

CMP: ₹ 450

Target: ₹ 489 (9%)

Target Period: 12 months

HOLD

April 26, 2022

Stock turns ex-split...

About the stock: Saregama India (Saregama) is India's oldest music label owning ~1.3 lakh songs across various languages, which is monetised over various formats such as digitals (streaming, YouTube), physical (Carvaan) and television.

- Apart from music, it is also into TV serials (Tamil) and creates low budget films as well as web series for OTT platforms through *Yoodlee Films*

Event: Stock Split

- Saregama had fixed April 27, 2022 as the record date for stock split in the ratio of 1:10 i.e. one existing share of face value ₹ 10 gets sub-divided into 10 shares of FV ₹ 1 each. The ex-date for stock split is April 26, 2022
- On the ex-date i.e. starting today (April 26, 2022), the stock price has adjusted for stock split ratio at ~₹ 450/share i.e. one-tenth the closing price on April 8, 2022 (₹ 4496/share)

What should investors do? Saregama's share price has grown by ~17.8x over the past five years

- We expect digital monetisation to provide sustained growth. Furthermore, recent demerger of non-core activity i.e. publication is a key positive with likely to drive a focussed approach of management on key business of music. We maintain HOLD rating on the stock

Target Price and Valuation: Keeping our estimates unchanged, we value Saregama at stock split adjusted target price of ₹ 489, at 40x FY24 P/E.

Key triggers for future price performance:

- Growth trajectory in music licencing, which management envisages to grow at 25-30%+ in medium term, along with new content performance
- Recovery in Carvaan on the back of economic reopening
- Expansion in movies and web series segment with new titles

Alternate Stock Idea: Besides Saregama, we like Inox Leisure in media coverage

- Beneficiary of cinemas recovery & merger synergy
- BUY with a target price of ₹ 680



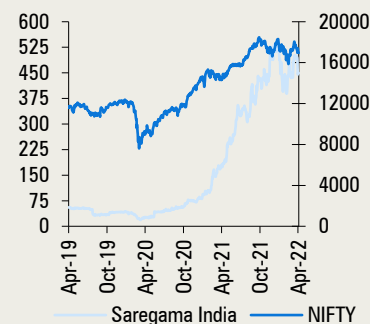
Particulars

Particular	Amount
Market Capitalization (₹ crore)	8,668
Total Debt (FY21)	₹ 0 Crore
Cash & Investments (FY21)	₹ 170 Crore
EV	₹ 8498 Crore
52 week H/L (₹)	151/ 551
Equity capital (₹ crore)	19.3
Face value (₹)	1.0

Shareholding pattern

	Sep-21	Nov-21	Dec-21	Mar-22
Promoters	63.8	57.7	57.7	57.7
DII	2.8	3.6	3.7	3.1
FII	9.5	17.1	16.6	17.1
Other	23.9	21.7	22.2	22.2

Price Chart



Key risks

Key Risk: (i) Slower than anticipated growth in licensing revenue; (ii) Sharper than expected recovery in Carvaan

Research Analyst

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Key Financial Summary

(Year-end March)	FY20	FY21	5 yr CAGR (FY16-21)	FY22E	FY23E	FY24E	2 yr CAGR (FY22-24E)
Net Sales (₹ crore)	521.5	442.0	14.8	551.6	710.4	900.2	27.8
EBITDA (₹ crore)	60.5	130.1	55.2	187.8	225.0	294.8	25.3
Net Profit (₹ crore)	43.9	112.6	75.0	149.4	184.4	235.7	25.6
EPS (₹)	2.5	6.5		7.7	9.6	12.2	
P/E (x)	178.3	69.6		58.0	47.0	36.8	
Price / Book (x)	19.6	15.5		6.3	5.7	5.7	
EV/EBITDA (x)	128.3	58.1		35.8	29.3	22.4	
RoCE (%)	14.7	27.8		14.4	16.0	20.2	
RoE (%)	11.0	22.3		10.9	12.2	15.5	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(₹ Crore)	FY21	FY22E	FY23E	FY24E
Total operating Income	442.0	551.6	710.4	900.2
Growth (%)	-15.2	24.8	28.8	26.7
Contract manufacturing charges	21.1	46.4	54.0	63.0
Cost of production of TV, Films	46.5	89.9	80.7	97.3
Employee Expenses	69.5	74.4	85.9	108.0
Other Expenses	174.8	153.1	264.8	337.1
Total Operating Expenditure	311.9	363.7	485.4	605.4
EBITDA	130.1	187.8	225.0	294.8
Growth (%)	115.1	44.4	19.8	31.0
Depreciation	5.6	11.0	14.2	15.6
Interest	3.5	4.0	3.6	3.6
Other Income	30.9	27.1	40.0	40.0
Exceptional Items	-	-	-	-
PBT	151.9	199.9	247.2	315.6
MI/PAT from associates	0.9	0.4	0.3	0.3
Total Tax	38.4	50.1	61.8	78.9
PAT	112.6	149.4	184.4	235.7
Growth (%)	156.1	32.7	23.4	27.8
EPS (₹)	6.5	7.7	9.6	12.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	112.6	149.4	184.4	235.7
Add: Depreciation	5.6	11.0	14.2	15.6
Add: Interest Paid	3.5	4.0	3.6	3.6
(Inc)/dec in Current Assets	33.0	-87.2	-95.4	-113.9
Inc/(dec) in CL and Provisions	65.6	50.6	79.2	94.7
CF from operating activities	220.3	127.7	186.1	235.6
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-13.6	-10.0	-10.0	-10.0
Others	-53.4	-635.0	-120.0	-120.0
CF from investing activities	-66.9	-645.0	-130.0	-130.0
Change in Reserve & Surplus	-5.6	709.6	-38.6	-222.9
Inc/(dec) in loan funds	-9.2	0.0	0.0	0.0
Interest paid	-3.5	-4.0	-3.6	-3.6
Others	0.9	1.9	0.0	0.0
CF from financing activities	-17.4	707.4	-42.2	-226.5
Net Cash flow	136.0	190.2	13.9	-120.9
Opening Cash	9.0	145.0	335.1	349.1
Closing Cash	145.0	335.1	349.1	228.1

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	17.4	19.3	19.3	19.3
Reserve and Surplus	488.4	1,347.3	1,493.1	1,505.9
Total Shareholders funds	505.8	1,366.6	1,512.4	1,525.2
Total Debt	0.0	0.0	0.0	0.0
Minority Interest	3.1	3.1	3.1	3.1
Deferred Tax Assets	50.5	50.5	50.5	50.5
Total Liabilities	559.4	1,420.2	1,566.1	1,578.8
Gross Block	266.9	276.9	286.9	296.9
Less: Acc Depreciation	40.1	51.2	65.4	81.0
Net Block	226.7	225.7	221.5	215.9
Capital WIP	-	-	-	-
Total Fixed Assets	226.7	225.7	221.5	215.9
Investments	136.6	771.6	891.6	1,011.6
Other non current Assets	12.3	12.3	12.3	12.3
Debtors	87.4	108.8	140.1	177.6
Loans and Advances	13.5	16.9	21.7	27.5
Other Current Assets	93.4	111.7	138.2	169.9
Cash	145.0	335.1	349.1	228.1
Inventories	69.2	113.3	146.0	185.0
Total Current Assets	408.5	685.8	795.1	788.1
Creditors	56.3	68.0	87.6	111.0
Provisions	70.9	85.7	110.4	139.8
Other Current Liabilities	97.3	121.5	156.4	198.2
Total Current Liabilities	224.6	275.1	354.4	449.0
Net Current Assets	183.9	410.7	440.7	339.1
Application of Funds	559.4	1,420.2	1,566.1	1,578.8

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	6.5	7.7	9.6	12.2
Cash EPS	6.8	8.3	10.3	13.0
BV	29.0	70.9	78.4	79.1
DPS	20.0	20.0	20.0	20.0
Cash Per Share	8.3	17.4	18.1	11.8
Operating Ratios (%)				
Adj. EBITDA Margin	29.4	34.1	31.7	32.7
PBT / Total Operating income	28.2	32.1	29.7	31.0
PAT Margin	25.5	27.1	26.0	26.2
Inventory days	57.1	75.0	75.0	75.0
Debtor days	72.1	72.0	72.0	72.0
Creditor days	46.5	45.0	45.0	45.0
Return Ratios (%)				
RoE	22.3	10.9	12.2	15.5
RoCE	27.8	14.4	16.0	20.2
RoIC	48.2	60.2	68.9	87.4
Valuation Ratios (x)				
P/E	69.6	58.0	47.0	36.8
EV / EBITDA	58.1	35.8	29.3	22.4
EV / Net Sales	17.1	12.2	9.3	7.3
Market Cap / Sales	17.7	14.2	11.0	8.7
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	1.1	1.2	1.2	1.2
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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