

Q2 2023

1. Financial Performance

- **Narrative:** Saregama's management expressed confidence in the continued growth of its music business, projecting steady growth and maintaining a bullish stance on music licensing. They also discussed profitability targets and cost reduction strategies. Specific projections were given for revenue growth and margins.

- **Management's Guidance:**

- Revenue Growth: The company projects 22% to 25% year-on-year growth in music revenue on a short to medium-term basis. A separate projection of 15% revenue growth for the next fiscal year was also given, attributed to strategic expansions and new product launches. Growth of 20% to 25% year-on-year was projected for the films, series and television business. Profitability and Margins: Management aims for a 5% to 10% margin once the business stabilizes. A target OIBCID margin of 32% to 33% was maintained for the year, despite better performance in previous quarters. A plan to reduce operational costs by 10% over the next two quarters through automation and process optimizations was mentioned.

- **Actual Results:**

['Q4', '2023']:

- In Q4 FY23, Saregama reported Revenue from Operations of 1,645 INR Mn (a 10.0% increase from Q3-FY23 and a 75.8% increase from Q4-FY22). Overall FY23 Revenue from Operations increased by 45.9% to INR 5,566 Mn. EBITDA for FY23 was 1,578 INR Mn (27.79% margin); Q4 FY23 EBITDA was 169 INR Mn (10.26% margin). FY23 PAT was 189 INR Mn (24% YoY growth), while Q4 FY23 PAT was 47 INR Mn (2.95% margin). The company also noted a 29% YoY revenue growth for FY23.

['Q1', '2024']:

- In Q1 FY24, Saregama achieved a 60% year-on-year revenue growth, exceeding initial projections. The music business specifically saw a 17% growth in Q1 FY24. While specific margin data for Q1 FY24 isn't explicitly stated to match the OIBCID margin target, management commentary indicates that the adjusted EBITDA margin at the company level remained within the 32% to 33% range despite the higher revenue growth.

['Q2', '2023']:

- Operational Revenue for H1FY23 was INR 3,960 Mn with a 15.0% EBITDA Margin. Digital Media revenue in Q2-FY23 was INR 639 Mn (35.8% Y-o-Y growth); Traditional Media revenue was INR 827 Mn (8.7% Y-o-Y growth). Income from Operations was INR 1,466 Mn in Q2-FY23 (19.0% Y-o-Y growth). Revenue from Operations was INR 1,466 Mn in Q2-FY23. Q2-FY23 Traditional Media performance was INR 1,306 Mn, compared to INR 1,106 Mn in Q2-FY22. H1-FY23 revenue from operations showed a 22.6% Y-o-Y increase. The music business showed its highest quarterly revenue ever at Rs.150.9 Crores. Music licensing, the core business, grew over 20%. Operating revenue in Q2 was Rs.189 Crores, a 30% year-on-year increase. PAT was Rs.46 Crores, a 36% year-on-year increase. On a half-yearly basis, both revenue and PAT grew by 43% year-on-year. The company witnessed an increase in revenue attributed to broadcasting and digital initiatives; B2C revenue doubled in H1 FY23 vs. the same period last year. EBITDA was INR 128 Mn with an 8.75% margin in Q2 FY23. Operating income before content charge, interest, and depreciation was Rs.69.9 Crores, a 31% growth compared to last year.

['Q3', '2023']:

- In Q3 FY23, Saregama's music segment revenue grew over 20%, with some sources reporting 23% year-on-year growth. The music business reached its highest quarterly revenue at INR 154 crores (25% year-on-year growth over 9 months). However, profitability targets were missed. Q3 FY23 EBITDA was INR 94 Mn (6.31% margin), significantly lower than Q2 FY23's 8.75%. The 9M FY23 EBITDA was INR 304 Mn (7.75% margin). Net profit in Q3 FY23 was INR 9 Mn (0.59% margin), and EPS was INR 0.32/share. 9M FY23 net profit was INR 45 Mn (1.15% margin), with an EPS of INR 1.66/share. Revenue growth targets were largely met, but profitability and margin targets were not.

- **Evaluation:**

- {'evaluation': 'Partially Met expectations', 'evaluation_reason': 'While revenue growth significantly exceeded projections in certain areas (e.g., overall YoY growth, music business revenue), the EBITDA margin of 8.75% fell short of the targeted 32-33% OIBCID margin for the year and the projected 5-10% margin once the business stabilizes.'}

2. Content Strategy and Production

- **Narrative:** Saregama outlined plans to expand its digital content library significantly to meet growing online streaming demand. They also discussed their strategy for acquiring a substantial portion of newly released content.

- **Management's Guidance:**

- Content Library Expansion: The company plans to increase its digital content library by 25% by the end of the year. They aim to acquire approximately 30% of all new content released in the year, estimated at 800cr worth.

- **Actual Results:**

['Q4', '2023']:

- No specific Q4 2023 results directly correlating to content library expansion or acquisition targets are provided in the data.

['Q1', '2024']:

- In Q1 FY24, management reported releasing 300 new songs across various platforms in the past six months. While the 25% library expansion target by year-end is not directly addressed in Q1 results, the release of 300 new songs contributes towards this goal. The acquisition of 30% of new content (800cr worth) is not explicitly mentioned in the available Q1 data.

['Q2', '2023']:

- The company released 13 new titles during the quarter across movies, web series, and plays. A new Tamil TV serial, "Ilakkiya," was launched. ShemarooTV delivered higher ratings than the previous quarter due to a renewed content strategy.

['Q3', '2023']:

- No specific quantifiable results regarding content library expansion or content acquisition are provided in the Q3 FY23 data.

- **Evaluation:**

- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'Q2 2023 results provide information on new content releases but do not offer sufficient data to assess progress toward the 25% library expansion or 30% new content acquisition targets.'}

3. Market Dynamics and Competition

- **Narrative:** Saregama provided a forecast for the growth of the music subscription economy in India.

- **Management's Guidance:**

- Music Subscription Market: The company anticipates the music subscription economy to start growing significantly in India within the next 18 to 24 months.

- **Actual Results:**

['Q4', '2023']:

- No specific Q4 2023 data directly measuring the growth of the Indian music subscription market is available in the provided data.

['Q1', '2024']:

- Q1 FY24 data indicates Saregama achieved market leadership in the Hindi music segment at an all-India level for the April-June quarter, based on new content release and listenership/viewership. The overall growth of the Indian music subscription economy is not explicitly quantified in the provided data.

['Q2', '2023']:

- No specific actual results provided in the data for this theme in Q2 2023.

['Q3', '2023']:

- No specific data on the growth of the Indian music subscription market is available in the Q3 FY23 data.

- Evaluation:

- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'No data in Q2 2023 results relates to the growth of the Indian music subscription economy.'}

4. Management and Corporate Governance

- **Narrative:** The company communicated its target completion date for a demerger process.

- **Management's Guidance:**

- Demerger Completion: Saregama aims to finalize the demerger process by March 2023.

- **Actual Results:**

['Q4', '2023']:

- The provided data does not contain information on the actual completion date of the demerger process.

['Q1', '2024']:

- There is no information provided in the Q1 FY24 data regarding the completion status of the demerger process.

['Q2', '2023']:

- In this quarter, the company received approvals from the stock exchanges.

['Q3', '2023']:

- Shareholders approved the demerger, and the result was filed with the NCLT in January.

- Evaluation:

- {'evaluation': 'Did not meet expectations', 'evaluation_reason': 'While receiving stock exchange approvals is a step toward demerger completion, the demerger was not finalized by March 2023 as targeted.'}