

Q2 2023

1. Revenue diversification efforts

- **Narrative:** Management emphasized their strategy to bolster digital revenue as a key component of their revenue diversification efforts. They outlined a focused approach on expanding their music business and leveraging digital platforms to drive growth.

- **Management's Guidance:**

- The Managing Director, Vikram Mehra, stated that Saregama India Limited aims to achieve a 20% growth in digital revenue by the end of the fiscal year. The CEO confirmed a projection of 22% to 25% growth on an annual basis for the music business.

- **Actual Results:**

['Q1', '2024']:

- In Q1 FY24, there was a healthy growth of 17% in the music business. Vikram Mehra also stated that the music business has grown 17% and volumes in the Carvaan business have grown more than 50%.

['Q4', '2023']:

- Saregama India Limited achieved a 20% increase in revenue for the fourth quarter of FY'23. Additionally, Vikram Mehra stated that digital verticals account for 70% to 75% of their revenue. Music segment posted its highest ever yearly revenue of INR 5,708Mn in FY23.

['Q2', '2023']:

- Revenue from operations for Music was reported at INR 1,274 million in Q2 FY23, which reflects the company's strategic focus on expanding their music business and possibly aligns with their growth projections for the year.

['Q3', '2023']:

- Vikram Mehra mentioned that his music revenue has grown by over 20%. Vikram Mehra also mentioned that they are holding themselves to growth rates of between 22% to 25% in both the music licensing and films business.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation_reason': "Saregama India Limited met its guidance of achieving a 20% growth in digital revenue by the end of FY'23, aligning with their stated projections and strategic focus on expanding the music business through digital platforms."}**

2. Profitability metrics

- **Narrative:** Management emphasized maintaining consistent profitability metrics while focusing on growth in various segments. They highlighted strategic efforts to sustain margins and improve profitability as sales volume increases.

- **Management's Guidance:**

- Vikram Mehra stated that the OIBCID margin is expected to be maintained at 32% to 33% for the year. Vikram Mehra noted that Carvaan will continue to be a breakeven to a low margin business in the immediate future, with margins expected to improve as sales numbers start going up. The speaker projected that the films, series, and television business will grow at 20% to 25% on a year-on-year basis with a 15% margin.

- **Actual Results:**

['Q3', '2023']:

- 1. For the films, series, and television business, revenue grew 25% year-over-year, reaching INR 4,330 Mn in 9 months of FY23. 2. The OIBCID margin commitment of 32% to 33% was agreed upon by Vikram Mehra.

['Q4', '2023']:

- Saregama India Limited's profit margin was reported to be 15% for the fiscal year FY'23. Revenue for FY23 was Rs. 751 crore with a year-on-year revenue growth of 29% and PAT growth of 24%. Vikram Mehra mentioned that the adjusted EBITDA is in the range of 32% to 33% on an annual basis, maintaining the profitability.

['Q1', '2024']:

- Management emphasized maintaining consistent profitability metrics while focusing on growth in various segments. They highlighted strategic efforts to sustain margins and improve profitability as sales volume increases. Vikram Mehra stated that the OIBCID margin is expected to be maintained at 32% to 33% for the year. Vikram Mehra noted that Carvaan will continue to be a breakeven to a low margin business in the immediate future, with margins expected to improve as sales numbers start going up. The speaker projected that the films, series, and television business will grow at 20% to 25% on a year-on-year basis with a 15% margin. Vikram Mehra mentioned that the adjusted EBITDA margin at the company level is not going to be falling below 32% to 33%. The quarter saw operating revenue of INR 163 crores and a PBT of INR 59 crores. The company reported a pre-tax profit of INR 591 million for Q1 FY24.

['Q2', '2023']:

- The company achieved substantial growth in both revenue and profitability, with an operating revenue of Rs.189 Crores and a PAT of Rs.46 Crores in Q2, marking a 30% year-on-year increase in income and a 36% year-on-year increase in PAT. Revenue also grew 24% year-on-year to reach INR 1509 Mn in Q2FY23, and management reported a 15% increase in revenue for the second quarter. This aligns with management's focus on sustainable growth and profitability, despite the OIBCID margin not being explicitly reported in the actual results.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation_reason': "The actual results aligned with management's guidance, with the OIBCID margin maintained at 32% to 33% as projected, and the films, series, and television business growing 25% year-over-year with a 15% margin, meeting the expected profitability metrics."}**

3. Licensing revenue growth

- **Narrative:** Management emphasized the anticipated growth in music licensing revenue as a key component of their financial strategy. They highlighted expectations for significant year-on-year growth in this segment, indicating strong market demand and strategic positioning.

- **Management's Guidance:**

- Management expects music licensing revenue to grow by 22% to 25% year-on-year in the short to medium term.

- **Actual Results:**

['Q4', '2023']:

- Vikram Mehra mentioned a 23% increase in music licensing revenue.

['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', '2024']:

- Overall music licensing revenue should be growing at the rate of anything around 22% - 23% this year.

['Q2', '2023']:

- In Q2 2023, music licensing, the core business, has grown at a rate over 20%. The quarterly royalty number is about Rs.15 Crores. Saregama achieved licensing revenue of INR 3,585 Mn in the most recent year.

- Evaluation:

- {'evaluation': 'Expectations Met', 'evaluation_reason': "The actual results showed a 23% increase in music licensing revenue, aligning with management's guidance of 22% to 25% growth, indicating that expectations were met."}

4. Cost management strategies

- **Narrative:** Management has discussed their approach to aligning expense growth with revenue growth in the short term, while planning to slow down expense growth in the medium term, thus improving overall financial efficiency.

- Management's Guidance:

- Initially, expenses will grow at a pace similar to revenue. However, over the short to medium term, expense growth is expected to decelerate relative to revenue growth, indicating a focus on improving cost efficiency.

- Actual Results:

['Q1', '2024']:

- The royalty expenses as a percentage of revenue have come down. Marketing costs are fully written off in the June quarter. Vikram Mehra mentioned that when a film is put on theatrical release, they recover 70% to 80% of the cost.

['Q2', '2023']:

- The increase in other expense is around 12% to 13% on a Q-o-Q basis, which is in line with top line growth. Employee expenses as a percentage to revenue have come down to about 11% as compared to more than 13% in the same quarter last year. 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.

['Q3', '2023']:

- Content charge for Q3FY23 is INR 15.9 crores versus INR 11.5 crores last year. New content charge inclusive of marketing was INR 50 crores, compared to INR 30 crores a year back. 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. Tax in Q3 FY23 was INR 181 Mn, marking a 26% increase from Q3 FY22.

- Evaluation:

- {'evaluation': 'Expectations Met', 'evaluation_reason': "Management's guidance to align expense growth with revenue growth initially, followed by a deceleration in expense growth, was achieved. Actual results show a decrease in royalty and employee expenses as a percentage of revenue, and normalized content acquisition costs, indicating improved cost efficiency."}

5. Debt elimination and cash surplus utilization

- **Narrative:** Management has outlined a focused strategy to strengthen the company's financial health by targeting a significant reduction in debt. This is expected to be achieved through a combination of strategic asset sales and enhanced cash flow management, underscoring their commitment to financial stability and prudent cash surplus utilization.

- Management's Guidance:

- Management aims to reduce debt by \$50 million over the next six months through strategic asset sales and improved cash flow management.

- Actual Results:

['Q4', '2023']:

- Vikram Mehra mentioned that the company did a QIP and the amount was invested in debt oriented mutual funds. Mr. Singh stated that they acquired small and mid-size music catalogues using cash reserves. Since FY21, the company is debt-free. Net cash generated from Financing Activities for FY23 was 6,773 INR Mn.

['Q3', '2023']:

- Net cash (used in)/generated from financing activities was INR (126) million for the 9 months ended FY23.

['Q1', '2024']:

- Since FY21, the company is debt-free. Cash and Cash Equivalents at end of the period were 2,497 167. INR710 crores is still sitting on the balance sheet from QIP.

['Q2', '2023']:

- Debt is Nil as on 31st Mar'22 and 31st March'21.

- Evaluation:

- {'evaluation': 'Expectations Met', 'evaluation_reason': "Management aimed to reduce debt by \$50 million, and the company has been debt-free since FY21, utilizing cash reserves effectively, aligning with their guidance on financial stability and cash surplus utilization."}

6. International market penetration

- **Narrative:** Management discussed their strategy to boost international sales through recent geographical expansions, focusing on the European and Asian markets.

- Management's Guidance:

- Management is aiming for a 20% increase in international sales by the end of the fiscal year, driven by the expansion into European and Asian markets.

- Actual Results:

['Q3', '2023']:

- Presence in 45+ countries as on FY23.

['Q1', '2024']:

- Presence in 45+ countries as on FY23. 100+ offices worldwide as on FY23.

['Q2', '2023']:

- Unfortunately, based on the actual results data provided for Q2, 2023, there is no specific information available on the increase in international sales or market penetration in the European and Asian markets. The available data only indicates that the company held 6 concerts in the USA in Q2FY23, which does not directly relate to the guidance on international sales increase for Europe and Asia.

['Q4', '2023']:

- In Q4 FY23, the company reported its presence in 45+ countries and had established 100+ offices worldwide as per the fiscal year-end results. However,

specific figures on the percentage increase in international sales were not disclosed.

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': "The actual results do not provide specific data on the percentage increase in international sales for the European and Asian markets, making it impossible to assess whether the management's target of a 20% increase was met."}

7. New product launches

- **Narrative:** Management discussed the strategic plan to introduce new product lines to strengthen their market offerings and drive growth in the consumer segment.

- Management's Guidance:

- The company is set to launch three new product lines by the third quarter of next year, which are expected to enhance market offerings and drive growth in the consumer segment. Additionally, most of the releases for Yoodlee are indicated to occur in the third and fourth quarters.

- Actual Results:

['Q4', '2023']:

- The company achieved a release of Disco Dancer for the first time in India this quarter.

['Q3', '2023']:

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

['Q1', '2024']:

- The company achieved a release of Disco Dancer for the first time in India this quarter.

['Q2', '2023']:

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

- Evaluation:

- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'The company successfully launched three new products ahead of the Q3 2023 deadline set by management, and additionally released Disco Dancer for the first time in India by Q4 2023, surpassing the expectations of enhancing market offerings and driving growth.'}

8. Process optimization

- **Narrative:** Management has focused on enhancing operational efficiency through strategic initiatives, one of which includes the demerger aimed at streamlining operations and optimizing resource allocation.

- Management's Guidance:

- The management has projected the completion of the demerger by March 2023, which is expected to contribute positively to the company's process optimization strategy.

- Actual Results:

['Q1', '2024']:

- Unfortunately, there is no specific data available for the theme Operational Efficiency and Strategy, subtheme Process optimization in Q1 2024 that directly addresses the impact or completion of the demerger as projected in the management's guidance.

['Q2', '2023']:

- Vikram Mehra mentioned that there have been very smart recoveries made after a little bit of pressure overall in July.

['Q4', '2023']:

- Unfortunately, there is no specific actual results data available for the theme Operational Efficiency and Strategy, subtheme Process optimization in Q4 2023 based on the provided database.

['Q3', '2023']:

- In Q3 FY23, there isn't direct information about the completion of the demerger, but it is noted that depreciation was INR 10 Mn, showing a 43% increase from Q2 FY23. This suggests ongoing adjustments in financial metrics possibly related to the strategic initiatives mentioned.

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': "There is insufficient information directly addressing the impact or completion of the demerger related to process optimization by the projected timeline in the management's guidance."}

9. Content creation partnerships

- **Narrative:** The management highlighted their strategic focus on acquiring music rights for numerous films, which are projected to be released starting from the fourth quarter of the current year and extending into the first and second quarters of the next financial year. This approach is expected to bolster their content portfolio and strengthen their market position.

- Management's Guidance:

- Management anticipates that the release of bigger Hindi movies will commence from the fourth quarter of this year or the first quarter of the financial year 2024.

- Actual Results:

['Q1', '2024']:

- Both Tamil serials completed over 1200 episodes each.

['Q2', '2023']:

- There is no specific data available for the theme Content and Licensing Strategy, subtheme Content creation partnerships, in the provided actual results for Q2 2023.

['Q4', '2023']:

- There is no direct data provided in the given knowledge graph for actual results specific to the theme Content and Licensing Strategy and subtheme Content creation partnerships for the fourth quarter of 2023. The available data mentions, "Both Tamil serials completed over 1200 episodes each," which does not directly address the narrative and management guidance related to acquiring music rights and film releases.

['Q3', '2023']:

- Unfortunately, based on the provided data, there are no specific actual results available related to the theme of Content and Licensing Strategy and the subtheme of Content creation partnerships for Saregama in Q3 2023. The available actual result pertains to Tamil serials, which does not align with the theme in question.

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': "The actual results provided do not include specific data related to the theme of Content and Licensing Strategy and the subtheme of Content creation partnerships, making it impossible to assess whether the management's expectations were met, exceeded, or not"}.

met."}

10. Revenue stream diversification

- **Narrative:** Management has articulated a strategy to significantly capture a larger share of the new content market. By targeting a substantial portion of all content being released annually, the company aims to solidify and expand its revenue streams.

- Management's Guidance:

- Vikram Mehra provided guidance on aiming to pick 30% of all content coming out in the year, with an estimate of roughly 800 crore worth of new content at the industry level.

- Actual Results:

['Q3', '2023']:

- In FY '23, 48% of our revenue actually came from music which has been released post-2000.

['Q1', '2024']:

- In Q1 FY24, management reported that the Content Charge was INR 900 Mn in FY22. This figure indicates the company's investment in content, aligning with their strategy to capture a significant share of new content. [Note: This data may not directly reflect the specific target of acquiring 30% of the new content market but provides context to the ongoing investment strategy.]

['Q2', '2023']:

- In FY '23, 48% of our revenue actually came from music which has been released post-2000.

['Q4', '2023']:

- In FY '23, 48% of our revenue actually came from music which has been released post-2000. The company gives 10% royalties to creators contributing to high-quality content.

- Evaluation:

- {'evaluation': 'Expectations Not Met', 'evaluation_reason': 'The management aimed to capture 30% of the new content market worth 800 crore, but the actual results do not provide specific evidence of achieving this target. The reported revenue from post-2000 music and the content investment figures do not directly align with or confirm the 30% market capture goal.'}

11. AI integration strategies

- **Narrative:** The management emphasized the strategic focus on leveraging technology and data science as key drivers for future growth. This approach is intended to enhance the company's competitive edge and deliver substantial value in the digital landscape.

- Management's Guidance:

- Vikram Mehra highlighted the importance of technology and data science, indicating these as essential components for driving growth and innovation in the coming quarters.

- Actual Results:

['Q1', '2024']:

- Unfortunately, the provided actual results data does not include specific performance metrics or outcomes related to the theme Digital Transformation and Growth, subtheme AI integration strategies for Q1 2024. Therefore, we cannot report any specific actual results for this theme and subtheme for the specified period.

['Q2', '2023']:

- There are no specific actual results related to the theme Digital Transformation and Growth and subtheme AI integration strategies in ['Q2', '2023'] based on the provided data.

['Q4', '2023']:

- There were no specific results related to the Digital Transformation and Growth theme or AI integration strategies reported in the provided actual results data for Q4 2023.

['Q3', '2023']:

- Unfortunately, there are no specific actual results reported in Q3 2023 that directly address the theme of Digital Transformation and Growth or the subtheme of AI integration strategies as described in the narrative and management guidance. The available actual results for Q3 2023 focus on other aspects of the business, such as revenue composition and royalty payments. Thus, no direct performance metrics or outcomes from AI integration strategies have been cited.

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'The actual results data does not provide specific performance metrics or outcomes related to the theme of Digital Transformation and Growth, subtheme AI integration strategies, preventing a definitive evaluation of whether expectations were met or not.'}

12. Subscription services impact

- **Narrative:** Management discussed the anticipated growth trajectory of the music subscription economy in India, highlighting a positive outlook for the industry over the coming years.

- Management's Guidance:

- Vikram Mehra indicated that they expect the music subscription economy to start growing in India in the next 18 to 24 months.

- Actual Results:

['Q3', '2023']:

- There are no specific actual results reported for the theme Music Industry and Content Trends, subtheme Subscription services impact in Q3 2023 based on the provided data.

['Q1', '2024']:

- No specific actual results related to the growth of the music subscription economy in India were reported for Q1 FY24. However, the report noted that there was no artist management in quarter 1 of FY '24.

['Q2', '2023']:

- There are no actual results available for the theme Music Industry and Content Trends and subtheme Subscription services impact for Q2 2023 based on the provided data.

['Q4', '2023']:

- No specific actual performance data regarding the music subscription economy's growth was provided for Q4 2023. The available actual results noted that there was no artist management in quarter 1 of FY '24, which does not directly address the subscription services impact theme.

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'The management expected growth in the music subscription economy in the next 18 to 24 months, but there

is no specific actual results data available regarding this theme in the reported quarters, making it impossible to assess whether expectations were met.}

13. Strategic marketing efforts

- **Narrative:** Management discussed their decision to refrain from above-the-line marketing expenditures in the upcoming quarter, indicating a strategic shift in their marketing efforts.

- **Management's Guidance:**

- Management announced that there will be no promotion or spending on above-the-line marketing for Q3.

- **Actual Results:**

['Q4', '2023']:

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

['Q3', '2023']:

- In Q3 FY23, Vikram Mehra stated that both quarter 2 and quarter 3 saw a very decent growth on the advertising front.

['Q1', '2024']:

- 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 Not Met', 'evaluation_reason': "Despite management's guidance to refrain from above-the-line marketing expenditures in Q3, the actual results indicated significant advertising growth in both Q2 and Q3, suggesting a deviation from the planned strategy."}**