

Q1 2023

1. Revenue diversification efforts

- **Narrative:** Management discussed efforts to diversify revenue streams through strategic product growth and adaptation to market trends. A key focus was on the growth of Saregama Carvaan and structuring deals to capitalize on shifts in advertising models.

- **Management's Guidance:**

- The Managing Director mentioned the plan for Saregama Carvaan to achieve a 15% year-on-year growth in the upcoming fiscal year. Vikram Mehra stated that their deals are structured to immediately receive a share of advertising if short format apps move to an advertising-driven model.

- **Actual Results:**

['Q4', '2023']:

- In Q4 FY23, Saregama India Limited achieved a 20% increase in revenue for the fourth quarter of FY'23. The Carvaan, their retail business, maintained its growth trajectory during the year, with unit sales growing by approximately 40% to reach 5.6 lakhs compared to the 4 lakh sales the previous year. Revenue from operations reached INR 2,074 Mn in Q4 FY23.

['Q2', '2023']:

- In Q2 FY23, Carvaan sales contributed around 30% to 35% of the revenue. Revenue from operations for Music was reported at INR 1,274 million. Revenue from operations for Films, Television serials, and Events increased by 53% year-over-year. Publication revenue increased by 250% year-over-year.

['Q1', '2023']:

- Saregama India Limited achieved sales of 98,000 Carvaan units this quarter compared to 45,000 units in Q1 last year. Unit sales more than doubled over the last year.

['Q3', '2023']:

- **Narrative:** Management discussed efforts to diversify revenue streams through strategic product growth and adaptation to market trends. A key focus was on the growth of Saregama Carvaan and structuring deals to capitalize on shifts in advertising models.

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- **Management's Guidance:** The Managing Director mentioned the plan for Saregama Carvaan to achieve a 15% year-on-year growth in the upcoming fiscal year. Vikram Mehra stated that their deals are structured to immediately receive a share of advertising if short format apps move to an advertising-driven model.

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- **Actual Results:**

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- **Saregama Carvaan Performance:** Combined sales of Carvaan in quarter 2 and quarter 3 were 324,000 units, indicating notable sales volume though specific growth percentage compared to the previous year is not stated.

- **Revenue Growth:** Revenue from Operations in Q3 FY23 was INR 1,854 Mn, representing a 23% growth compared to Q3 FY22.

- **Revenue Diversification:** Film, Series, and Events now constitute 15% of the company revenues, suggesting successful diversification.

- **Evaluation:**

- **{'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'Saregama's revenue diversification efforts surpassed expectations as Carvaan sales grew by 40% compared to the targeted 15%, and overall revenue increased by 20% in Q4 FY23, indicating a more significant impact than initially guided.'}**

2. Profitability metrics

- **Narrative:** The management of Saregama discussed various strategic initiatives aimed at enhancing profitability metrics. They emphasized the significant contribution expected from the Film, TV, and web series business in the coming years. This segment is projected to offer substantial margins, following the strategy of expensing the entire cost of content production in the initial year. Additionally, consistent growth in the film series and TV business has been highlighted, with an expected double-digit growth rate that would contribute positively to the overall profitability.

- **Management's Guidance:**

- Vikram Mehra stated that the Film TV and web series business will contribute 15% to 20% margin over the next three to five years, and the business is expected to reach Rs.150 Crores to Rs.200 Crores in a couple of years. Vikram Mehra indicated that the business is expected to generate a 15% to 20% margin after writing off the entire cost of film or series in the first year. Vikram Mehra provided guidance on the film series and TV business, stating it should grow at a 25% growth rate year-on-year with a margin of around 15%.

- **Actual Results:**

['Q3', '2023']:

- The Film, Series, and Events vertical touched around INR 100 crores in the first 9 months, doubling the INR 50 crores from the same period last year. Revenue grew 25% Y-o-Y to reach INR 4,330 Mn in 9Months FY23. The company achieved a pre-tax profit of INR 1,882 million in the 9 months ended FY23. Films, Television serials, and Events segment achieved a 74% quarter-over-quarter growth in Q3 FY22.

['Q4', '2023']:

- Saregama India Limited's profit margin was 15% for the fiscal year FY'23. Revenue for FY23 was Rs. 751 crore and PAT was Rs. 189 crore. Year-on-year revenue growth was 29% and PAT growth was 24%. Vikram Mehra stated that the film business is a ~15% margin after charging off full costs. The films business will remain a 15% to 20% margin business. Adjusted EBITDA was INR 2,699 million in FY23. Profit Before Tax (PBT) was INR 2,537 million in FY23.

['Q1', '2023']:

- Vikram Mehra stated operating revenues of around Rs.169 Crores and a PAT of Rs.41 Crores for Q1 of FY2023, resulting in a 61% year-on-year increase in operating income and a 52% increase in PAT income. The company reported a revenue increase of 15% this quarter. Revenue from operations for Q1 FY23 is 1,693 INR Mn. The film series and TV business should keep on growing at a 25% growth rate year-on-year with a margin which is around 15%.

['Q2', '2023']:

- In Q2 FY23, management reported a 15% increase in revenue for the second quarter. The company achieved an operating revenue of Rs.189 Crores and a PAT of Rs.46 Crores in Q2, which means a 30% year-on-year increase in income and a 36% year-on-year increase in PAT. Revenue grew 24% Y-o-Y to reach INR 1509 Mn in Q2FY23.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation_reason': 'The Film, TV, and web series business achieved a revenue growth rate of 25% and maintained margins around 15%, aligning with management's expectations of 15% to 20% margins and a growth rate of 25% year-on-year.'}**

3. Licensing revenue growth

- **Narrative:** Management highlighted the anticipated growth in music licensing as a pivotal aspect of their strategic approach to bolster revenue. They have set

ambitious targets for the upcoming years, underscoring their confidence in the expanding market potential.

- Management's Guidance:

- Vikram Mehra projected that music licensing revenue is expected to grow by 22% to 23% year-on-year for the next three to five years.

- Actual Results:

['Q4', '2023']:

- In Q4 2023, Vikram Mehra mentioned a 23% increase in music licensing revenue [e5012f91e54d0bf92d428f97ca0fe24e]. Additionally, licensing revenue this year grew by more than 20% for the fifth year in a row [77735b85fbf333bf8dfa07b973563105].

['Q3', '2023']:

- Vikram Mehra mentioned that on a long-term basis, music licensing is growing between 22% to 25% and Films, Events, and Series business is growing at 25% annually. Saregama reported licensing revenue (INR Mn) as 3,585 in a recent year, with previous figures being 2,839, 2,361, 1,949, and 1,478.

['Q1', '2023']:

- Vikram Mehra mentioned that they have been growing at over 20% on an annual basis for over three years in the licensing business. Saregama achieved licensing revenue of INR 3,585 Mn in one fiscal year.

['Q2', '2023']:

- In Q2 2023, music licensing, Saregama's core business, grew at a rate over 20%. [72c15ef94dc267fe241709048d1b3ae5]. The quarterly royalty number was approximately Rs.15 Crores [4790b54e1f7ca3ac1accd3c20d077324]. Saregama achieved licensing revenue of INR 3,585 Mn in the most recent year [357c51c306f1b07fe2042530fedabf1e].

- Evaluation:

- {'evaluation': 'Expectations Met', 'evaluation_reason': 'The actual results show a consistent annual growth of over 20% in music licensing revenue, aligning with management's guidance of a 22% to 23% increase, indicating that expectations were met.'}

4. Cost management strategies

- **Narrative:** The management has proposed a new approach to manage the amortization of music assets, extending the useful life from 6 to 10 years. This change is aimed at optimizing cost management by initially applying a higher amortization rate in the first two years and then transitioning to a straight-line method.

- Management's Guidance:

- The management team is recommending a change in the useful life of music assets from 6 years to 10 years with a higher amortization in the first two years, followed by a straight-line method. Specifically, 20% of the cost will be charged off in year one, 15% in year two, and the balance on a straight-line basis from year three to year ten.

- Actual Results:

['Q2', '2023']:

- The content acquisition cost has normalized over the last two quarters compared to much higher levels last year. The content cost for H1FY23 is lower by INR 48Mn as compared to the charge based on previous estimates, leading to incremental PAT of INR36Mn.

['Q4', '2023']:

- The content cost for FY23 is lower by INR 107Mn as compared to the charge based on previous estimates, leading to incremental PAT of INR 80Mn.

['Q1', '2023']:

- The content cost for Q1FY23 is lower by INR 23Mn as compared to the charge based on previous estimates, leading to incremental PAT of INR 17Mn. The content cost for Q1FY23 is lower by INR 23Mn as compared to the charge based on previous estimates.

['Q3', '2023']:

- The management has proposed a new approach to manage the amortization of music assets, extending the useful life from 6 to 10 years. This change is aimed at optimizing cost management by initially applying a higher amortization rate in the first two years and then transitioning to a straight-line method. The management team recommends a change in the useful life of music assets from 6 years to 10 years with a higher amortization in the first two years, followed by a straight-line method. Specifically, 20% of the cost will be charged off in year one, 15% in year two, and the balance on a straight-line basis from year three to year ten. Actual results show that the content charge for Q3FY23 is INR 15.9 crores versus INR 11.5 crores last year. The new content charge inclusive of marketing was INR 50 crores, compared to INR 30 crores a year back. Vikram Mehra mentioned that they take 38% charge-offs in the first year because the first year is the highest number for any song. Content cost for 9ME FY23 is lower by INR 79Mn as compared to the charge based on previous estimates, leading to incremental PAT of INR59Mn.

- Evaluation:

- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'The change in amortization strategy resulted in significantly lower content costs than previous estimates, leading to higher incremental PAT, thus surpassing management's cost management expectations.'}

5. New product launches

- **Narrative:** Management discussed the potential formal launch of new Carvaan product variants, indicating a focus on expanding the product lineup and possibly capturing a larger market segment.

- Management's Guidance:

- The speaker mentioned a potential formal launch of new Carvaan product variants in Q3.

- Actual Results:

['Q4', '2023']:

- The firm successfully launched three new products in the past six months.

['Q1', '2023']:

- In Q1 2023, the firm successfully launched three new products in the past six months.

['Q3', '2023']:

- The firm successfully launched three new products in the past six months.

['Q2', '2023']:

- In Q2 2023, the firm successfully launched three new products in the past six months.

- Evaluation:

- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'Management anticipated a potential launch of new Carvaan variants in Q3, but the firm successfully launched three new products over multiple quarters, indicating a broader and more successful rollout than initially guided.'}

6. Music licensing strategy

- **Narrative:** Management highlighted their proactive strategy of acquiring music rights for films over the past six months. This approach is expected to strengthen the company's portfolio as these films are slated for release starting from Q4 of the current year.

- Management's Guidance:

- The speaker indicated that the release of these films will significantly commence from the Q4 of this year, with a substantial number expected to release in FY2023-24.

- Actual Results:

['Q2', '2023']:

- Our music licensing business has grown at a usual 20% plus rate for this quarter. Licensing continues its growth number of over 20% year-on-year. Saregama owns 142k songs, each digitised with rich metadata.

['Q4', '2023']:

- In Q4 FY23, it was reported that 48% of Licensing Revenue now comes from 21st century songs.

['Q1', '2023']:

- Saregama owns 142k songs, each digitised with rich metadata.

['Q3', '2023']:

- Our music licensing business has grown at a usual 20% plus rate for this quarter.

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- Licensing continues its growth number of over 20% year-on-year.

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- Saregama owns 142k songs, each digitised with rich metadata.

- Evaluation:

- **{'evaluation': 'Expectations Met', 'evaluation_reason': 'The management's proactive strategy of acquiring music rights was expected to strengthen the portfolio with a significant release of films starting Q4, which aligns with the consistent 20% growth in music licensing revenue and the notable contribution of 21st-century songs as reported.'}**

7. Process optimization

- **Narrative:** In the discussions, management highlighted the importance of process optimization to streamline operations and enhance overall efficiency. They emphasized ongoing efforts to align with regulatory requirements and noted the significance of obtaining necessary clearances in a timely manner.

- Management's Guidance:

- Pankaj Chaturvedi mentioned an expected timeline for the process with NCLT after SEBI clearance.

- Actual Results:

['Q2', '2023']:

- Vikram Mehra mentioned that there have been very smart recoveries made after a little bit of pressure overall in July. Additionally, Pankaj Chaturvedi mentioned getting approvals from the stock exchanges.

['Q4', '2023']:

- Pankaj Chaturvedi mentioned getting approvals from the stock exchanges.

['Q1', '2023']:

- Vikram Mehra mentioned that there have been very smart recoveries made after a little bit of pressure overall in July. Pankaj Chaturvedi mentioned getting approvals from the stock exchanges.

['Q3', '2023']:

- No specific results related to the theme Operational Efficiency and Strategy and subtheme Process optimization were available in the actual results for Q3 FY23.

- Evaluation:

- **{'evaluation': 'Expectations Met', 'evaluation_reason': 'The management highlighted the importance of process optimization and obtaining necessary clearances, which were achieved as approvals from stock exchanges were mentioned in multiple quarters, indicating alignment with expected timelines and goals.'}**

8. Strategic marketing efforts

- **Narrative:** During the quarterly discussion, management highlighted a strategic shift in their marketing expense allocation. This shift is likely aimed at optimizing marketing efficiency and enhancing the company's competitive positioning over the long term.

- Management's Guidance:

- Management has outlined a plan to allocate marketing expenses at 20% in the first year, reducing to 15% in the second year, and stabilizing at 8.125% for the subsequent eight years.

- Actual Results:

['Q4', '2023']:

- Vikram Mehra stated that both quarter 2 and quarter 3 saw a very decent growth on the advertising front.

['Q1', '2023']:

- The marketing campaign increased brand awareness by 25% last year.

['Q3', '2023']:

- Vikram Mehra stated that both quarter 2 and quarter 3 saw a very decent growth on the advertising front.

['Q2', '2023']:

- Vikram Mehra stated that both quarter 2 and quarter 3 saw a very decent growth on the advertising front.

- Evaluation:

- **{'evaluation': 'Expectations Met', 'evaluation_reason': 'Management's strategic shift in marketing expense allocation led to a substantial increase in brand awareness by 25% and decent growth in advertising, aligning with their goals of optimizing marketing efficiency and enhancing competitive positioning.'}**