

CMP: ₹ 370

Target: ₹ 355 (-4%)

Target Period: 12 months

HOLD

January 5, 2026

## Expanding Films segment to create volatile growth...

**About the stock:** Saregama India (Saregama) is India's oldest music label owned by RPSC Group with ~1.75+ lacs songs, which is monetized over various formats such as digitals (streaming, YouTube), physical (Carvaan) and television.

- Apart from music, it is also into TV serials / (Tamil), creates regional films as well as web series for OTT platforms through Yoodlee Films/Filtercopy and has Artists and Events management business.

### Key Deal Takeaways

- Deal Overview and valuations:** Saregama announced a strategic equity partnership with Sanjay Leela Bhansali's Bhansali Productions. **It will make an upfront primary infusion of ₹ 325 crore via CCPS (convertible into equity in Oct, 2028 based on performance), giving Saregama a prospective stake of ~28%-49.9% (with a right to increase to 51% after March, 2030), implying a valuation range of roughly ₹ 650 crore to ₹ 1,590 crore (at ~14.4-35.3x FY25 P/E).** The CCPS structure ties final equity percentage to three-year operating performance. The deal will be internally funded.
- Strategic Rationale by the company:** Management termed the move as a focused, capital-efficient way to secure marquee film music without bidding wars, while exiting low-return in-house video production (to release ₹ 150-175 crore from winding down in-house films/series business). The company also added that deal secures an exclusive pipeline of Bhansali film music for Saregama under a pre-agreed formula (as a percentage of cost) and is expected to reduce average music acquisition costs in the medium term vs. market bidding for marquee properties.
- Our Take:** By securing exclusive rights to all future Bhansali Productions music through a pre-agreed pricing formula linked to film costs, Saregama has reduced competitive bidding risk for marquee albums, to an extent. Over time, this should support music margins and reduce acquisition volatility. However, this also represents a clear shift from the company's earlier positioning as a platform increasingly focused on expanding market share in film music and catalogue-led, long-tail music monetisation. We note that even at the lower end of the implied range, the film business is being valued at a mid-teen multiple of peak earnings with overall growth of the entity largely dependent on a small number of high-budget releases and a single creative force. While the performance-linked conversion mechanism offers some protection, the risk of volatility remains which is different from stable core music-based monetisation business.

### Rating and Target Price

- We believe the larger foray into films will eventually lead to multiple compression for Saregama, over time, given the volatile growth trajectory.
- Thus, we downgrade to HOLD rating (vs. BUY, earlier), and reduce our target price to ₹ 355, with a target multiple of 25x on FY27E EPS.**



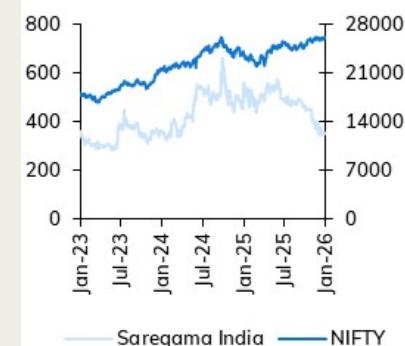
### Particulars

Particular	Amount
Market Cap (₹ crore)	7,134
Total Debt (FY25)	₹ 0 Crore
Cash & Inv. (FY25)	₹ 655 Crore
EV	₹ 6479 Crore
52 week H/L (₹)	604/ 340
Equity capital (₹ cr)	19.3
Face value (₹)	1.0

### Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	59.5	59.7	59.7	59.7
DIL	4.7	4.6	5.2	5.2
FILS	15.7	16.5	16.7	16.8
Other	20.1	19.3	18.4	18.4

### Price Chart



### Key risks

- Slower than expected music licensing growth
- Better performance in the film business

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### Key Financial Summary

(Year-end March)	FY23	FY24	FY25E	5 yr CAGR (FY20-25)	FY26E	FY27E	2 yr CAGR (FY25-27E)
Net Sales (₹ crore)	736.7	803.0	1,171.4	17.6	1,116.7	1,293.4	5.1
EBITDA (₹ crore)	221.0	246.6	277.0	35.6	298.5	382.6	17.5
Net Profit (₹ crore)	185.4	197.6	204.2	36.0	204.4	273.6	15.8
EPS (₹)	9.6	10.2	10.6		10.6	14.2	
P/E (x)	38.5	36.1	35.0		34.9	26.1	
Price / Book (x)	5.3	4.9	4.5		4.3	4.0	
EV/EBITDA (x)	28.9	26.3	23.4		22.0	17.1	
RoCE (%)	18.2	18.0	16.9		16.3	19.9	
RoE (%)	13.8	13.4	12.9		12.2	15.3	

Source: Company, ICICI Direct Research

## Conference call highlights

- **Film slate and Cost charge-off:** Bhansali Productions has ten films scheduled over the next three years, including the upcoming 2026 release Love and War. It will have atleast one film directed by Sanjay Leela Bhansali himself every 18-24 month, while remaining will be under studio format and different directors. Saregama will continue its policy of charging off film/video costs in the year of release (lumpy P&L possible, in our view). Management expects the deal to be EPS-accretive by FY27 driven by higher music margins and improved video economics via an asset-light studio model.
- **Operational control and other arrangement:** Bhansali Productions retains creative control; Saregama will have financial oversight of the company's governance and finance functions. Sanjay Leela Bhansali is contractually locked to work only for Bhansali Productions under the arrangement. Management emphasized Bhansali's financial discipline and that the deal funds primary capital (reducing need for pre-sales of rights), enabling better margins for future productions.
- **To form major part of Hindi content:** The management targets ~30-40% of new Hindi film music, to potentially come from this arrangement, over medium term.
- **Deal structure:** The management stated that final stake and valuation is Performance-linked with final equity percentage depending on 3-year operating performance. Thus, weak performance could mean larger share at a lower valuation (but also greater ownership of a weaker business, in our view).

## Financial Summary

Exhibit 1: Profit and loss statement				₹ crore
(₹ Crore)	FY24	FY25	FY26E	FY27E
Total operating Income	803.0	1,171.4	1,116.7	1,293.4
Growth (%)	9.0	45.9	-4.7	15.8
Contract manf. charges	97.2	58.7	50.4	48.0
Cost of prod. of TV, Films	134.9	484.4	383.9	401.1
Employee Expenses	93.2	107.5	129.5	142.3
Other Expenses	231.3	243.8	254.5	319.5
Total Op. Expenditure	556.5	894.4	818.3	910.8
EBITDA	246.6	277.0	298.5	382.6
Growth (%)	11.6	12.3	7.8	28.2
Depreciation	36.2	58.2	74.8	80.2
Interest	3.2	5.7	4.1	1.0
Other Income	63.7	58.1	57.7	65.0
Exceptional Items	-	(5.0)	-	-
PBT	270.8	276.1	277.2	366.4
MI/PAT from associates	0.9	0.0	0.0	0.0
Total Tax	73.2	71.8	72.7	92.3
PAT	197.6	204.2	204.4	273.6
Growth (%)	6.6	3.3	0.1	33.8
EPS (₹)	10.2	10.6	10.6	14.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	197.6	204.2	204.4	273.6
Add: Depreciation	36.2	58.2	74.8	80.2
Add: Interest Paid	3.2	5.7	4.1	1.0
(Inc)/dec in Current Assets	-24.1	32.2	-84.4	-95.6
Inc/(dec) in CL and Prov.	193.1	-45.7	-19.9	68.6
CF from op. activities	405.9	254.6	179.0	327.8
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-442.2	-145.0	-150.0	-150.0
Others	142.2	-10.6	0.0	0.0
CF from inv. activities	-300.0	-155.6	-150.0	-150.0
Change in Reserve & Surp.	-70.6	-89.9	-115.7	-154.2
Inc/(dec) in loan funds	1.7	-1.7	0.0	0.0
Interest paid	-3.2	-5.7	-4.1	-1.0
Others	0.1	-0.1	0.0	0.0
CF from fin. activities	-72.1	-97.4	-119.8	-155.2
Net Cash flow	33.8	1.6	-90.8	22.5
Opening Cash	508.3	542.1	543.7	452.9
Closing Cash	542.1	543.7	452.9	475.5

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	19.3	19.3	19.3	19.3
Reserve and Surplus	1,449.8	1,564.1	1,652.9	1,772.2
Total Shareholders funds	1,469.1	1,583.4	1,672.1	1,791.5
Total Debt	1.7	0.0	0.0	0.0
Minority Interest	3.4	3.4	3.4	3.4
Deferred Tax Assets	47.4	51.8	51.8	51.8
Total Liabilities	1,521.7	1,638.6	1,727.3	1,846.7
Gross Block	826.6	1,004.3	1,154.3	1,304.3
Less: Acc Depreciation	87.7	171.8	246.7	326.9
Net Block	738.9	832.5	907.7	977.5
Capital WIP	5.5	-	-	-
Total Fixed Assets	744.4	832.5	907.7	977.5
Investments	117.7	111.2	111.2	111.2
Other non current Assets	46.8	50.1	50.1	50.1
Debtors	158.7	143.2	168.3	194.9
Loans and Advances	39.3	27.1	25.8	29.9
Other Current Assets	133.4	141.7	136.6	153.1
Cash	542.1	543.7	452.9	475.5
Inventories	239.3	240.2	306.0	354.4
Total Current Assets	1,112.7	1,095.9	1,089.6	1,207.7
Creditors	93.4	127.5	122.4	141.7
Provisions	65.0	73.1	70.1	81.2
Other Current Liabilities	345.0	252.6	240.8	278.9
Total Current Liabilities	503.3	453.2	433.3	501.9
Net Current Assets	609.4	642.7	656.3	705.9
Application of Funds	1,521.7	1,638.6	1,727.3	1,846.7

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	10.2	10.6	10.6	14.2
Cash EPS	12.1	13.6	14.5	18.4
BV	76.2	82.1	86.7	92.9
DPS	4.0	5.0	6.0	8.0
Cash Per Share	28.1	28.2	23.5	24.7
Operating Ratios (%)				
Adj. EBITDA Margin	30.7	23.6	26.7	29.6
PBT / Total Op. income	26.2	18.7	20.0	23.4
PAT Margin	24.6	17.4	18.3	21.2
Inventory days	108.8	74.9	100.0	100.0
Debtor days	72.2	44.6	55.0	55.0
Creditor days	42.4	39.7	40.0	40.0
Return Ratios (%)				
RoE	13.4	12.9	12.2	15.3
RoCE	18.0	16.9	16.3	19.9
RoIC	25.2	23.1	19.8	24.7
Valuation Ratios (x)				
P/E	36.1	35.0	34.9	26.1
EV / EBITDA	26.3	23.4	22.0	17.1
EV / Net Sales	8.1	5.5	5.9	5.1
Market Cap / Sales	8.9	6.1	6.4	5.5
Price to Book Value	0.0	0.0	0.0	0.0
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.2	1.3	1.5	1.5
Quick Ratio	0.7	0.7	0.8	0.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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