,402
Closing Balance	969	1,312	840	737	1,414

Key Ratios

Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Solvency Ratios					
Debt / Equity	0.03	0.028	0.020	0.016	0.012
Net Debt / Equity	-0.71	-0.72	-0.34	-0.22	-0.27
Debt / EBITDA	0.04	0.03	0.02	0.02	0.02
Current Ratio	-0.94	-0.82	-0.40	-0.27	-0.39
DuPont Analysis					
Sales/Assets	0.97	0.71	0.76	0.79	0.72
Assets/Equity	1.41	1.89	1.70	1.58	1.40
RoE	56.2%	70.85%	67.68%	65.33%	53.52%
Per share ratios					
Reported EPS	5.96	9.90	12.69	16.48	21.59
Dividend per share	0.20	6.50	8.00	10.00	13.00
BV per share	10.60	13.98	18.75	25.23	40.33
Cash per Share	2.47	5.83	4.64	5.00	7.81
Revenue per Share	14.54	18.81	24.28	31.40	40.82
Profitability ratios					
Net Profit Margin (PAT/Net sales)	40.97%	52.64%	52.26%	52.49%	52.89%
EBITDA / Net Sales	54.56%	65.59%	65.84%	66.47%	67.09%
EBIT / Net Sales	53.85%	64.77%	64.62%	65.05%	65.56%
ROCE (%)	72.14%	61.25%	62.21%	63.25%	55.68%
Activity ratios					
Inventory Days	0.00	0.00	0.00	0.00	0.00
Debtor Days	37.31	33.49	33.18	33.33	33.26
Creditor Days	43.47	34.76	34.76	34.76	31.74
Leverage ratios					
Interest coverage	351.67	449.01	605.89	830.10	1144.87
Debt / Asset	0.02	0.01	0.01	0.01	0.01
Valuation ratios					
EV / EBITDA	52.24	33.38	26.11	20.05	15.09
PE (x)	70.82	42.62	33.25	25.61	19.55
OCF/EBITD (%)	113.60	95.51	82.24	90.81	87.49

Saregama India Ltd v/s Tips Industries Ltd.

Saregama’s diverse intellectual property portfolio spans across music, films, web series, and TV serials. With over 150,000 songs, 70 films and web series, and 6,000+ hours of television content, Saregama has shown a strong presence in the entertainment landscape. In contrast, Tips, while possessing a substantial catalog with over 30,000 tracks, focuses primarily on music, holding soundtrack copyrights for around 50 Hindi movies. Both companies have global reach, with Saregama's IP available across media channels.

Exhibit 96: Saregama trails Tips Industries Ltd. in revenue and net profit (YoY) growth metrics in Q4FY24

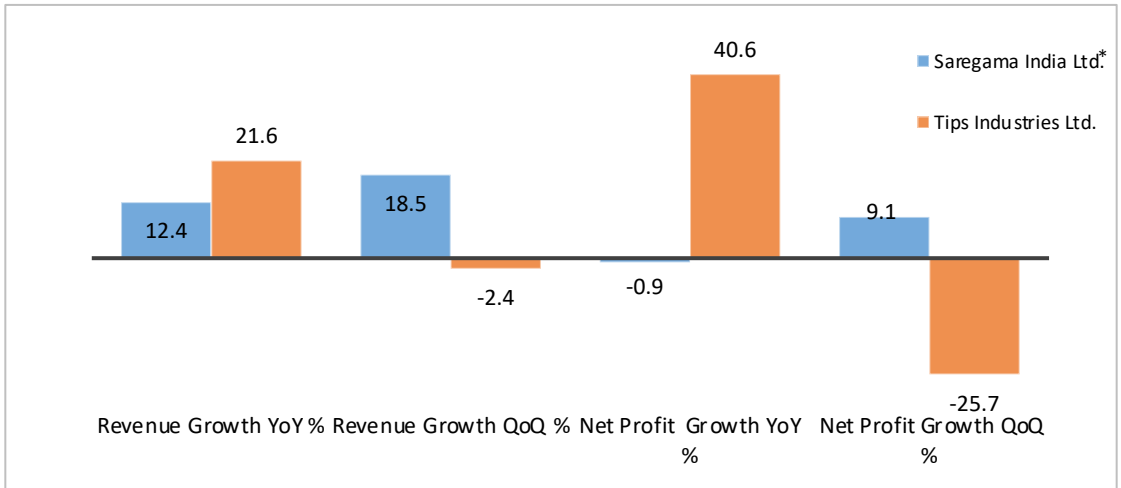
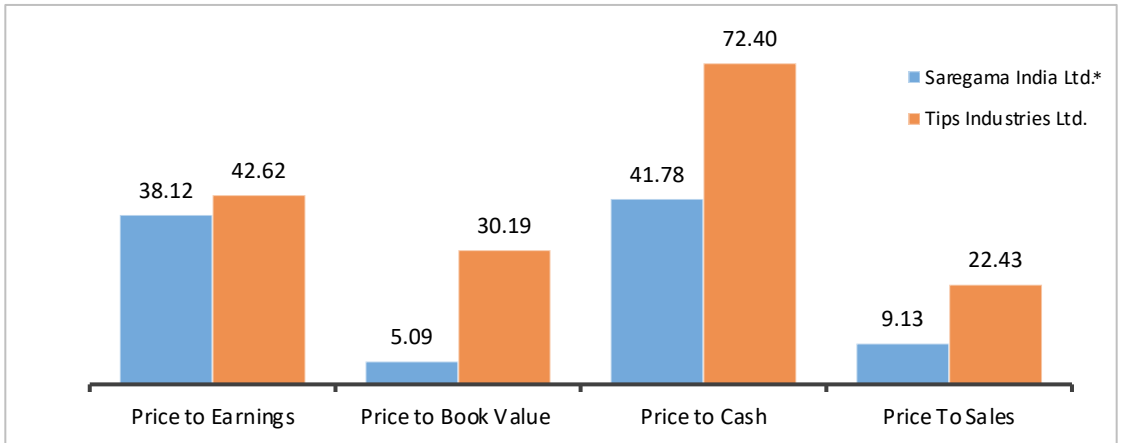


Exhibit 97: Saregama trades at a lower Price Multiple than Tips Industries



*Saregma multiple is Estimated

Exhibit 98: Saregama leads in ownership metrics, tying in pledged promoter holding

Particulars	Saregama India Ltd (%)	Tips Industries Ltd (%)
Promoter holding latest	59.1*	63.86
FII	16.8*	2.09
DII	2.6*	8.17
Public	21.4*	25.88

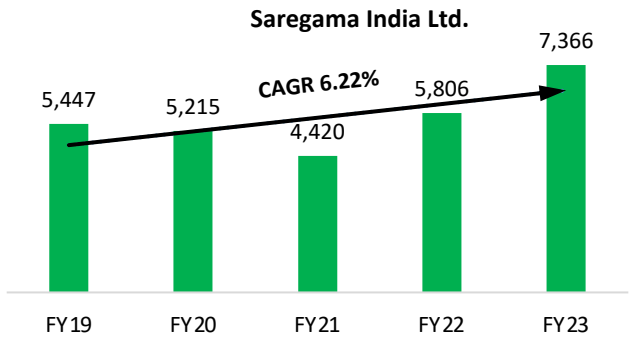
* As on December
Source: MoneyControl

Saregama India Ltd v/s Tips Entertainment Ltd

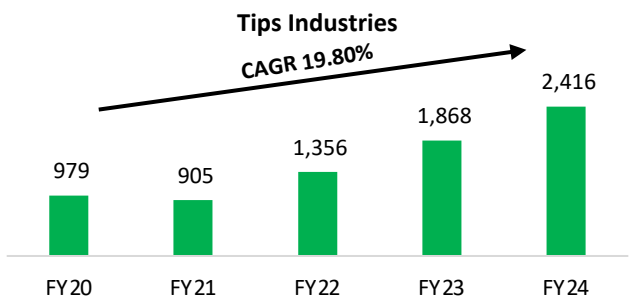
Exhibit 99: TIPS outpaces Saregama in terms of revenue growth trajectory

Saregama has shifted its focus onto the domestic market, contributing to the overall growth. The licensing revenue is on an upward trend, experiencing an annual growth rate of 22-23%, further fuelling the company's revenue expansion.

For FY25 Tips is focusing more on quality rather than quantity, and aims to release about 150 – 200 new songs. With the Warner Music deal getting renewed, the company is targeting 30% top-line and bottom-line growth in FY25. The Warner deal is expected to contribute about 30 – 35% in the top-line going forward.



Source: Arihant Research, Company Filings



Source: Arihant Research, Company Filings

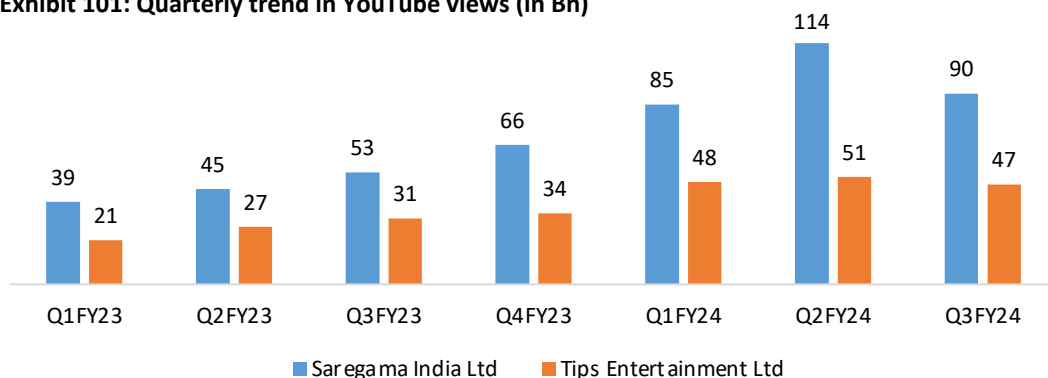
Exhibit 100: Comparatively analysis of Saregama and Tips

Saregama India	Tips Industries
Saregama has the biggest collection of songs with over 150,000 tracks including songs dating back to 1960	Tips has over 30,000 songs covering different genres, languages, and decades
Because of low Carvaan sales in previous years, Saregama's profitability percentage is lower than Tips'.	Tips has higher profitability as it solely concentrates on its music business and is not involved in launching speakers or hardware
Saregama appears to face challenges in optimizing capital allocation leading to lower EBIT margins as compared to Tips.	Tips has demonstrated effective capital utilization, reflected in its high EBIT percentage.
Saregama outperformed Tips in film segment	Tips Entertainment demerged its film and music segment in FY22
Saregama is making changes in its strategy by aggressively acquiring new songs. The effects of these changes are likely to benefit the company in the next few years increasing its ROCE	Tips has higher ROCE as compared to Saregama
Saregama has better music library with constantly increasing Youtube views over time	Tips has a good music library with higher Youtube subscribers as compared to Saregama

Source: Arihant Research, Company Filings

Saregama India Ltd v/s Tips Entertainment Ltd

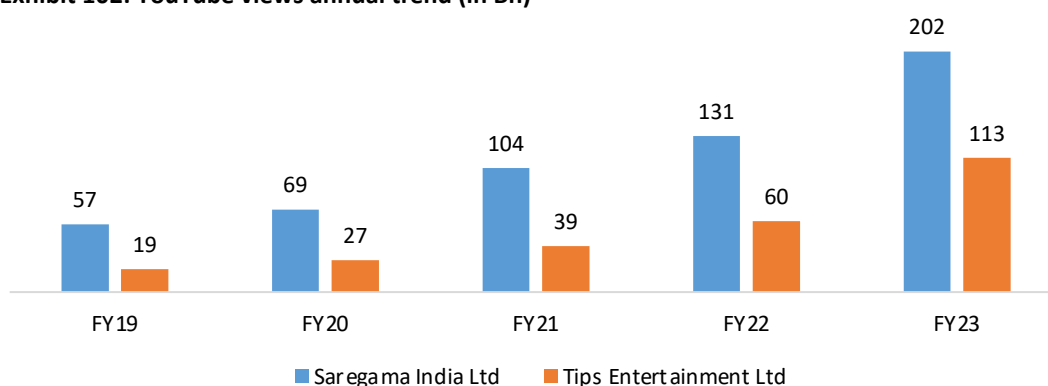
Exhibit 101: Quarterly trend in YouTube views (in Bn)



Source: Arianth Research, Company Filings

The increase in QoQ total viewership on Saregama-owned music channels on YouTube, excluding YouTube Shorts and user-generated content, is greater than any of its immediate competitors.

Exhibit 102: YouTube views annual trend (in Bn)



Source: Arianth Research, Company Filings

Exhibit 103: YouTube music channels comparison

YouTube Channels	Subscribers	Views (Bn)	Videos
Saregama Music*	39M	19	8.3K
Tips Official	66M	38	5.6K

Source: Arianth Research, Company Filings

*As on FY23

Exhibit 104: Market share of peers

Company	Revenue in FY24 (INR Mn)	Market Share
Tips Industries	2,416	10%
Saregama (Music)*	5,792	24%

Source: Arianth Research, Company Filings

*As on FY23

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

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 ACCUMULATE
 HOLD
 NEUTRAL
 REDUCE
 SELL

Absolute Return

>20%
 12% to 20%
 5% to 12%
 -5% to 5%
 -5% to -12%
 <-12%

**Research Analyst
 Registration No.**

INH00002764

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
 1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880