

We met Dr Sanjiv Goenka (SG), Chairman of RPSG Group, in a 1x1 meeting in Kolkata in early April. We see the Group significantly accelerating growth in the next five years, via entering more value-added businesses with fresh capacities and improved margins. The Group has seen remarkable transformation in its leadership and HR culture which has helped improve growth via better execution and movement up the value chain. CESC, in our view, could be the leader in value creation for the Group in coming years.

Cusp of next growth stage

The Group is poised to accelerate topline growth with improved margins across most of its businesses. The asset-driven businesses are on a capex drive, with Rs500bn capex over the next 3-4 years which should start to show results from FY27. Moreover, there is a focus across segments to enter more value-added businesses with new products and improved margins. This should drive Group EBITDA growth of +20% over FY25-30 vs low teens in prior five years, and ROE expansion from the current 13-15% levels. There is some lead-lag across businesses, but the medium-term building blocks are in place.

M&A – Key growth driver; prudent strategy

The Group has made significant M&As across businesses for driving growth. The objectives have been multifold – enter new domains and product verticals, add fresh expertise, and broaden the client base. The Group has been prudent in its overall M&A strategy, and has followed discipline in neither overpaying for acquisitions nor stretching the acquirer's balance sheet. The integration track record has been strong so far, but the real tests are coming up, especially with the Aquapharm integration in PCBL.

Conservative on balance sheet

The Group is in aggressive growth mode, but there is overall caution on balance-sheet stress. Group leverage could reach a peak of 1.5x from 1.2x (FY24), but new project cash flows will kick in from that point on. A majority of the debt (53%) is in CESC, where risks are low as interest costs are largely pass-throughs and a large part of the output from new renewable projects will be earmarked for captive consumption. The Chairman clarified that they would keep an eye on the balance sheet and raise equity, if needed.

Management changes

A remarkable HR transformation is the cornerstone of the Group's growth acceleration. At the ground level, the Chairman has driven a change to a performance-oriented culture, and such transition is now almost complete. New leadership, brought in across businesses, have been enablers of this new growth mantra. The Chairman's office has been strengthened with the addition of a partner from McKinsey and former CFO of HCL Tech. The Group leadership focuses on both, strategy and execution. One important practice is weekly monitoring of all businesses' operations and financial metrics.

Sports ventures building critical mass

The Group now has significant presence in sports, with Lucknow Super Giants, Mohun Bagan Super Giants, and a new investment in Manchester Originals. LSG is the biggest venture and is seeing strong traction in viewership and fan base – on-ground results and the investment in Rishabh Pant should help bridge the brand gap with older franchises (Mumbai Indians, Chennai Super Kings, and Royal Challengers Bangalore). There are no immediate plans to list it – SG believes that operating leverage will kick in once the broadcasting rights are re-bid in 2027.

Multiple catalysts across the Group

The Group market cap has seen 32.2% CAGR over the last four years, primarily led by FSOL, which is up 60% during the same period. We believe the next wave of value creation of the Group will come from CESC. CESC's entry into hybrid renewables has been timely, and synergy with the distribution business gives it a lower risk profile vs peers. Moreover, the growth outlook for its distribution license business is also improving. Cash flows should improve once the renewable projects come on-line. The stock trades at a conservative 1.5x P/B and 12x EV/EBITDA (Consensus FY25).

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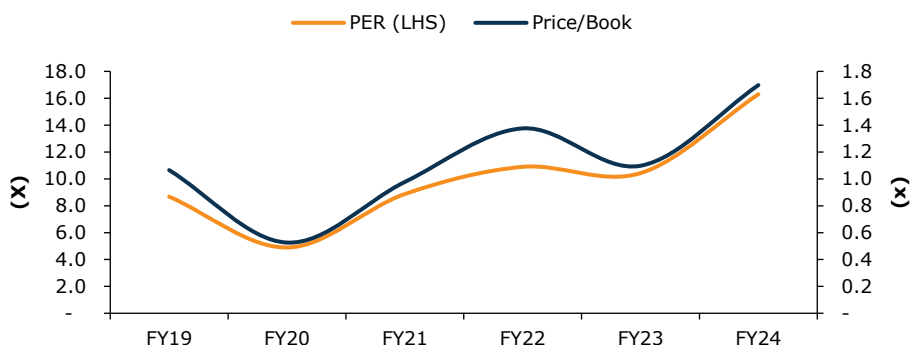
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Exhibit 1: Valuation of the Group on the rise, backed by growth


Source: Company, Bloomberg, Emkay Research

Exhibit 2: CESC, FSOL, PCBL, and Saregama – The Big Four from RPSG
RPSG Group - Rs750bn Mcap (as on 16-Apr-25)


Source: Company, Bloomberg, Emkay Research

Exhibit 3: CESC, RPSG, and PCBL, the largest contributors to Group-level revenue
RPSG Group - FY24 Revenue bifurcation

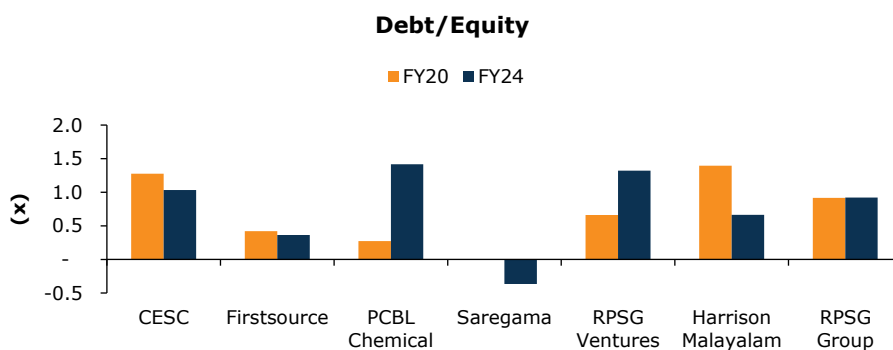

Source: Company, Bloomberg, Emkay Research

Exhibit 4: CESC, RPSG, the largest contributors to Group-level EBITDA
RPSG Group - FY24 EBITDA bifurcation


Source: Company, Bloomberg, Emkay Research

Exhibit 5: CESC, the largest contributor to Group-level PAT
RPSG Group - FY24 PAT bifurcation


Source: Company, Bloomberg, Emkay Research

Exhibit 6: Stable debt-to-equity at the Group level


Source: Company, Bloomberg, Emkay Research

Timely RE transition; decent cashflow accrual expected

Power ▶ Visit Note ▶ April 17, 2025

CMP (Rs): 158 | TP (Rs): NA

Despite being a late entrant, CESC has made aggressive in-roads into the RE space at a time when RE costs have fallen across the spectrum. Of the 3.2GW planned capacity by FY29 (Phase-1) and further expansion to 10GW (Phase-2), LOAs have already been issued for 1.2GW, and PPA signing is in process for captive distribution to CESC and Noida Power (NPCL). Through its recent acquisition of Chandigarh Power, the company has strategically positioned itself to expand its pan-India presence in the distribution segment. Further, the Malegaon distribution facility has been struggling with negative profits and significantly higher transmission and distribution losses (~40%). The company remains strongly committed to refraining from infusing additional capital in case the turnaround is not achieved by the end of FY26. Finally, the ~8% hike in tariffs for Kolkata distribution, along with the significant build-up in regulatory deferral balances, is expected to boost cashflows and help fund expansion projects through internal accruals.

RE transition plans

The company has made significant strides in expanding its RE footprint, including a signed framework agreement with Inox Wind and Suzlon Energy for 2.5GW of wind turbines, an agreement for acquisition of Bhojraj RE to develop 450MW of hybrid projects, acquisition of Deshraj Solar to develop a 300MW PV facility, and acquisition of Bhadla Green to establish 300MW of solar parks in Rajasthan. The company has also acquired ~68% stake in subsidiary Purvah Green, to aggregate its RE operations.

Kolkata operations

The company's Kolkata operations encompass generation and distribution facilities in the licensed areas spanning Kolkata, Howrah, and Hooghly. The generation facilities consist of a 750MW plant in Budge Budge and a 135MW plant in Garden Reach. Additionally, Haldia Energy (HEL), a 100% subsidiary of the company, also operates a 600MW generating station with a long-term PPA for power off-take with CESC. The Kolkata facilities operate as an assured ROE business, with regulated equity of ~Rs60bn. These plants, which operate at much higher PLFs than the national average (~70%), provide for a more efficient source of power generation.

Stable generation and distribution expansion

In addition to Kolkata operations, CESC owns and operates three thermal generation facilities – the major one being in Chandrapur (2x300MW). The facility in Chandrapur is operated by Dhariwal Infrastructure (DIL), a 100% subsidiary of CESC. DIL has long-term PPAs with TANGEDCO and NPCL for one of the 300MW plants, while the other 300MW is merchant capacity. Further, DIL is bidding for various medium-term PPAs, to benefit from prevailing high merchant tariffs. Additionally, the company operates four distribution facilities across Rajasthan and Malegaon under the franchisee route.

CESC: Financial Snapshot (Consolidated)

Y/E (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	116,773	120,554	132,808	155,220	170,505
EBITDA	35,351	35,897	36,538	34,250	38,827
Adj PAT	12,923	13,309	13,581	13,430	13,765
Adj EPS (Rs)	9.7	10.0	10.2	10.1	10.3
EBITDA margin (%)	30.3	29.8	27.5	22.1	22.8
EBITDA growth (%)	(4.7)	1.5	1.8	(6.3)	13.4
Adj EPS growth (%)	15.9	3.0	2.0	(1.1)	2.5
RoE (%)	14.1	13.8	13.4	12.6	12.3
RoIC (%)	9.2	8.7	8.2	8.5	9.9
P/E (x)	16.3	15.8	15.5	15.6	15.3
EV/EBITDA (x)	8.8	9.2	8.9	9.5	8.4
P/B (x)	2.2	2.1	2.0	1.9	1.8
FCFF yield (%)	4.7	7.8	8.1	4.5	5.5

Source: Company, Emkay Research

Target Price – 12M	NA
Change in TP (%)	NA
Current Reco.	NOT RATED
Previous Reco.	NA
Upside/(Downside) (%)	NA

Stock Data	CESC IN
52-week High (Rs)	213
52-week Low (Rs)	119
Shares outstanding (mn)	1,325.6
Market-cap (Rs bn)	209
Market-cap (USD mn)	2,439
Net-debt, (Rs mn)	918,000
ADTV-3M (mn shares)	5
ADTV-3M (Rs mn)	716.8
ADTV-3M (USD mn)	8.4
Free float (%)	93.4
Nifty-50	23,437.2
INR/USD	85.7

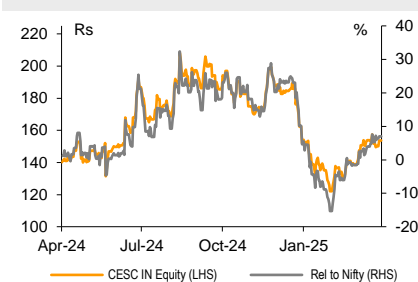
Shareholding, Dec-24

Promoters (%)	52.1
FPIs/MFs (%)	12.4/23.8

Price Performance

(%)	1M	3M	12M
Absolute	13.7	4.6	11.8
Rel. to Nifty	8.7	4.0	5.6

1-Year share price trend (Rs)



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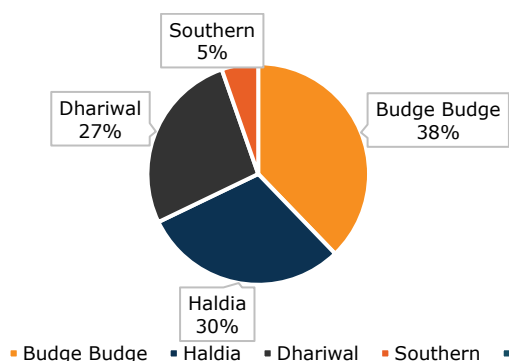
Within the distribution space, CESC plans bidding for distribution privatization opportunities in Uttar Pradesh (UP), which has already announced plans for privatization of its two major DISCOMs. Additionally, the company's existing subsidiary NPCL, one of the fastest growing distribution licenses, is expected to witness substantial growth in distribution capex for meeting the growing needs of its customers.

Exhibit 7: Financial snapshot of subsidiaries

Subsidiary (Rs mn)	FY24			9M FY25		
	Revenue	EBITDA	PAT	Revenue	EBITDA	PAT
Noida Power	24,780	3,320	1,690	21,720	2,650	1,340
Haldia Energy	20,000	7,870	2,540	15,560	5,910	2,140
Dhariwal Infrastructure	19,330	5,760	2,830	15,140	4,470	2,440
Crescent Power	2,080	1,120	800	1,570	680	430
Kota	10,210	260	(110)	8,770	210	(110)
Bharatpur	2,280	160	60	2,060	170	80
Bikaner	6,870	420	180	6,360	340	130
Malegaon DF	6,700	(830)	(950)	5,420	(1,140)	(1,230)

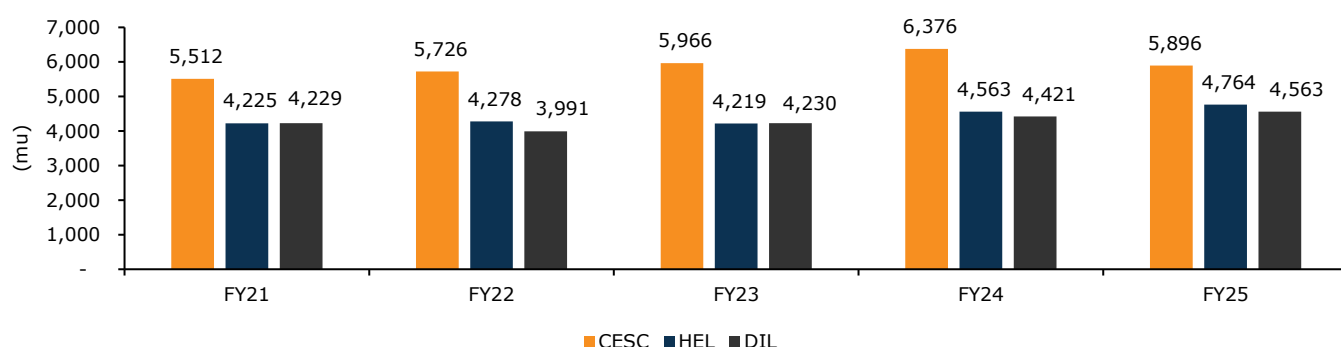
Source: Company, Emkay Research

Exhibit 8: Percentage generation contribution by station – FY24

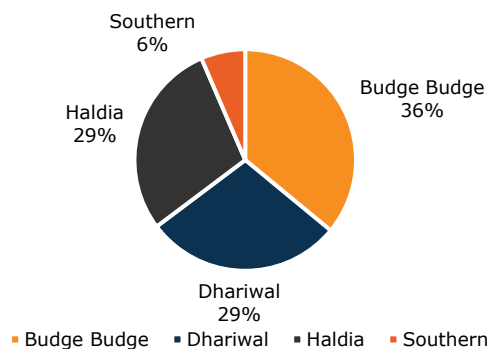


Source: Company, Emkay Research

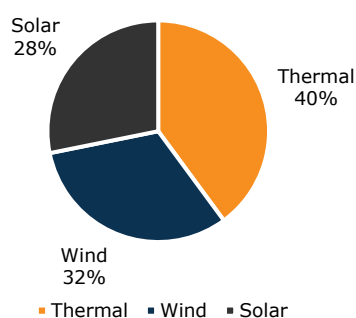
Exhibit 9: Generation trend for CESC, HEL, and DIL



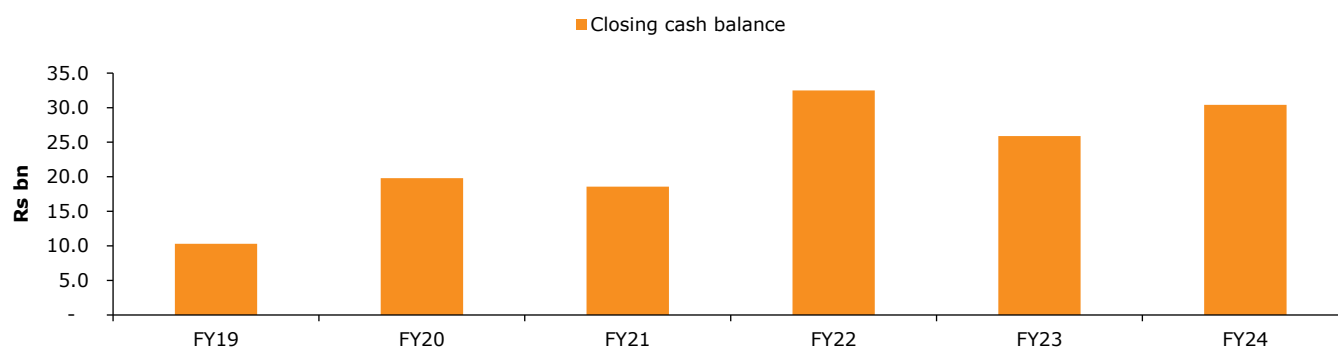
Source: Company, Emkay Research

Exhibit 10: Percentage Installed capacity contribution by station – FY24

Source: Company, Emkay Research

Exhibit 11: CESC's consolidated expected power mix by FY29

Source: Company, Emkay Research

Exhibit 12: Closing cash balance

Source: Company, Emkay Research

CESC: Consolidated Financials and Valuations

Profit & Loss

Y/E (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	116,773	120,554	132,808	155,220	170,505
Revenue growth (%)	1.0	3.2	10.2	16.9	9.8
EBITDA	35,351	35,897	36,538	34,250	38,827
EBITDA growth (%)	(4.7)	1.5	1.8	(6.3)	13.4
Depreciation & Amortization	7,814	8,667	8,847	8,780	12,167
EBIT	27,537	27,231	27,691	25,470	26,660
EBIT growth (%)	(6.5)	(1.1)	1.7	(8.0)	4.7
Other operating income	6,627	4,239	7,370	12,760	17,573
Other income	2,025	2,418	2,757	3,090	2,511
Financial expense	13,574	12,133	11,293	11,170	12,339
PBT	15,988	17,515	19,155	17,390	16,831
Extraordinary items	0	0	0	0	45
Taxes	3,627	3,887	5,114	3,420	2,358
Minority interest	(38)	(319)	(460)	(540)	(708)
Income from JV/Associates	600	0	0	0	0
Reported PAT	12,923	13,309	13,581	13,430	13,810
PAT growth (%)	15.9	3.0	2.0	(1.1)	2.8
Adjusted PAT	12,923	13,309	13,581	13,430	13,765
Diluted EPS (Rs)	9.7	10.0	10.2	10.1	10.3
Diluted EPS growth (%)	15.9	3.0	2.0	(1.1)	2.5
DPS (Rs)	2.7	4.5	4.5	4.5	4.6
Dividend payout (%)	28.0	44.6	44.4	45.0	43.9
EBITDA margin (%)	30.3	29.8	27.5	22.1	22.8
EBIT margin (%)	23.6	22.6	20.9	16.4	15.6
Effective tax rate (%)	22.7	22.2	26.7	19.7	14.0
NOPLAT (pre-IndAS)	21,290	21,187	20,298	20,461	22,924
Shares outstanding (mn)	1,332	1,332	1,332	1,332	1,332

Source: Company, Emkay Research

Cash flows

Y/E (Rs mn)	FY20	FY21	FY22	FY23	FY24
PBT (ex-other income)	14,563	15,098	16,398	14,300	14,321
Others (non-cash items)	(12,751)	22,054	(8,480)	(13,739)	(13,950)
Taxes paid	(3,020)	(3,205)	(3,917)	(2,979)	(4,504)
Change in NWC	13,910	(26,687)	850	2,252	3,141
Operating cash flow	34,090	28,059	24,991	19,784	23,514
Capital expenditure	(19,345)	(2,278)	1,283	(5,258)	(5,560)
Acquisition of business	0	0	0	0	0
Interest & dividend income	130	113	89	51	41
Investing cash flow	(4,660)	(14,892)	(5,750)	(5,447)	(5,636)
Equity raised/(repaid)	0	0	0	-	-
Debt raised/(repaid)	(4,307)	18,599	6,974	(6,769)	3,011
Payment of lease liabilities	0	0	0	0	0
Interest paid	(13,574)	(12,133)	(11,293)	(11,170)	(12,339)
Dividend paid (incl tax)	(3,620)	(5,940)	(6,026)	(6,038)	(6,062)
Others	(692)	(17,920)	4,236	(595)	(1,026)
Financing cash flow	(22,193)	(17,395)	(6,109)	(24,572)	(16,416)
Net chg in Cash	7,237	(4,228)	13,131	(10,235)	1,462
OCF	34,090	28,059	24,991	19,784	23,514
Adj. OCF (w/o NWC chg.)	20,180	54,746	24,141	17,532	20,373
FCFF	14,745	25,781	26,273	14,526	17,954
FCFE	1,301	13,761	15,069	3,407	5,655
OCF/EBITDA (%)	96.4	78.2	68.4	57.8	60.6
FCFE/PAT (%)	10.1	103.4	111.0	25.4	41.0
FCFF/NOPLAT (%)	69.3	121.7	129.4	71.0	78.3

Source: Company, Emkay Research

Balance Sheet

Y/E (Rs mn)	FY20	FY21	FY22	FY23	FY24
Share capital	1,332	1,332	1,332	1,332	1,332
Reserves & Surplus	92,780	97,396	102,632	107,770	113,124
Net worth	44,760	43,807	40,060	32,992	39,107
Minority interests	3,650	3,963	4,342	4,790	5,397
Non-current liab. & prov.	40,420	41,583	42,875	42,790	41,505
Total debt	121,816	140,415	147,389	140,620	143,631
Total liabilities & equity	306,647	333,416	348,553	347,940	338,696
Net tangible fixed assets	314,926	302,947	301,596	297,748	290,899
Net intangible assets	2,350	1,636	1,340	1,290	1,187
Net ROU assets	-	-	-	-	-
Capital WIP	1,670	1,336	1,025	1,400	1,746
Goodwill	-	-	-	-	-
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	19,790	18,579	32,495	25,880	27,114
Current assets (ex-cash)	32,270	37,395	39,019	39,470	38,856
Current Liab. & Prov.	47,925	25,199	26,382	29,170	32,982
NWC (ex-cash)	(15,655)	12,196	12,637	10,300	5,874
Total assets	306,647	333,416	348,553	347,940	338,696
Net debt	102,026	121,836	114,894	114,740	116,517
Capital employed	306,647	333,416	348,553	347,940	338,696
Invested capital	231,745	253,542	244,165	237,930	226,551
BVPS (Rs)	70.6	74.1	78.0	81.9	85.9
Net Debt/Equity (x)	1.1	1.2	1.1	1.1	1.0
Net Debt/EBITDA (x)	2.9	3.4	3.1	3.4	3.0
Interest coverage (x)	2.2	2.4	2.7	2.6	2.4
RoCE (%)	13.6	12.8	12.2	11.2	11.3

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY20	FY21	FY22	FY23	FY24
P/E (x)	16.3	15.8	15.5	15.6	15.3
P/CE(x)	10.1	9.6	9.4	9.5	8.1
P/B (x)	2.2	2.1	2.0	1.9	1.8
EV/Sales (x)	2.8	2.9	2.6	2.3	2.1
EV/EBITDA (x)	8.8	9.2	8.9	9.5	8.4
EV/EBIT(x)	11.3	12.2	11.7	12.8	12.2
EV/IC (x)	1.3	1.3	1.3	1.4	1.4
FCFF yield (%)	4.7	7.8	8.1	4.5	5.5
FCFE yield (%)	0.6	6.6	7.2	1.6	2.7
Dividend yield (%)	1.7	2.8	2.9	2.9	2.9
DuPont-RoE split					
Net profit margin (%)	11.1	11.0	10.2	8.7	8.1
Total asset turnover (x)	0.4	0.4	0.4	0.4	0.5
Assets/Equity (x)	3.3	3.3	3.4	3.3	3.1
RoE (%)	14.1	13.8	13.4	12.6	12.3
DuPont-RoIC					
NOPLAT margin (%)	18.2	17.6	15.3	13.2	13.4
IC turnover (x)	0.5	0.5	0.5	0.6	0.7
RoIC (%)	9.2	8.7	8.2	8.5	9.9
Operating metrics					
Core NWC days	(48.9)	36.9	34.7	24.2	12.6
Total NWC days	(48.9)	36.9	34.7	24.2	12.6
Fixed asset turnover	0.4	0.4	0.4	0.5	0.6
Opex-to-revenue (%)	50.2	47.0	45.8	44.6	44.4

Source: Company, Emkay Research

FSOL has seen remarkable transformation and laid the groundwork for a sustained growth model, with an upward margin bias. The management has envisioned a growth strategy encompassing the 'One Firstsource' framework, with focus on seven initiatives, including organizational structure simplification and cross-selling/up-selling, particularly in the 50 identified potential growth accounts. This framework gives the management confidence on achieving double-digit revenue growth. It targets expanding the margin by 50-75bps annually. The deal momentum, particularly for large deals, has been on the rise since the past few quarters, with the pipeline close to an all-time high in Q3. The increasing ACV will also aid in margin improvement. FSOL has provided FY25 guidance of 21.8-22.3% revenue growth, with 11-11.5% EBITM. Valuations are stretched but the stock remains a compelling LT growth story.

Seven strategic initiatives to drive revenue and margin uptick

The management has laid down its growth strategy under the 'One Firstsource' framework, listing seven key initiatives: i) simplify organizational structure to establish clear accountability and faster decision-making. North America to be aligned along 3 industrial verticals (BFS, healthcare, and CMT), while Europe will remain a geographical business unit; ii) increase cross-selling and upselling initiatives, particularly in the 50 potential growth accounts; iii) improve profitability – identified 24 margin initiatives, which include offshore shift, employee pyramid, span of control, optimizing delivery infrastructure, etc; iv) elevate employee experience; v) expand capabilities into adjacent areas; vi) amplify the Firstsource brand by strengthening relationships; and vii) bring in technology across all company operations.

Cross sell/upsell and diversification opportunities to aid growth

FSOL has over 200 clients, including 19 F500 and 3 FTSE-100 companies. It has identified 50 accounts with significant growth opportunities, and will assign a dedicated team to develop a pipeline of transformational opportunities for driving cross-selling/up-selling. Expansion in the Retail vertical with the Ascencos acquisition will accelerate transformation programs for existing clients. It is pursuing structured diversification within existing verticals, to make it less susceptible to volatility and position it for the next phase of growth.

Leading the way through AI

FSOL anticipates wider adoption of GenAI across industries, although it remains in the early stages for most enterprises. In Feb-25, FSOL launched its UnBPO initiative, which aims to redefine traditional BPO models. This strategy democratizes AI access across the organization and focuses on three key aspects: a) reimagining the workforce by blending employees, gig workers, and AI agents; b) shifting from labor to tech arbitrage; c) establishing AI CoE to concentrate talent and drive innovation. Further, FSOL is enhancing its capabilities with relAI, a tailored solution that utilizes proprietary AI models to address client-specific requirements. It is also developing custom LLMs designed for various industries, providing solutions that improve efficiency and enhance customer experience.

Target Price – 12M	Mar-26
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	3.6

Stock Data	FSOL IN
52-week High (Rs)	423
52-week Low (Rs)	176
Shares outstanding (mn)	697.0
Market-cap (Rs bn)	236
Market-cap (USD mn)	2,751
Net-debt, FY25E (Rs mn)	12,104.3
ADTV-3M (mn shares)	5
ADTV-3M (Rs mn)	1,379.6
ADTV-3M (USD mn)	16.1
Free float (%)	45.2
Nifty-50	23,437.2
INR/USD	85.7

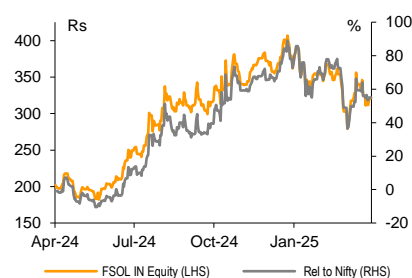
Shareholding, Mar-25

Promoters (%)	53.7
FPIs/MFs (%)	10.1/22.9

Price Performance

(%)	1M	3M	12M
Absolute	11.7	(11.8)	69.7
Rel. to Nifty	6.8	(12.3)	60.4

1-Year share price trend (Rs)



Firstsource Solutions: Financial Snapshot (Consolidated)

Y/E (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	60,223	63,362	80,081	94,389	106,883
EBITDA	8,265	9,562	12,085	14,794	17,571
Adj PAT	5,137	5,192	6,003	7,878	10,060
Adj EPS (Rs)	7.4	7.4	8.6	11.3	14.4
EBITDA margin (%)	13.7	15.1	15.1	15.7	16.4
EBITDA growth (%)	(13.9)	15.7	26.4	22.4	18.8
Adj EPS growth (%)	(4.4)	1.1	15.6	31.2	27.7
RoE (%)	16.1	14.7	15.5	18.4	20.6
RoIC (%)	11.8	13.6	14.5	16.2	19.4
P/E (x)	45.9	45.4	39.3	29.9	23.4
EV/EBITDA (x)	29.0	25.1	19.9	16.2	13.7
P/B (x)	7.0	6.4	5.9	5.2	4.5
FCFF yield (%)	3.1	2.3	2.7	3.9	5.0

Source: Company, Emkay Research

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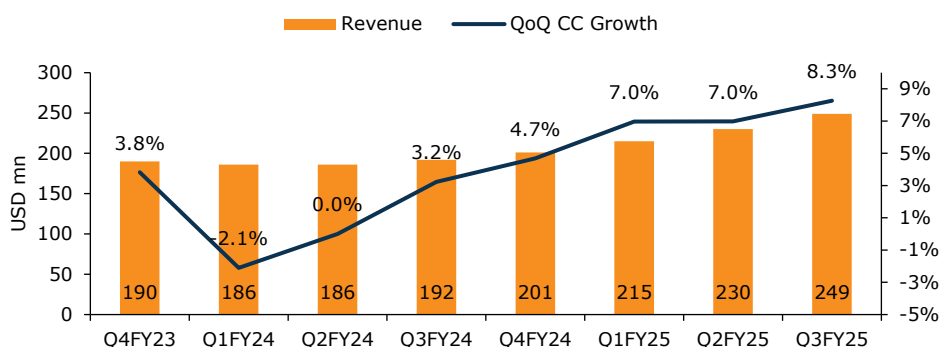
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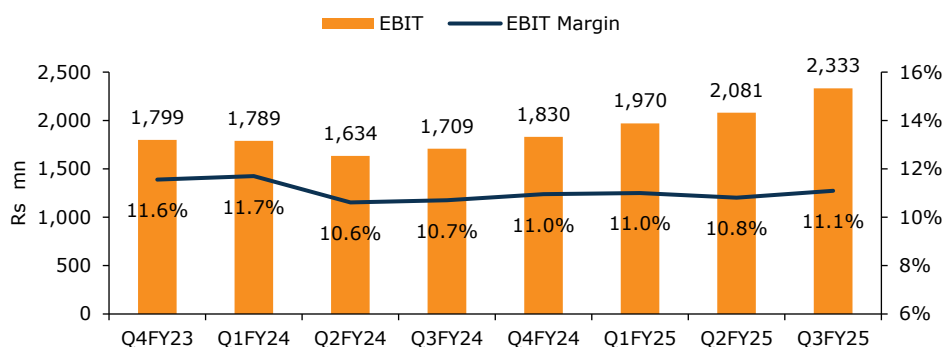
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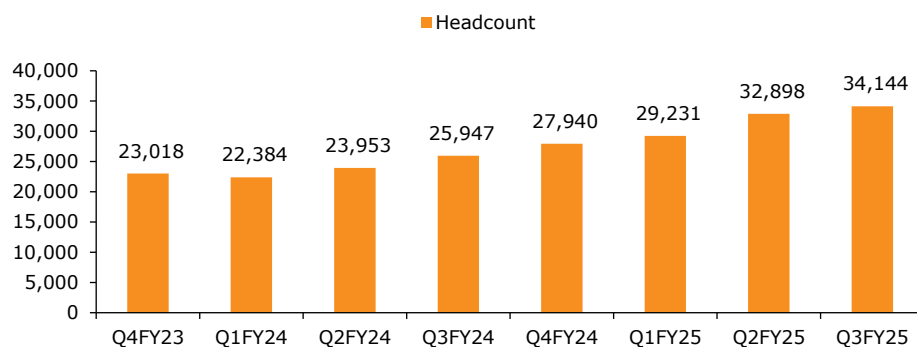
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Exhibit 13: Quarterly revenue on an upward trajectory

Source: Company, Emkay Research

Exhibit 14: EBITM remains steady in recent quarters; the management targets gradual improvement

Source: Company, Emkay Research

Exhibit 15: Healthy employee addition aiding revenue growth

Source: Company, Emkay Research

Exhibit 16: FSOL's marquee client base**4 of Top 15**

Mortgage Servicers in the US

5 of Top 15

Mortgage Lenders in the US

6 of Top 10

Credit card issuers in the US

3 of Top 6

Retail Banks in the UK

1,000+

Hospitals in the US

11 of Top 15

Health insurance/managed care providers in the US

1 of Top 2

Broadcasting and media companies in the UK

2 of Top 5

Telecom and broadcasting companies in the US

4 of Top 5

Consumer-tech companies in the US

2 of Top 4

Utility companies in the UK

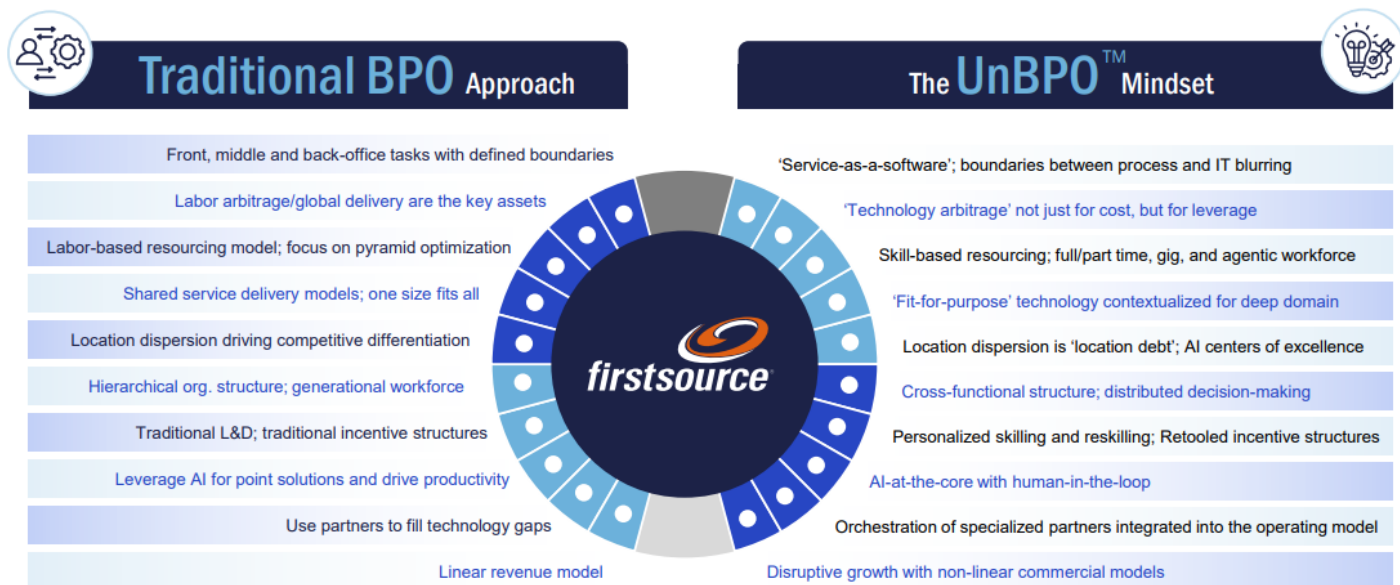
2 of Top 10

Retailers in the UK

Source: Company, Emkay Research

Exhibit 17: FSOL's well recognized solution offerings**Market Leader**Healthcare Payer BPaaS Solutions
Peak Matrix Assessment | 2024**Major Contender & Star Performer**RCM Operations
Peak Matrix Assessment | 2024**Market Leader**Lending Services Operations
Peak Matrix Assessment | 2024**Leader**Mortgage Business Process Transformation
RadarView™ | 2024**Featured among 'The Booming 15'**
(Companies with revenue <US\$1Bn)
ISG Index | 4Q24**Horizon 2**Customer Experience Services
HFS Horizons | 2024**Horizon 1**HCP Service Providers
HFS Horizons | 2024**Leader**Cost Optimization & Revenue Generation Capability
NEAT Vendor Analysis | 2024

Source: Company, Emkay Research

Exhibit 18: The UnBPO playbook by FSOL

Source: Company, Emkay Research

Firstsource Solutions: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	60,223	63,362	80,081	94,389	106,883
Revenue growth (%)	1.7	5.2	26.4	17.9	13.2
EBITDA	8,265	9,562	12,085	14,794	17,571
EBITDA growth (%)	(13.9)	15.7	26.4	22.4	18.8
Depreciation & Amortization	2,632	2,602	3,239	3,821	4,239
EBIT	5,633	6,960	8,846	10,973	13,332
EBIT growth (%)	(20.7)	23.6	27.1	24.0	21.5
Other operating income	-	-	-	-	-
Other income	1,309	415	(24)	79	139
Financial expense	790	1,034	1,356	1,326	1,051
PBT	6,152	6,342	7,466	9,726	12,419
Extraordinary items	0	0	0	0	0
Taxes	1,015	1,150	1,463	1,848	2,360
Minority interest	-	-	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	5,137	5,192	6,003	7,878	10,060
PAT growth (%)	(4.4)	1.1	15.6	31.2	27.7
Adjusted PAT	5,137	5,192	6,003	7,878	10,060
Diluted EPS (Rs)	7.4	7.4	8.6	11.3	14.4
Diluted EPS growth (%)	(4.4)	1.1	15.6	31.2	27.7
DPS (Rs)	3.4	3.5	4.0	4.0	4.0
Dividend payout (%)	46.4	46.3	46.4	35.4	27.7
EBITDA margin (%)	13.7	15.1	15.1	15.7	16.4
EBIT margin (%)	9.4	11.0	11.0	11.6	12.5
Effective tax rate (%)	16.5	18.1	19.6	19.0	19.0
NOPLAT (pre-IndAS)	4,704	5,699	7,113	8,888	10,799
Shares outstanding (mn)	697	697	697	697	697

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	6,970	6,970	6,970	6,970	6,970
Reserves & Surplus	26,699	30,034	33,249	38,339	45,611
Net worth	33,668	37,004	40,219	45,309	52,581
Minority interests	4	4	4	4	4
Non-current liab. & prov.	1,196	1,470	1,470	1,470	1,470
Total debt	6,665	6,715	14,999	11,325	6,500
Total liabilities & equity	47,194	52,402	65,192	67,108	70,055
Net tangible fixed assets	1,739	1,641	1,811	1,898	1,912
Net intangible assets	1,015	649	2,332	1,772	1,192
Net ROU assets	4,958	6,355	7,854	8,196	8,223
Capital WIP	34	171	170	170	170
Goodwill	29,450	29,885	34,985	34,985	34,985
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	2,267	2,300	2,895	3,477	5,423
Current assets (ex-cash)	17,180	19,624	22,488	24,971	27,402
Current Liab. & Prov.	9,449	8,223	7,342	8,361	9,251
NWC (ex-cash)	7,731	11,401	15,146	16,610	18,150
Total assets	47,194	52,402	65,192	67,108	70,055
Net debt	4,398	4,415	12,104	7,848	1,077
Capital employed	47,194	52,402	65,192	67,108	70,055
Invested capital	39,935	43,576	54,273	55,265	56,239
BVPS (Rs)	48.3	53.1	57.7	65.0	75.4
Net Debt/Equity (x)	0.1	0.1	0.3	0.2	-
Net Debt/EBITDA (x)	0.5	0.5	1.0	0.5	0.1
Interest coverage (x)	8.8	7.1	6.5	8.3	12.8
RoCE (%)	17.3	17.5	17.8	19.8	23.3

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT (ex-other income)	6,152	6,297	7,466	9,726	12,419
Others (non-cash items)	1,689	3,273	3,262	3,742	4,100
Taxes paid	(656)	(718)	(1,463)	(1,848)	(2,360)
Change in NWC	765	(2,404)	(683)	(964)	(1,040)
Operating cash flow	7,950	6,448	8,582	10,656	13,119
Capital expenditure	(514)	(850)	(2,206)	(1,190)	(1,200)
Acquisition of business	0	0	(6,987)	0	0
Interest & dividend income	10	10	(24)	79	139
Investing cash flow	134	(483)	(9,417)	(1,411)	(2,761)
Equity raised/(repaid)	0	0	-	0	0
Debt raised/(repaid)	(2,351)	(291)	6,718	(3,674)	(4,825)
Payment of lease liabilities	-	-	-	-	-
Interest paid	(787)	(1,011)	0	0	0
Dividend paid (incl tax)	(2,384)	(2,406)	(2,788)	(2,788)	(2,788)
Others	(1,911)	(1,935)	(2,700)	(2,500)	(2,500)
Financing cash flow	(7,434)	(5,642)	1,230	(8,962)	(10,113)
Net chg in Cash	650	323	396	282	245
OCF	7,950	6,448	8,582	10,656	13,119
Adj. OCF (w/o NWC chg.)	7,185	8,852	9,265	11,620	14,160
FCFF	7,436	5,597	6,376	9,466	11,919
FCFE	6,657	4,574	4,996	8,218	11,007
OCF/EBITDA (%)	96.2	67.4	71.0	72.0	74.7
FCFE/PAT (%)	129.6	88.1	83.2	104.3	109.4
FCFF/NOPLAT (%)	158.1	98.2	89.6	106.5	110.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	45.9	45.4	39.3	29.9	23.4
P/CE(x)	30.3	30.2	25.5	20.1	16.5
P/B (x)	7.0	6.4	5.9	5.2	4.5
EV/Sales (x)	4.0	3.8	3.0	2.5	2.2
EV/EBITDA (x)	29.0	25.1	19.9	16.2	13.7
EV/EBIT(x)	42.6	34.5	27.1	21.9	18.0
EV/IC (x)	6.0	5.5	4.4	4.3	4.3
FCFF yield (%)	3.1	2.3	2.7	3.9	5.0
FCFE yield (%)	2.8	1.9	2.1	3.5	4.7
Dividend yield (%)	1.0	1.0	1.2	1.2	1.2
DuPont-RoE split					
Net profit margin (%)	8.5	8.2	7.5	8.3	9.4
Total asset turnover (x)	1.4	1.4	1.5	1.6	1.8
Assets/Equity (x)	1.3	1.2	1.3	1.4	1.2
RoE (%)	16.1	14.7	15.5	18.4	20.6
DuPont-RoIC					
NOPLAT margin (%)	7.8	9.0	8.9	9.4	10.1
IC turnover (x)	1.5	1.5	1.6	1.7	1.9
RoIC (%)	11.8	13.6	14.5	16.2	19.4
Operating metrics					
Core NWC days	46.9	65.7	69.0	64.2	62.0
Total NWC days	46.9	65.7	69.0	64.2	62.0
Fixed asset turnover	1.4	1.4	1.6	1.7	1.8
Opex-to-revenue (%)	86.3	84.9	84.9	84.3	83.6

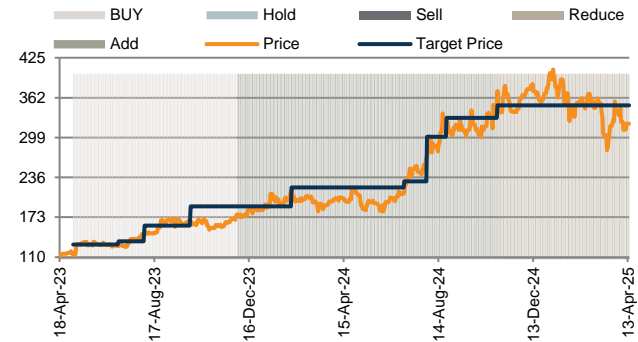
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
31-Mar-25	340	350	Reduce	Dipeshkumar Mehta
08-Feb-25	355	350	Reduce	Dipeshkumar Mehta
01-Jan-25	384	350	Reduce	Dipeshkumar Mehta
28-Oct-24	373	350	Reduce	Dipeshkumar Mehta
01-Oct-24	312	330	Add	Dipeshkumar Mehta
24-Sep-24	334	330	Add	Dipeshkumar Mehta
24-Aug-24	323	330	Add	Dipeshkumar Mehta
30-Jul-24	271	300	Add	Dipeshkumar Mehta
01-Jul-24	214	230	Add	Dipeshkumar Mehta
09-Jun-24	197	220	Add	Dipeshkumar Mehta
03-Jun-24	192	220	Add	Dipeshkumar Mehta
27-May-24	194	220	Add	Dipeshkumar Mehta
03-May-24	208	220	Add	Dipeshkumar Mehta
31-Mar-24	198	220	Add	Dipeshkumar Mehta
01-Mar-24	205	220	Add	Dipeshkumar Mehta
08-Feb-24	217	220	Add	Dipeshkumar Mehta
31-Dec-23	185	190	Add	Dipeshkumar Mehta
30-Nov-23	178	190	Add	Dipeshkumar Mehta
16-Nov-23	166	190	Buy	Dipeshkumar Mehta
08-Nov-23	160	190	Buy	Dipeshkumar Mehta
02-Oct-23	168	190	Buy	Dipeshkumar Mehta
04-Aug-23	149	160	Buy	Dipeshkumar Mehta
02-Jul-23	127	135	Buy	Dipeshkumar Mehta
05-May-23	113	130	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

Corner Office View: Diversification beyond Carbon Black

Specialty Chemicals ▶ Visit Note ▶ April 17, 2025

CMP (Rs): 433 | TP (Rs): NA

PCBL has grown into India's largest and the world's #7 rubber carbon black (CB) manufacturing company (4th largest in specialty CB). PCBL's expansion plans include increasing current CB capacity of 790ktpa to 1mntpa by FY28/29, outpacing the global CB demand of 3.6% pa. It has been gaining export market share in Europe/US following EU's ban on Russian CB. PCBL is strategically pivoting itself, from a pure CB manufacturing company into a specialty chemicals player. PCBL acquired Aquapharm Chemicals for Rs38bn in Jan-24, diversifying into newer chemistries with applications in cleaning, water treatment, polymers, and oil & gas chemicals. The management expects phosphonates to be a huge opportunity, given PCBL's global leadership position. PCBL's JV with Kindia Pty to develop nano-silicon additives is a big optionality. Overall, we see this as a high-growth stock with improving margins and profitability; though the near term outlook is clouded by global trade turmoil.

Carbon black business to be the backbone of the entity

PCBL houses 678kt of rubber black capacity and 112kt of specialty black capacity. Global demand for CB is expected to grow, from 14.5mn MT in CY24 to 18.5mn MT by CY30. CB constitutes ~23% of the tyre weight, making the tyre industry the largest demand driver for CB (70% share). The demand for specialty grade CB continues to be resilient. While capacity growth in the EU and US has been stagnant and Russian CB is banned by the EU, PCBL has managed to gain market share in both, the EU and US. PCBL also benefits from cheaper raw material vs that used in China's manufacturing technology. PCBL has been allotted 116 acres of land in Naidupeta (in proximity to major ports) by the Andhra Pradesh government. The company has announced a capex of Rs24bn for fresh CB capacity addition of 400ktpa in a phased manner, thus continuing the growth story. PCBL will generate ~Rs6-6.5bnpa of OCF from its CB business which will fund the new capex.

Aquapharm acquisition and foray into battery chemicals to alter PCBL's orbit

PCBL acquired Aquapharm to foray into water treatment, detergents, and oil & gas chemicals. This has opened doors to various end-application industries, and allowed the company to hedge itself away from the cyclical tyre/auto industry. PCBL manufactures these chemicals in India, Saudi Arabia, and the US (O&G). It is evaluating brownfield capex in both its international manufacturing locations. Revenue from Aquapharm declined in FY25 due to falling yellow-phosphorus prices. PCBL expects strong volume growth in FY26 on the back of improving industry dynamics. It has entered into a JV with Kindia for setting up a pilot plant in Gujarat to develop nano-silicon additives used in Li-ion battery anodes. The mgmt participates in trade fairs, and expects that once the pilot plant stabilizes, it will put up a commercial scale plant of 2,000tpa. The mgmt budgets capex of Rs5bn and expects asset turnover of 3-3.5x. It has guided to 40-45% EBITDA margin. The change in EBITDA mix away from CB should lead to a potential re-rating.

Target Price – 12M	NA
Change in TP (%)	NA
Current Reco.	NOT RATED
Previous Reco.	NA
Upside/(Downside) (%)	NA

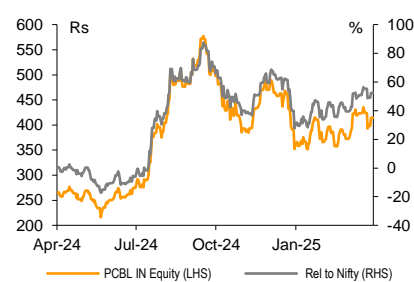
Stock Data	PCBL IN
52-week High (Rs)	585
52-week Low (Rs)	209
Shares outstanding (mn)	377.5
Market-cap (Rs bn)	163
Market-cap (USD mn)	1,907
Net-debt, FY25E (Rs mn)	0.0
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	787.8
ADTV-3M (USD mn)	9.2
Free float (%)	29.0
Nifty-50	23,437.2
INR/USD	85.7

Shareholding, Dec-24

Promoters (%)	51.4
FPIs/MFs (%)	5.2/6.7

Price Performance

(%)	1M	3M	12M
Absolute	16.2	18.2	63.0
Rel. to Nifty	11.0	17.5	54.1

1-Year share price trend (Rs)**PCBL Chemical: Financial Snapshot (Consolidated)**

Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	32,435	26,595	44,464	57,741	64,198
EBITDA	4,641	5,180	6,530	7,312	10,373
Adj PAT	2,875	3,140	4,263	4,422	4,911
Adj EPS (Rs)	7.6	8.3	11.3	11.7	13.0
EBITDA margin (%)	14.3	19.5	14.7	12.7	16.2
EBITDA growth (%)	(24.7)	11.6	26.0	12.0	41.9
Adj EPS growth (%)	(24.9)	9.2	35.8	3.7	11.1
RoE (%)	17.2	17.3	18.7	16.2	16.2
RoIC (%)	16.1	16.7	18.3	17.7	11.7
P/E (x)	56.8	52.0	38.3	36.9	33.2
EV/EBITDA (x)	36.0	32.3	25.4	23.6	20.0
P/B (x)	9.6	8.4	6.2	5.8	5.0
FCFF yield (%)	1.8	1.2	0.3	(3.7)	(15.6)

Source: Company, Emkay Research

Meet Vora

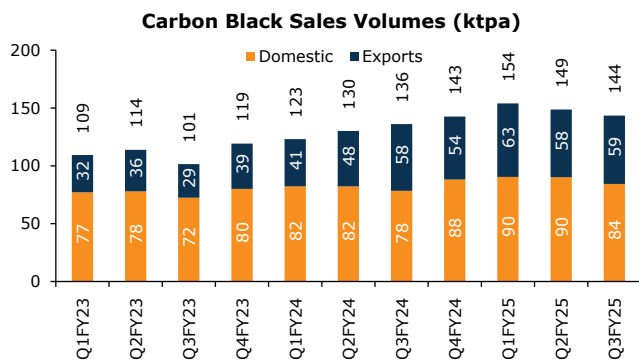
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Meet Gada

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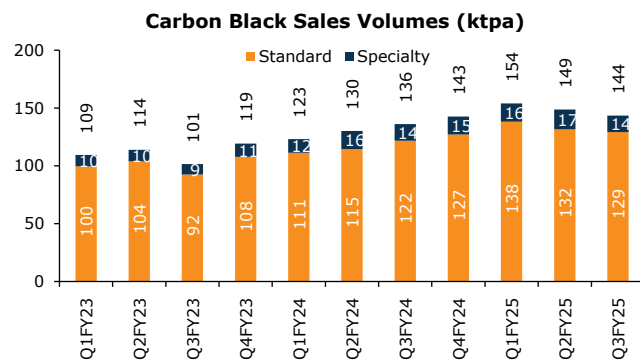
Story in Charts

Exhibit 19: PCBL focuses on gaining export market share



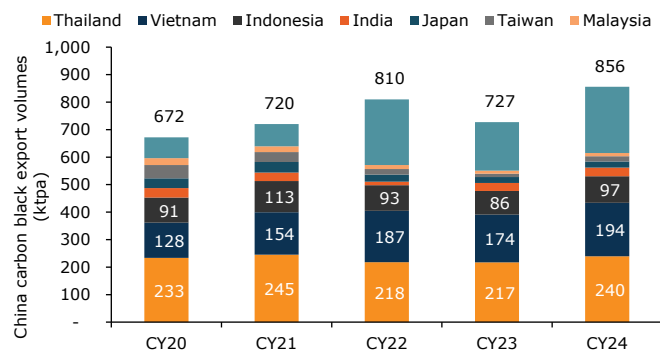
Source: Company, Emkay Research

Exhibit 20: Volumes of specialty CB to grow post-expansion



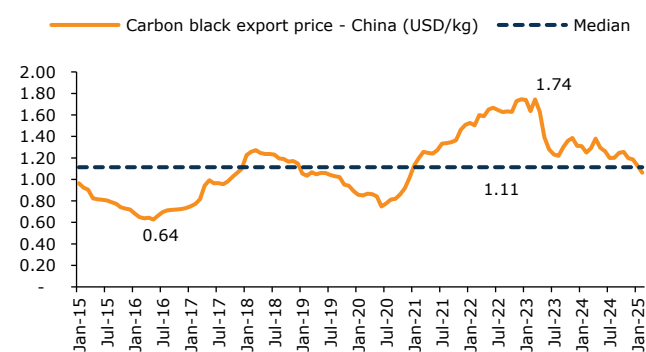
Source: Company, Emkay Research

Exhibit 21: Chinese CB players exporting largely to Asian countries



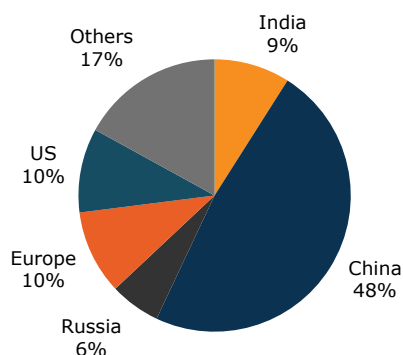
Source: Industry, Emkay Research

Exhibit 22: CB prices mellowing, on lower crude prices



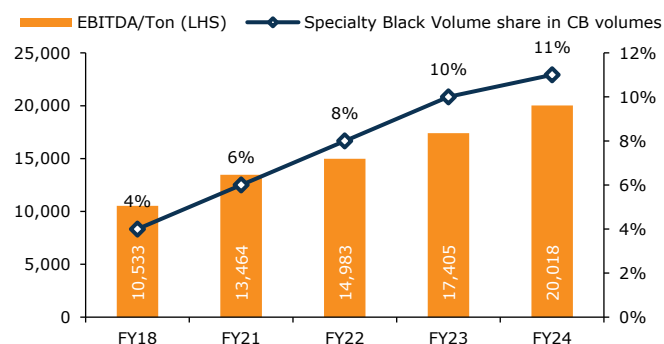
Source: Industry, Emkay Research

Exhibit 23: China dominates the CB market

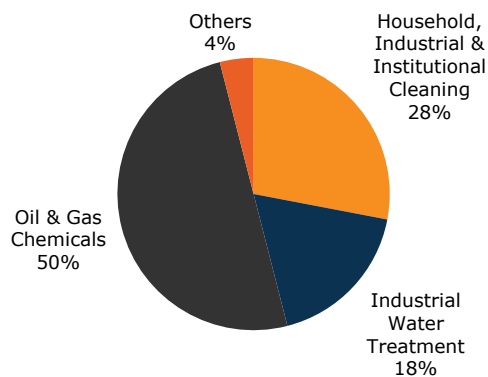


Source: Company, Emkay Research

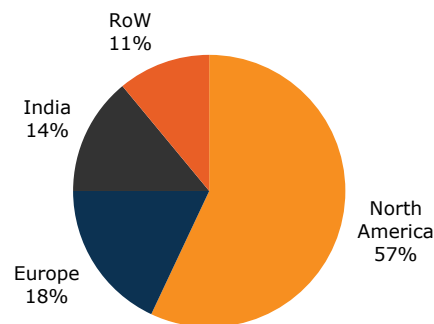
Exhibit 24: EBITDA/ton increasing with higher share of specialty CB revenues



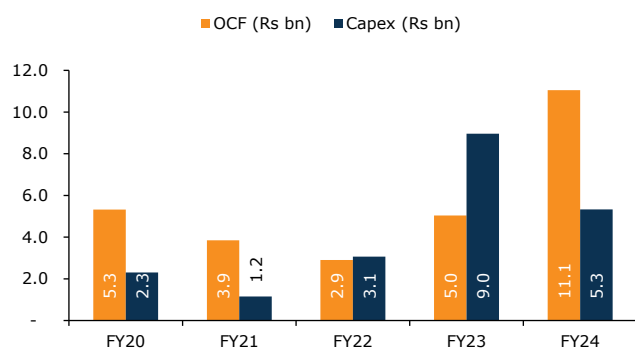
Source: Company, Emkay Research

Exhibit 25: Aquapharm Chemicals's application share in FY24

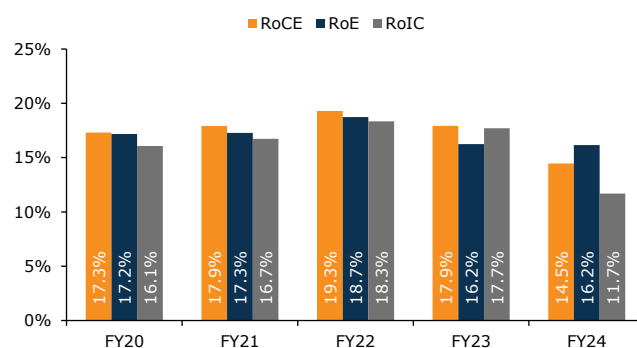
Source: Company, Emkay Research

Exhibit 26: Aquapharm's geographical revenue mix in FY24

Source: Company, Emkay Research

Exhibit 27: PCBL is generating adequate OCF to fund capex operations; Aquapharm's cash outflow stood at Rs37bn in FY24

Source: Company, Emkay Research

Exhibit 28: Return ratios to improve going forward, after capex in FY25

Source: Company, Emkay Research

Exhibit 29: Benefits of Non-Silicon Composites**Nanovace - Powering the Future of Battery Innovation**

An IP-led, innovation-driven technology addressing key challenges in battery Performance, Cost and Sustainability — empowering a new wave of EV adoption

World's First Unique Technology PlatformConversion of **Silicon precursors** to **battery grade Nano Silicon** composites using a single-stage, green electrochemical process.Innovative, low-cost proprietary technology to **transform the battery industry**To participate in **fast-growing/profitable battery global market** with innovative technologyGlobal demand for **LIB** expected to grow at **~22-25% CAGR****Pilot plant to be commissioned in Palej, Gujarat in 2025****25-100%****Extended battery Range**
with nano-silicon integration**2-5x****Longer Battery Life****4x****Faster Charging**
with no Performance Loss**Cost Effectiveness****80%****Reduction in CO2**
emissions during Production

Source: Company, Emkay Research

PCBL Chemical: Consolidated Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	32,435	26,595	44,464	57,741	64,198
Revenue growth (%)	(8.1)	(18.0)	67.2	29.9	11.2
EBITDA	4,641	5,180	6,530	7,312	10,373
EBITDA growth (%)	(24.7)	11.6	26.0	12.0	41.9
Depreciation & Amortization	924	1,101	1,209	1,367	2,173
EBIT	3,717	4,079	5,321	5,945	8,201
EBIT growth (%)	(32.4)	9.7	30.4	11.7	37.9
Other operating income	-	-	-	-	-
Other income	290	180	286	406	370
Financial expense	459	339	291	534	1,808
PBT	3,548	3,920	5,316	5,817	6,763
Extraordinary items	0	0	0	0	0
Taxes	673	781	1,052	1,395	1,852
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	2,875	3,140	4,263	4,422	4,911
PAT growth (%)	(24.9)	9.2	35.8	3.7	11.1
Adjusted PAT	2,875	3,140	4,263	4,422	4,911
Diluted EPS (Rs)	7.6	8.3	11.3	11.7	13.0
Diluted EPS growth (%)	(24.9)	9.2	35.8	3.7	11.1
DPS (Rs)	5.2	7.6	6.6	7.7	11.2
Dividend payout (%)	68.4	90.9	58.7	65.5	86.0
EBITDA margin (%)	14.3	19.5	14.7	12.7	16.2
EBIT margin (%)	11.5	15.3	12.0	10.3	12.8
Effective tax rate (%)	19.0	19.9	19.8	24.0	27.4
NOPLAT (pre-IndAS)	3,012	3,267	4,267	4,519	5,955
Shares outstanding (mn)	377	377	377	377	377

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
Share capital	345	345	378	378	378
Reserves & Surplus	16,647	19,010	25,762	27,924	32,089
Net worth	16,991	19,355	26,140	28,302	32,467
Minority interests	73	75	82	91	37
Non-current liab. & prov.	2,549	2,714	2,763	2,561	8,710
Total debt	5,447	5,617	6,840	9,430	48,197
Total liabilities & equity	26,122	28,756	36,739	41,167	91,277
Net tangible fixed assets	15,095	16,310	18,394	18,889	33,740
Net intangible assets	10	7	52	52	21,837
Net ROU assets	1,250	1,063	895	736	1,731
Capital WIP	3,056	2,668	1,753	11,300	4,330
Goodwill	0	0	0	0	11,614
Investments [JV/Associates]	1,596	2,008	2,580	2,338	3,962
Cash & equivalents	1,500	1,522	4,486	402	3,491
Current assets (ex-cash)	9,937	13,172	18,221	19,721	30,896
Current Liab. & Prov.	6,984	8,505	11,109	13,161	21,677
NWC (ex-cash)	2,953	4,667	7,113	6,560	9,219
Total assets	26,122	28,756	36,739	41,167	91,277
Net debt	3,947	4,094	2,354	9,028	44,706
Capital employed	26,122	28,756	36,739	41,167	91,277
Invested capital	18,058	20,983	25,559	25,500	76,410
BVPS (Rs)	45.1	51.3	69.3	75.1	86.1
Net Debt/Equity (x)	0.2	0.2	0.1	0.3	1.4
Net Debt/EBITDA (x)	0.9	0.8	0.4	1.2	4.3
Interest coverage (x)	8.7	12.6	19.3	11.9	4.7
RoCE (%)	17.3	17.9	19.3	17.9	14.5

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
PBT (ex-other income)	3,258	3,740	5,030	5,411	6,393
Others (non-cash items)	(155)	(227)	(232)	(289)	(453)
Taxes paid	(664)	(660)	(1,036)	(1,658)	(2,156)
Change in NWC	1,513	(1,549)	(2,397)	351	3,490
Operating cash flow	5,321	3,850	2,904	5,041	11,054
Capital expenditure	(2,376)	(1,924)	(2,424)	(11,409)	(43,454)
Acquisition of business	1,019	(412)	(572)	242	(1,623)
Interest & dividend income	1,239	(872)	(2,345)	3,440	268
Investing cash flow	(1,068)	(2,027)	(5,407)	(5,519)	(42,141)
Equity raised/(repaid)	0	0	33	0	0
Debt raised/(repaid)	(1,810)	170	1,223	2,590	38,767
Payment of lease liabilities	(1,250)	187	168	159	(995)
Interest paid	(459)	(339)	(291)	(534)	(1,808)
Dividend paid (incl tax)	(1,967)	(2,855)	(2,504)	(2,896)	(4,222)
Others	1,598	1,036	3,538	375	2,066
Financing cash flow	(3,887)	(1,801)	2,167	(306)	33,808
Net chg in Cash	365	22	(336)	(784)	2,721
OCF	5,321	3,850	2,904	5,041	11,054
Adj. OCF (w/o NWC chg.)	3,808	5,399	5,302	4,690	7,564
FCFF	2,945	1,926	481	(6,368)	(32,400)
FCFE	3,724	715	(2,155)	(3,463)	(33,940)
OCF/EBITDA (%)	114.7	74.3	44.5	68.9	106.6
FCFE/PAT (%)	129.5	22.8	(50.6)	(78.3)	(691.1)
FCFF/NOPLAT (%)	97.8	58.9	11.3	(140.9)	(544.1)

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY20	FY21	FY22	FY23	FY24
P/E (x)	56.8	52.0	38.3	36.9	33.2
P/CE(x)	43.0	38.5	29.8	28.2	23.0
P/B (x)	9.6	8.4	6.2	5.8	5.0
EV/Sales (x)	5.2	6.3	3.7	3.0	3.2
EV/EBITDA (x)	36.0	32.3	25.4	23.6	20.0
EV/EBIT(x)	45.0	41.0	31.1	29.0	25.4
EV/IC (x)	9.3	8.0	6.5	6.8	2.7
FCFF yield (%)	1.8	1.2	0.3	(3.7)	(15.6)
FCFE yield (%)	2.3	0.4	(1.3)	(2.1)	(20.8)
Dividend yield (%)	1.2	1.7	1.5	1.8	2.6
DuPont-RoE split					
Net profit margin (%)	8.9	11.8	9.6	7.7	7.6
Total asset turnover (x)	1.3	1.0	1.4	1.5	1.0
Assets/Equity (x)	1.5	1.4	1.4	1.4	2.1
RoE (%)	17.2	17.3	18.7	16.2	16.2
DuPont-RoIC					
NOPLAT margin (%)	9.3	12.3	9.6	7.8	9.3
IC turnover (x)	1.7	1.4	1.9	2.3	1.3
RoIC (%)	16.1	16.7	18.3	17.7	11.7
Operating metrics					
Core NWC days	33.2	64.0	58.4	41.5	52.4
Total NWC days	33.2	64.0	58.4	41.5	52.4
Fixed asset turnover	1.8	1.4	2.0	2.4	1.3
Opex-to-revenue (%)	18.2	20.0	14.8	12.0	14.3

Source: Company, Emkay Research

Saregama is investing in its core businesses at a time when the sector is in transition. The core music licensing segment (~70% mix) has potential to deliver ~25% topline CAGR, helped by steady catalog growth and investment of Rs10bn in new-age content – it now has a 31-32% mix of songs post-CY20. In the video segment (~15% mix), Saregama is at a relatively nascent stage and sees higher CAGR of 25-30%, along with margin gain on a bigger library/scale. Thrust on Music retail (rest ~15% mix) is also more on the profitability side (vs topline). Saregama has made timely investments toward acquiring new-age music content and Pocket Aces which should help it connect better with GenZ/Millennials and stay relevant. Also, music streaming platforms are moving toward subscription models which should improve realizations.

Music licensing: Investing to stay relevant as piracy is gradually fading away

Music licensing contributes bulk of revenue for Saregama. The company is ramping up on new music acquisition, to future-proof the company for the long term. This will entail investment of Rs10bn over the next 3 years, with payback period of 5 years being maintained. This investment is likely to be split equally between *Hindi* and regional music, with margin profile being slightly better on the regional front. Being a pan-India player allows Saregama to monetize its content in a better way. Competitive intensity is not high, with most languages seeing only few players competing for the new music being sold. The company has invested heavily in marketing and analytics, including heavy use of predictive AI, which sets it apart from competitors. The artist management segment is a byproduct of new music and does not require any upfront investment, while also improving music margins.

Video: Strong growth on a low base; Investing in youthful digital content

Saregama has the entire gamut of video offerings – from short clips to web series and movies. In the movies segment, it will continue to largely operate in the regional space where the risk is lower. The company ensures that 70% of the expenses are recovered before the release of the movie, with all charges written off at the time of release. Most of Saregama's competitors also have their own movie production houses. The movie business has high IRR but low margins. For web series as well, the risk is minimized by securing deals with platforms prior to start of production. Timely investments in the acquisition of Pocket Aces (digital content platform) should help it connect better with GenZ/Millennials and stay relevant. Over the next 12-18 months, the company is looking to achieve 8-10% margin for this segment.

Other segments: Focus on margins for Carvaan; events in test mode

In the Carvaan segment, focus is now clearly on generating higher margins as opposed to revenue growth. With the elder generation too becoming accustomed to streaming now, the life cycle of the product has become limited. Live concerts are a low-margin and high-IRR segment. They allow the company to develop deeper relationships with the artist. Saregama has already hosted various concerts with artist *Diljit Dosanjh*.

Target Price – 12M	Mar-26
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	5.8

Stock Data	SARE IN
52-week High (Rs)	689
52-week Low (Rs)	383
Shares outstanding (mn)	192.8
Market-cap (Rs bn)	106
Market-cap (USD mn)	1,233
Net-debt, FY25E (Rs mn)	(6,354.3)
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	356.7
ADTV-3M (USD mn)	4.2
Free float (%)	39.0
Nifty-50	23,437.2
INR/USD	85.7

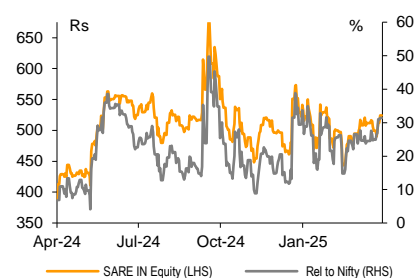
Shareholding, Dec-24

Promoters (%)	59.5
FPIs/MFs (%)	15.7/4.7

Price Performance

(%)	1M	3M	12M
Absolute	10.7	6.3	32.6
Rel. to Nifty	5.8	5.8	25.3

1-Year share price trend (Rs)



Saregama India: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,366	8,030	10,608	12,769	15,344
EBITDA	2,210	2,466	2,931	3,879	4,987
Adj. PAT	1,853	1,976	2,066	2,691	3,499
Adj. EPS (Rs)	9.6	10.2	10.7	14.0	18.1
EBITDA margin (%)	30.0	30.7	27.6	30.4	32.5
EBITDA growth (%)	18.1	11.6	18.9	32.3	28.6
Adj. EPS growth (%)	21.5	6.6	4.5	30.3	30.0
RoE (%)	13.6	14.1	13.5	15.9	18.2
RoIC (%)	31.8	19.9	16.0	18.0	20.6
P/E (x)	51.0	47.8	43.9	33.7	25.9
EV/EBITDA (x)	38.9	35.4	29.8	22.5	17.5
P/B (x)	7.0	6.4	5.7	5.1	4.4
FCFF yield (%)	(0.5)	(4.1)	(0.4)	0.3	1.7

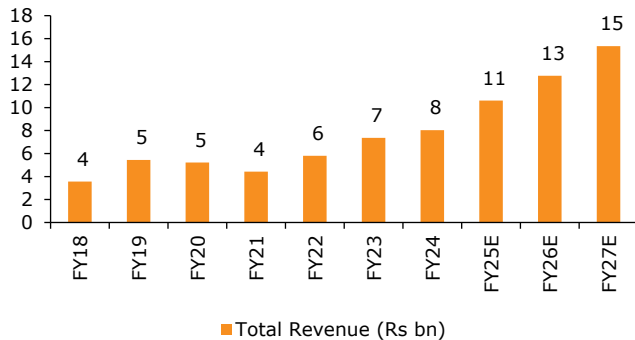
Source: Company, Emkay Research

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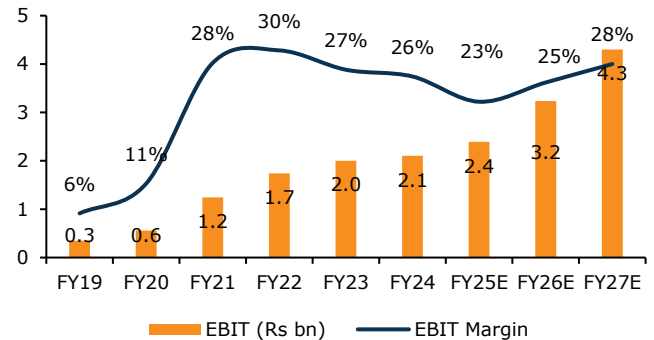
Story in charts

Exhibit 30: Revenue growth to remain healthy, aided by Music streaming/Video segments; Carvaan focus is on margin vs growth



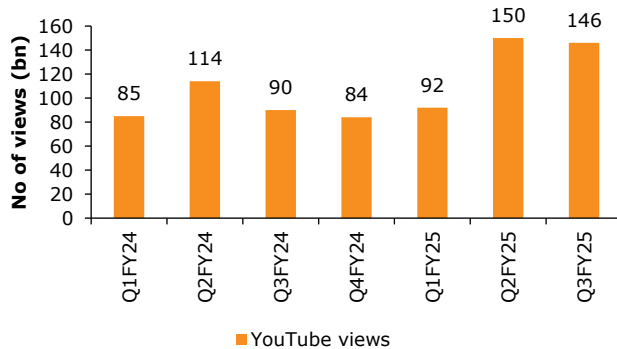
Source: Company, Emkay Research

Exhibit 31: EBIT margin to recover in coming years, led by scale-up of Pocket Aces and profitability focus in Carvaan



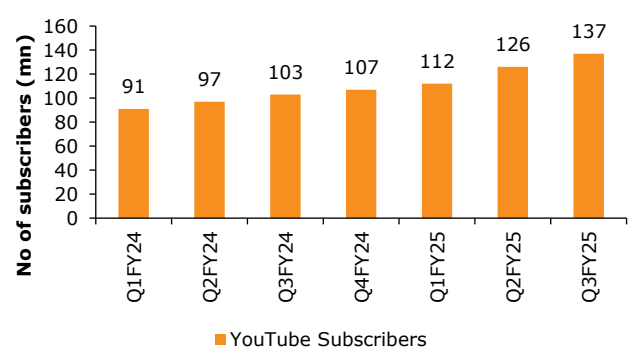
Source: Company, Emkay Research

Exhibit 32: YouTube views have grown sharply over the last few quarters



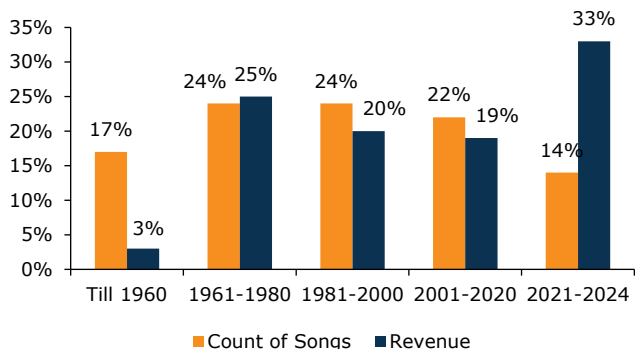
Source: Company, Emkay Research

Exhibit 33: The number of YouTube subscribers has been increasing



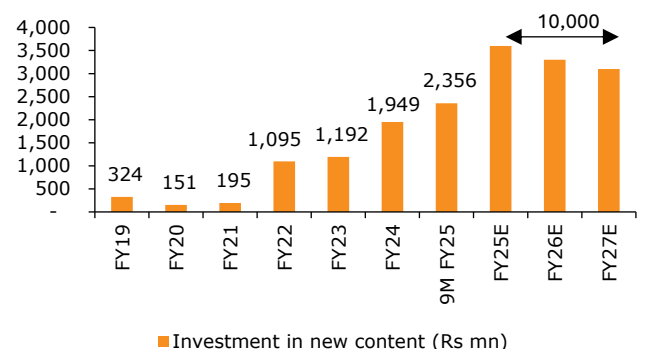
Source: Company, Emkay Research

Exhibit 34: Investing in new-age content to stay relevant; 33% revenue mix comes from songs released post-CY20



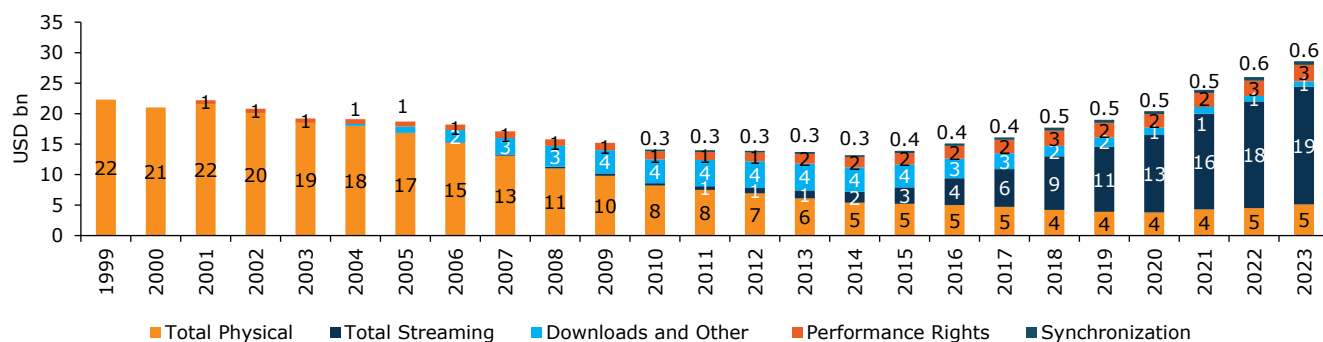
Source: Company, Emkay Research

Exhibit 35: Saregama plans investing Rs10bn in acquiring rights for new-age music over 9MFY25-FY27E



Source: Company, Emkay Research

Exhibit 36: Evolution of 'recorded music' revenue



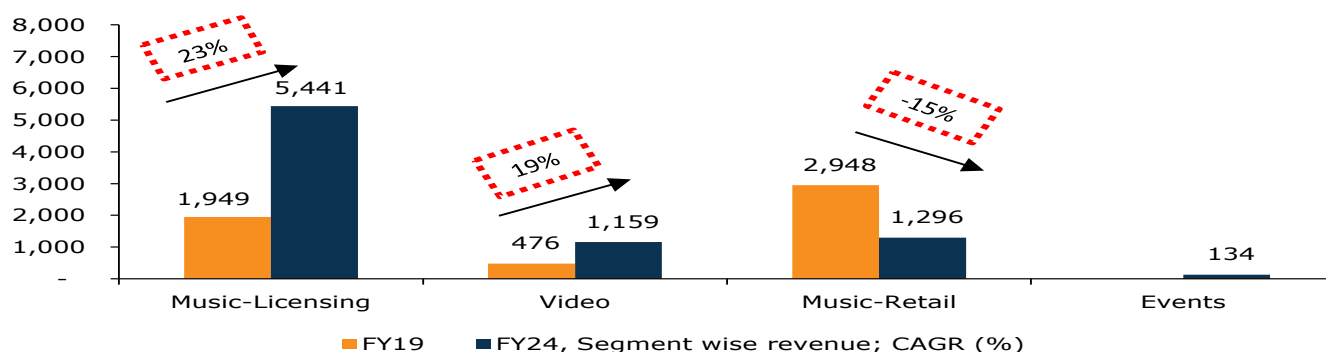
Source: IFPI Global Music Report 2024, Emkay Research

Exhibit 37: Saregama – Licensing Partners (Q3FY25)



Source: Company, Emkay Research

Exhibit 38: Saregama expects 25% topline CAGR, led by 22-23% CAGR in music streaming and 25-30% CAGR in video; Music retail (Carvaan) is likely to see muted growth due to focus on profitability



Source: Company, Emkay Research; Note: Revenue (Rs mn)

Saregama India: Standalone Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,366	8,030	10,608	12,769	15,344
Revenue growth (%)	26.9	9.0	32.1	20.4	20.2
EBITDA	2,210	2,466	2,931	3,879	4,987
EBITDA growth (%)	18.1	11.6	18.9	32.3	28.6
Depreciation & Amortization	208	362	539	644	662
EBIT	2,002	2,104	2,392	3,235	4,325
EBIT growth (%)	15.0	5.1	13.7	35.3	33.7
Other operating income	-	-	-	-	-
Other income	536	637	401	394	384
Financial expense	57	32	33	33	33
PBT	2,481	2,708	2,760	3,596	4,676
Extraordinary items	0	0	0	0	0
Taxes	630	732	695	905	1,177
Minority interest	3	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	1,853	1,976	2,066	2,691	3,499
PAT growth (%)	21.5	6.6	4.5	30.3	30.0
Adjusted PAT	1,853	1,976	2,066	2,691	3,499
Diluted EPS (Rs)	9.6	10.2	10.7	14.0	18.1
Diluted EPS growth (%)	21.5	6.6	4.5	30.3	30.0
DPS (Rs)	3.0	4.0	4.0	4.0	4.0
Dividend payout (%)	31.2	39.0	37.3	28.7	22.0
EBITDA margin (%)	30.0	30.7	27.6	30.4	32.5
EBIT margin (%)	27.2	26.2	22.5	25.3	28.2
Effective tax rate (%)	25.4	27.0	25.2	25.2	25.2
NOPLAT (pre-IndAS)	1,493	1,535	1,790	2,420	3,236
Shares outstanding (mn)	193	193	193	193	193

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	193	193	193	193	193
Reserves & Surplus	13,228	14,498	15,793	17,713	20,441
Net worth	13,421	14,691	15,986	17,906	20,634
Minority interests	34	35	34	34	34
Non-current liab. & prov.	464	474	474	474	474
Total debt	0	17	17	17	0
Total liabilities & equity	13,926	15,254	16,549	18,468	21,180
Net tangible fixed assets	2,207	2,238	2,884	3,519	3,557
Net intangible assets	1,183	5,185	6,100	7,214	8,483
Net ROU assets	-	-	-	-	-
Capital WIP	-	-	-	-	-
Goodwill	0	0	0	0	0
Investments [JV/Associates]	21	21	21	21	21
Cash & equivalents	8,573	7,238	6,371	5,896	6,547
Current assets (ex-cash)	5,050	5,622	6,598	7,315	8,293
Current Liab. & Prov.	3,115	2,994	3,370	3,442	3,649
NWC (ex-cash)	1,935	2,629	3,228	3,873	4,644
Total assets	13,926	17,344	18,638	20,558	23,285
Net debt	(8,573)	(7,221)	(6,354)	(5,880)	(6,547)
Capital employed	13,926	15,254	16,549	18,468	21,180
Invested capital	5,331	10,085	12,246	14,641	16,718
BVPS (Rs)	69.6	76.2	82.9	92.9	107.0
Net Debt/Equity (x)	(0.6)	(0.5)	(0.4)	(0.3)	(0.3)
Net Debt/EBITDA (x)	(3.9)	(2.9)	(2.2)	(1.5)	(1.3)
Interest coverage (x)	44.4	84.6	85.6	111.2	144.3
RoCE (%)	18.6	19.4	18.1	21.4	24.4

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT (ex-other income)	1,945	2,071	2,359	3,202	4,292
Others (non-cash items)	(432)	(400)	170	282	311
Taxes paid	(668)	(514)	(695)	(905)	(1,177)
Change in NWC	(733)	(683)	(600)	(645)	(770)
Operating cash flow	377	868	1,807	2,611	3,350
Capital expenditure	(832)	(4,423)	(2,100)	(2,393)	(1,969)
Acquisition of business	1,453	-	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	(103)	(2,233)	(1,298)	(1,605)	(1,201)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	17	0	0	(17)
Payment of lease liabilities	(6)	31	0	0	0
Interest paid	(57)	(32)	(33)	(33)	(33)
Dividend paid (incl tax)	(578)	(771)	(771)	(771)	(771)
Others	(168)	(33)	0	0	0
Financing cash flow	(809)	(790)	(804)	(804)	(820)
Net chg in Cash	(535)	(2,155)	(295)	202	1,329
OCF	377	868	1,807	2,611	3,350
Adj. OCF (w/o NWC chg.)	1,110	1,552	2,406	3,256	4,121
FCFF	(454)	(3,554)	(293)	217	1,381
FCFE	(511)	(3,586)	(326)	185	1,349
OCF/EBITDA (%)	17.1	35.2	61.6	67.3	67.2
FCFE/PAT (%)	(27.6)	(181.5)	(15.8)	6.9	38.5
FCFF/NOPLAT (%)	(30.4)	(231.6)	(16.4)	9.0	42.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	51.0	47.8	43.9	33.7	25.9
P/CE(x)	45.8	40.4	34.8	27.2	21.8
P/B (x)	7.0	6.4	5.7	5.1	4.4
EV/Sales (x)	11.7	10.9	8.2	6.8	5.7
EV/EBITDA (x)	38.9	35.4	29.8	22.5	17.5
EV/EBIT(x)	42.9	41.5	34.9	25.8	19.3
EV/IC (x)	16.1	8.7	6.8	5.7	5.0
FCFF yield (%)	(0.5)	(4.1)	(0.4)	0.3	1.7
FCFE yield (%)	(0.5)	(3.8)	(0.4)	0.2	1.5
Dividend yield (%)	0.6	0.8	0.8	0.8	0.8
DuPont-RoE split					
Net profit margin (%)	25.2	24.6	19.5	21.1	22.8
Total asset turnover (x)	0.5	0.5	0.6	0.7	0.7
Assets/Equity (x)	1.0	1.1	1.2	1.2	1.1
RoE (%)	13.6	14.1	13.5	15.9	18.2
DuPont-RoIC					
NOPLAT margin (%)	20.3	19.1	16.9	19.0	21.1
IC turnover (x)	1.6	1.0	1.0	0.9	1.0
RoIC (%)	31.8	19.9	16.0	18.0	20.6
Operating metrics					
Core NWC days	95.9	119.5	111.1	110.7	110.5
Total NWC days	95.9	119.5	111.1	110.7	110.5
Fixed asset turnover	2.1	1.3	1.1	1.1	1.1
Opex-to-revenue (%)	39.5	40.4	37.7	36.7	36.0

Source: Company, Emkay Research

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