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INSTITUTIONAL EQUITIES

November 22, 2024

INITIATING COVERAGE | Sector: Media & Entertainment

TIPS Music Ltd

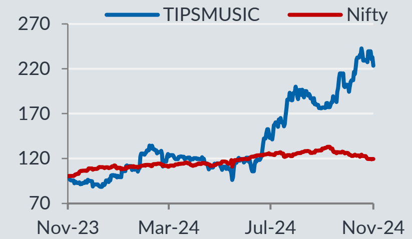
Groove to the beat! Initiate coverage with BUY

Reco	:	**BUY**
CMP	:	Rs 862
Target Price	:	Rs 1,050
Potential Return	:	+21.8%

Stock data (as on Nov 21, 2024)

Nifty	23,350
52 Week h/l (Rs)	950 / 336
Market cap (Rs/USD mn)	114927 / 1361
Outstanding Shares (mn)	128
6m Avg t/o (Rs mn):	230
Div yield (%):	0.7
Bloomberg code:	TPS IN
NSE code:	TIPSMUSIC

Stock performance



	1M	3M	1Y
Absolute return	11.4%	17.8%	123.4%

Shareholding pattern (As of Sep'24 end)

Promoter	64.2%
FII+DII	9.9%
Others	26.0%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	3,261	4,501	6,301
YoY Growth	35.0	38.0	40.0
EBIDTA	2,270	3,060	4,222
EBITDA (%)	69.6	68.0	67.0
PAT	1,805	2,419	3,315
YoY Growth	41.9	34.0	37.1
ROE	78.1	66.2	59.0
EPS	14.1	18.8	25.8
P/E	61.3	45.8	33.4
BV/Share	22.0	34.9	52.7
P/BV	39.1	24.7	16.4

We initiate coverage on TIPS Music with a BUY rating based on the promising growth prospects driven by (I) Strong Industry tailwinds providing better monetization opportunities (ii) Diversified music catalogue (iii) Presence across digital platforms (iv) Prudent content acquisition strategy (v) Improved monetization in non-digital segments. We value TIPS Music at PE of 47x on Sep-26 EPS with TP of INR 1,050.

Indian Music Industry – A Sleeping Giant: Rising adoption of smartphones and data subscriptions has prompted Indian brands to shift towards Digital advertising. As a result, its share now stands at 51% of total Ad-revenues. Further, rising affluence and high proportion of young audience is propelling growth in premium subscriptions. Paid music subscriptions grew from 5mn to 7.5mn in 2023 (+55% YoY), generating INR3 bn in subscription revenues. Further, paid subscriptions are expected to double to 15mn subscribers by 2026 and grow 4-5x to 35-40mn subscribers in five years. These factors are likely to improve monetization of music content. India has large music streaming audience of 185mn subscribers. Thus, Digital is the key revenue driver with 87% share of total Indian music segment revenue. Going forward, growth in free as well as premium subscribers is expected to drive industry growth.

Music catalogue acts as a key moat: One of the strongest assets of TIPS is its rich and evergreen music collection. Being one of the largest music-label in the country, it boasts catalogue of 31,000+ songs spread across all genres and major languages from 90's classics till now. TIPS Music has more than 104mn subscribers on YouTube across its channels and has received 194bn views in FY24. The Copyright Act, 2012 protects music copyrights for 60 years in India. This is the longest period of protection when compared to any other type of IPR in India. Thus, diversified and evergreen catalogue acts as a key moat to the business, with long shelf life and multiple monetization opportunities. For TIPS, catalogue music is ~85% of the overall revenue mix, which underscores its significance.

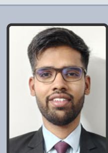
Presence across digital platforms: Company has recently signed a new deal with Warner Music - one of the leading global music labels. This deal will ensure presence of TIPS songs across key OTT platforms. Warner Music, being one of the top 3 distribution platforms globally, provides better negotiating power with OTT platforms, which can potentially result in better revenue per stream.

Content Acquisition to pave way for growth: Consistent focus on acquiring new content over the years has led to a strong music catalogue for TIPS. Going forward, we believe, content acquisition will remain the key to drive growth. Mgmt expects 30% of the content to come from self-production, 35% from acquisition in other films and rest to flow in from TIPS Films. Tips Films plans to launch 10-12 movies annually with est 4-5 songs per movie. All these songs are slated for sale to TIPS Music. Direct sale from TIPS Films avoids bidding war with other music labels, ensuring purchase at fair valuation. This results in better monetization and thus, quicker break-even.

Non-digital revenue streams improving: Stringent implementation of licensing laws globally and in India, through various tie-ups is expected to boost publishing and live performance revenues as collection efficiency improves. On the other hand, focus on brand partnerships for advertising campaigns should drive growth in Sync revenues.

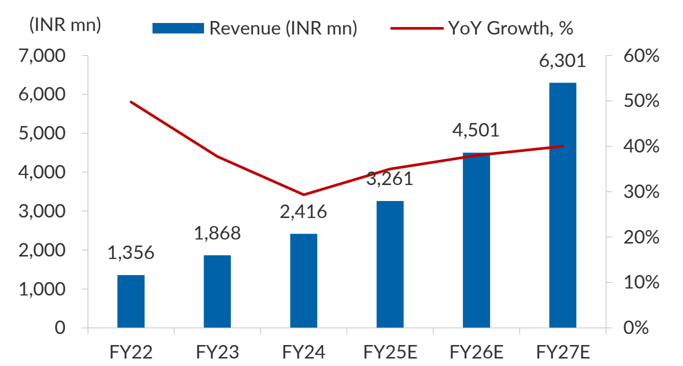
Valuation and Outlook: Strong industry tailwinds, prudent content acquisition strategy and better implementation of licensing laws on non-digital side is expected to provide material benefits in the medium term. Over FY24-27E, we expect revenue/EPS CAGR of 38% each, driven by mix of growth in Ad-revenues and premium subscription. Non-digital revenues are also expected to support growth. We remain bullish on the Indian Music industry and initiate coverage on TIPS Music with a BUY rating. We value TIPS Music at Sep'26 EPS of 47x with TP of INR 1,050.

VAIBHAV MULEY
Lead Analyst
+91 22 6992 2934 / 35 / 36



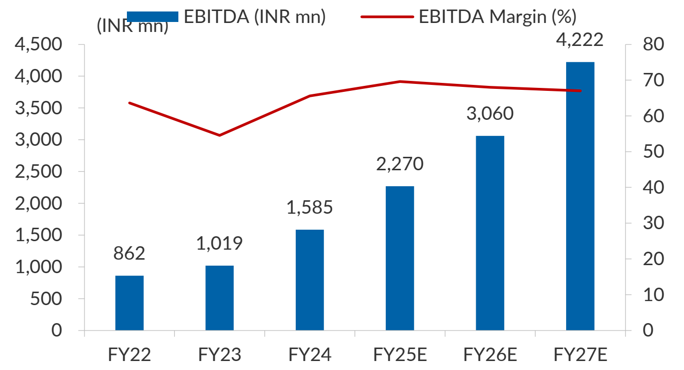
STORY IN CHARTS

Exhibit 1: Industry tailwinds to support robust revenue CAGR of ~38% over FY24-27E



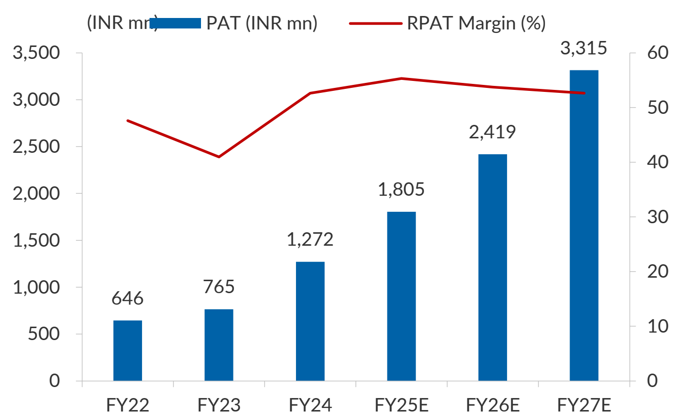
Source: Company, YES Sec

Exhibit 2: EBITDA margins to benefit from moderation in content costs and operating leverage



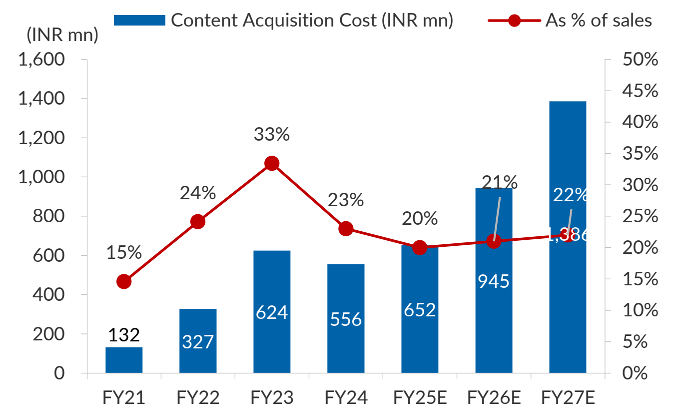
Source: Company, YES Sec

Exhibit 3: RPAT to register ~37% CAGR over FY24-27E driven by strong revenue growth



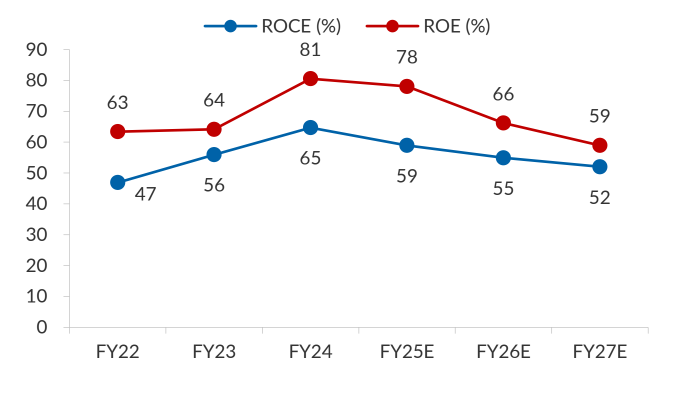
Source: Company, YES Sec

Exhibit 4: Content acquisition costs as % of sales to remain moderate



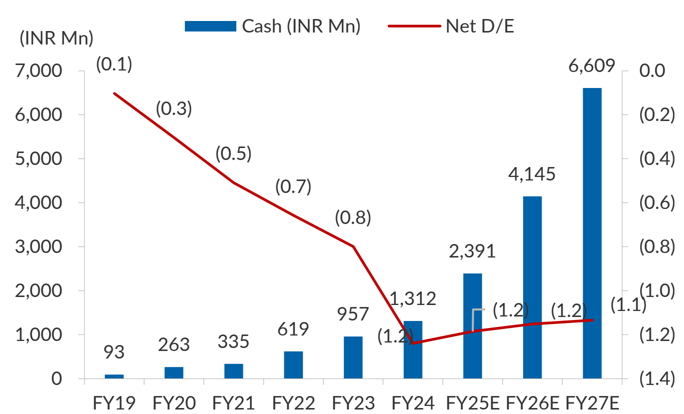
Source: Company, YES Sec

Exhibit 5: Return Ratios to remain robust over FY24-27E as balance sheet remains asset light



Source: Company, YES Sec

Exhibit 6: Robust balance sheet with zero net debt and large cash balance



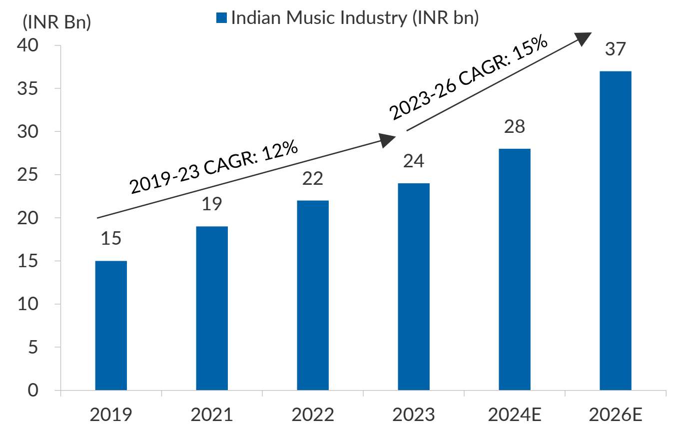
Source: Company, YES Sec

INDUSTRY OVERVIEW

Indian Music industry to grow at 15% CAGR

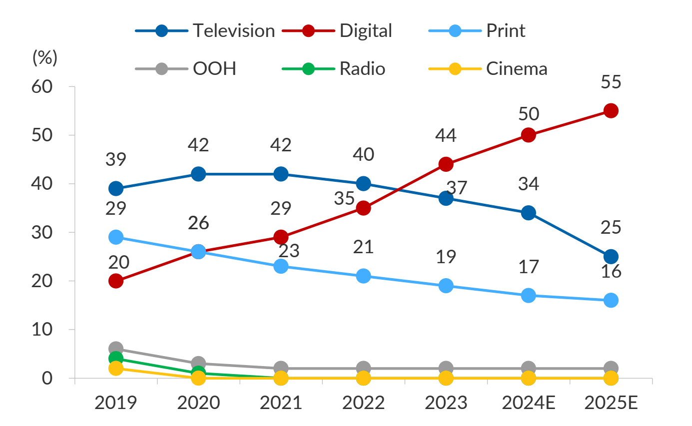
- Music Industry, globally, has seen a huge disruption over the past decade, caused by digitization, rise of digital streaming platforms and influence of social media. Digital channels including premium subscriptions, Ad-supported audio streams and downloads contribute ~70% of global music industry revenues.
- At the same time, Indian music industry has also undergone a profound transformation, driven by rising adaption of smartphones and growing data consumption. As a result, Indians are engaging strongly with music and spend ~24hrs per week listening to music, higher than global average of ~21hrs. At the heart of this revolution is the rising influence of online music streaming platforms,
- Indian Music industry stood at INR 24bn as of 2023 and registered a CAGR of 12.5% over FY19-23. While overall Indian Media & Entertainment industry grew at a CAGR of 5% over the same period. Thus, music industry growth outpaced overall M&E industry growth. The trend is expected to continue over 2023-26E with Music industry estimated to grow at ~15% CAGR outpacing M&E industry estimated CAGR of 10%.
- The outperformance of Indian music industry is attributed to sharp growth in revenues from digital channel. Digital channel contributes ~87% of Indian music segment revenue as of 2023, which underscores the importance of this segment. Digital segment growth is attributed to factors such as growth in music streaming audience, easy availability of content on digital platforms with multiple OTTs offering free streaming services.
- Monetization of content has improved, primarily through growth of digital advertising, which grew by 15% YoY to reach INR 576bn as of 2023. Digital advertising is est. to contribute 50% of total ad-revenues in 2024E and contribution is further expected to reach ~55% by 2025E.
- India has est 640mn smartphone users as of 2024 and 1059mn data subscriptions. Total telecom subscriptions stood at 1.19bn as of Dec'23 with urban subscriptions comprising 56% while rural at 44%. This indicates significant headway for growth of audio streaming audience which currently stands at ~185mn. Thus, growth in free users should remain robust over the medium term, which in-turn will drive revenue from digital advertising.
- Additionally, paid subscription is expected to double to 15mn subscribers by 2026E from 7.5mn in 2023 and grow 4-5x to 35-40mn subscribers in five years. Paid music subscriptions grew from 5mn to 7.5mn in 2023 (+55% YoY), generating INR3 bn in subscription revenues. However, subscription fees are expected to remain flat as OTT platforms focus on penetration. Thus, immediate growth will be driven by premium subscriber addition while next leg of growth will be driven by hike in subscription fees.
- Industry is also working on stricter implementation of licensing laws globally, for use of content in synchronization deals, publishing and live events. In India, licensing fees for publishing rights is collected by Indian Performing Rights Society (IPRS). Multiple collection agencies have been set up globally to ensure implementation of licensing laws both for publishing and live events. This can be a significant revenue driver in the coming period, as collection of licensing fees was sub-par in the past.
- Rise of short videos will be another lever of growth on the digital side with growing popularity of short videos across the globe. Currently, monetization of content for short videos is non-existent, however, large OTT platforms like YouTube are coming up with monetization plans which will be followed by other streaming platforms.
- In this ecosystem, music labels remain key part of the value chain as a driver for content creation & distribution. But monetization in India remains much lower at USD0.33bn for 2023 vs USD28bn for global music labels, even though number of streams in India stood at 1.04trn vs global streams at 7trn. Thus, ARPU for Indian music industry is mere $3, much lower than emerging market avg of $8 and developed market avg of $34.

Exhibit 7: Indian Music Industry is expected to grow at ~15% CAGR over CY23-26



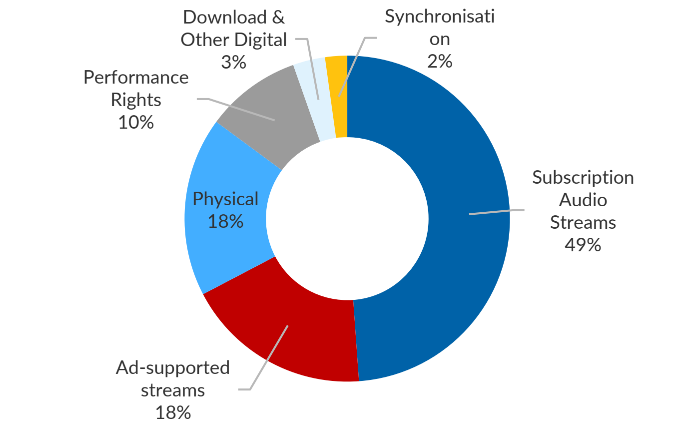
Source: Industry Reports, YES Sec

Exhibit 8: Supported by growth in digital advertising industry



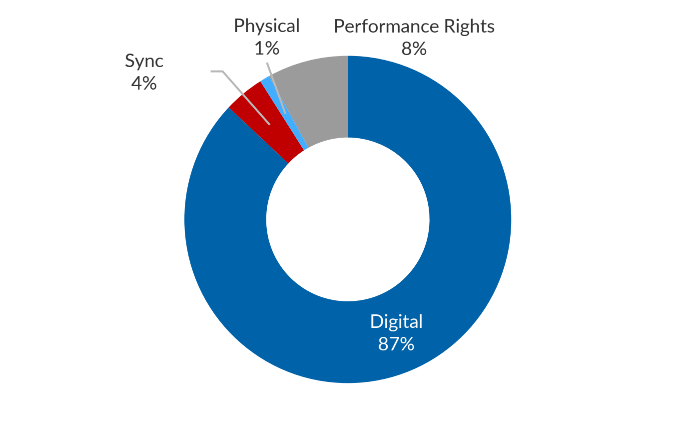
Source: Industry Reports, YES Sec

Exhibit 9: Globally, Digital channels contribute ~70% of total revenues for music industry



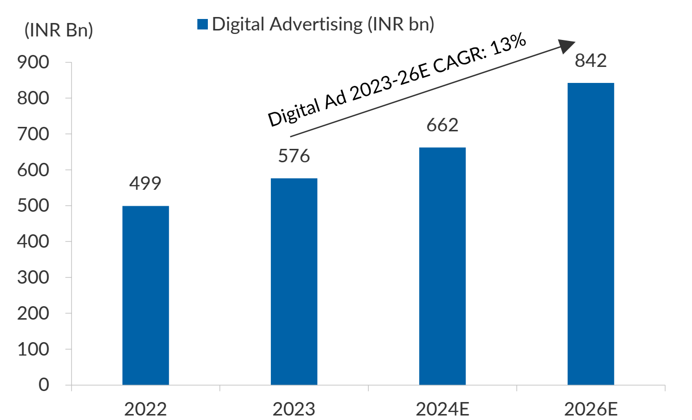
Source: Industry Reports, YES Sec

Exhibit 10: While in India, Digital contributes 87% of total revenues



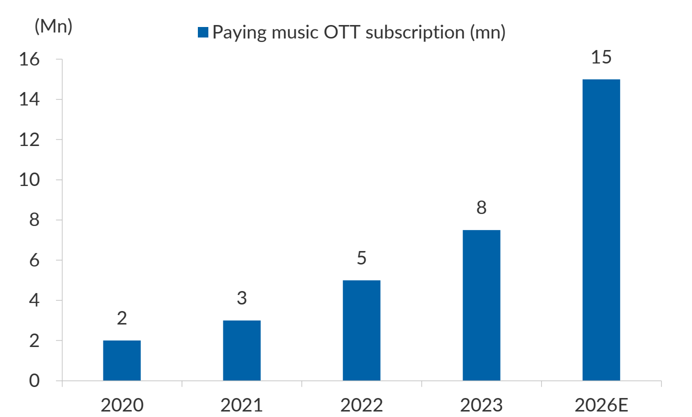
Source: Industry Reports, YES Sec

Exhibit 11: Indian Digital Advertising industry is expected to surpass INR 800bn by 2026E



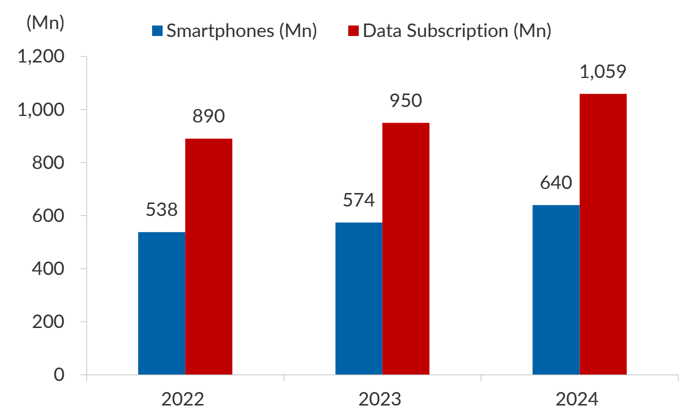
Source: Industry Reports, YES Sec

Exhibit 12: Premium music subscriptions are expected to grow 2x over 2023-26E



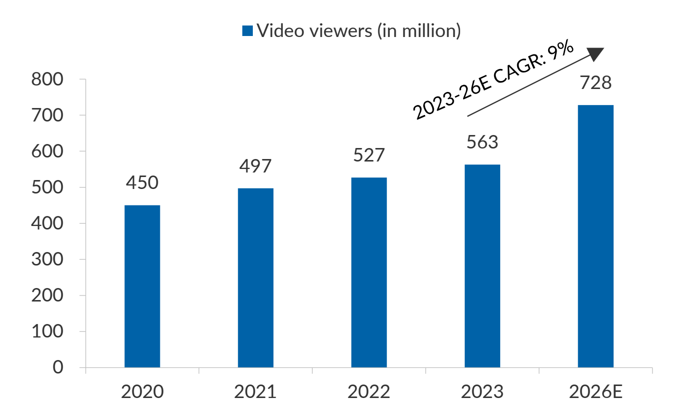
Source: Industry Reports, YES Sec

Exhibit 13: Rising adoption of smartphones and data subscriptions has been the key driver



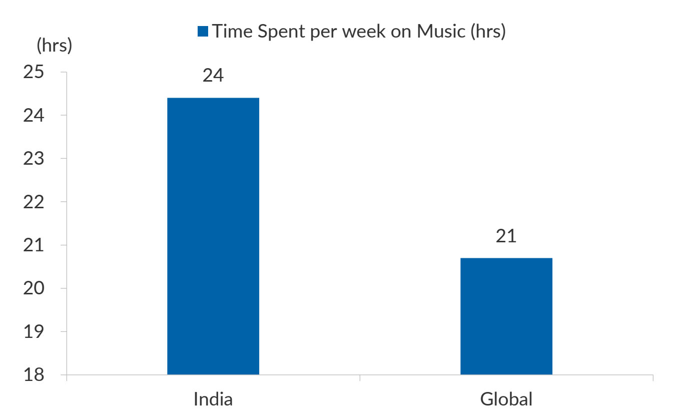
Source: Industry Reports, YES Sec

Exhibit 14: Video viewers have grown exponentially, momentum is expected to continue



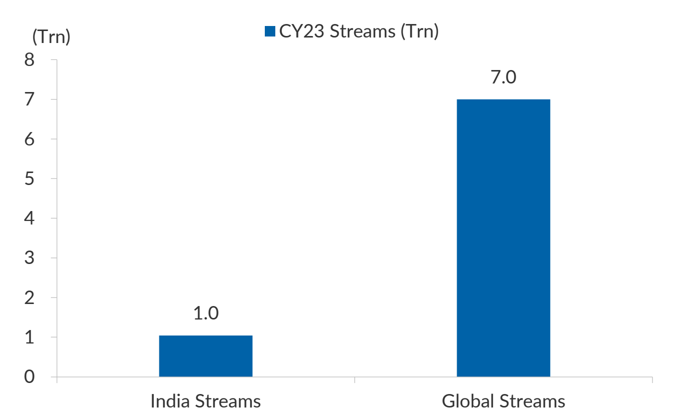
Source: Industry Reports, YES Sec

Exhibit 15: Indians spend 24hrs per week listening to music; higher than global average…



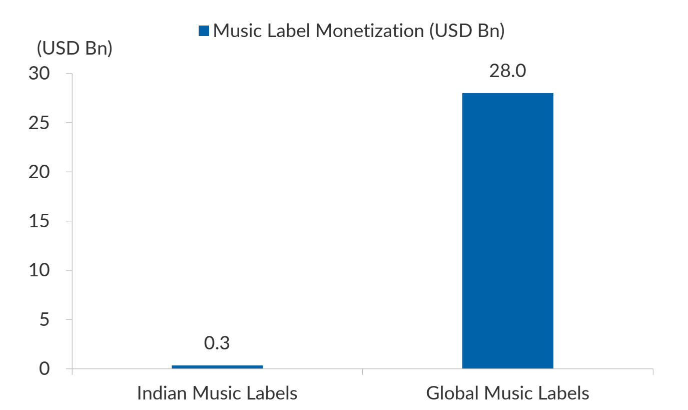
Source: Industry Reports, YES Sec

Exhibit 16: Evident in significant contribution in number of streams globally in CY23



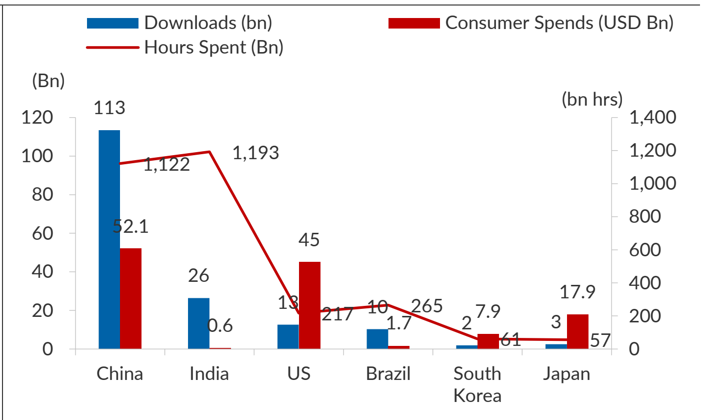
Source: Industry Reports, YES Sec

Exhibit 17: However, monetization of Indian music labels remains very low compared to global avg



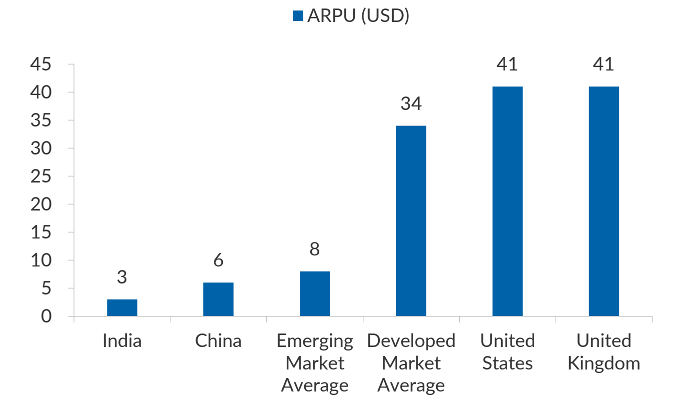
Source: Industry Reports, YES Sec

Exhibit 18: Consumer spends in India are low across the digital ecosystem



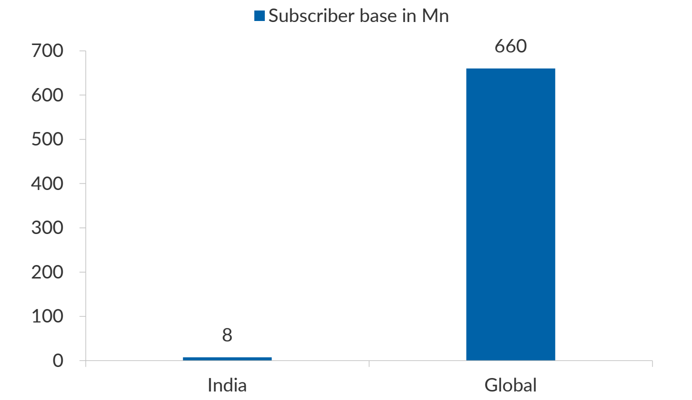
Source: Industry Reports, YES Sec

Exhibit 19: ARPU for Indian music industry has significant headroom for growth…



Source: Industry Reports, YES Sec

Exhibit 20: Led by growth in premium subscriptions, in-line with global standards



Source: Industry Reports, YES Sec

Value of Musical Content is significantly higher:

Exhibit 21: Music offers highest monetization opportunity among different forms of contents

Source: Company, YES Sec

Music lovers can be very passionate about their favorite music and may listen to their favorite songs multiple times a week. Further, music content remains relevant for a long period of time and is likely to be consumed numerous times by each listener. Thus, music offers highest monetization opportunity, unlike other forms of content, due to its repeatability, long shelf like and high volume.

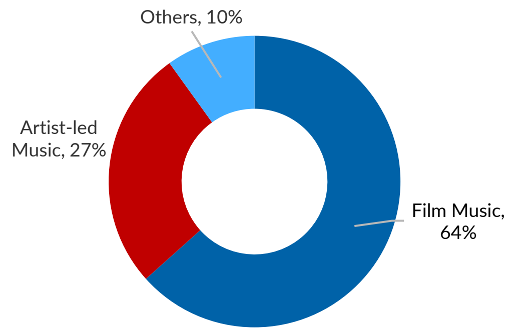
Intellectual Property Rights (IPR): The Copyright (Amendment) Act, 2012 protects music copyrights for 60 years in India. This is the longest period of protection when compared to any other type of intellectual property rights for the country. IPR protection for such long durations allows music labels to exploit multiple monetization strategies over time. For music labels, catalogues benefit from increased market penetration of content and repeat listeners.

Additionally, IPR can be renewed every time an older version of song is remade into a new version. This way, music copyright is renewed for another 60 years from launch for new version of song.

Indian Music industry Trends:

- **Focus on User Generated Content**
    - Contribution of Indian films music in overall music consumption stands at 64% in 2023, which has reduced from 80% three years ago as more artist-driven industry is emerging. Artist-led music consumption stands at 27% as of 2023 and is expected to increase further. Top genres enabling this include Punjabi music, which is now gaining popularity internationally. Other genres consumed were devotional and folk songs, which comprised ~10% of the overall consumption. Approximately, 10-15% of all digital music streams pertained to international music.
    - User Generated Content has become a major driver in the music industry. With the rise of social media and video platforms like YouTube and Instagram Reels, users are creating and sharing music covers, remixes and original compositions. Several record labels and streaming services have also started working with content producers using User Generated Content to promote music and reach audiences.
    - In the future, User Generated Content is likely to play a more important role in music distribution as platforms and artists actively encourage and use user-generated content to reach a wider audience and create a more interactive music experience.
    - Spotify India has 70% share of local music consumption, highest among Spotify's 180+ markets globally. This signifies the importance of local music in India, growth of which is driven by both films as well as independent artist-driven music.

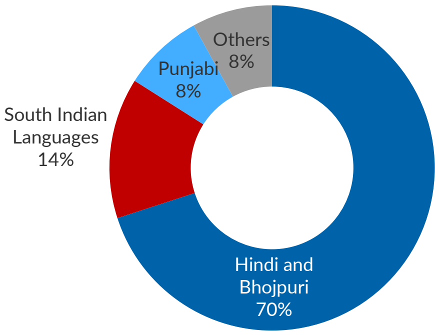
Exhibit 22: Film Music is the key contributor in Indian music consumption, but share is declining in favor of user generated content



Source: Industry reports, YES Sec

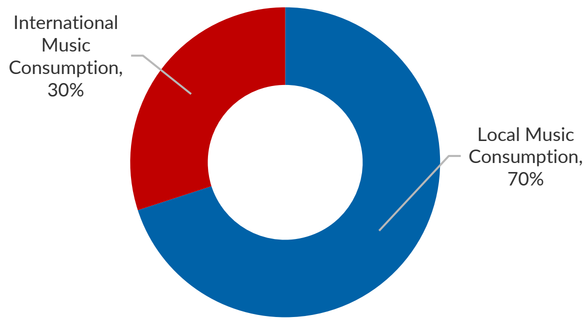
- **Focus on regional and independent music**
    - India is a diverse country with a rich musical heritage. Regional music, including folk, classical and indigenous genres, has a significant following in India. With the rise of streaming services, there have been renewed efforts to promote regional and independent music. Several platforms have curated playlists and dedicated regional music sections that allow artists to showcase their talent and connect with niche audiences. Independent music has also gained recognition as artists use social media and digital platforms to distribute their music, gain followers and monetize their content. This trend is likely to continue in the future as support for regional and independent music grows, leading to a more diverse and inclusive music scene in India.
    - As of CY23, Hindi and Bhojpuri music is the key contributor to the overall music consumption with ~70% share while balance 30% is split across Punjabi (8%), Tamil (5%), Telugu (5%), Kannada (3%), Marathi (2%), Malayalam (1%), Haryanvi (1%), and others (8%).

Exhibit 23: Hindi and Bhojpuri Music contributes 70% of total music consumption



Source: Industry reports, YES Sec

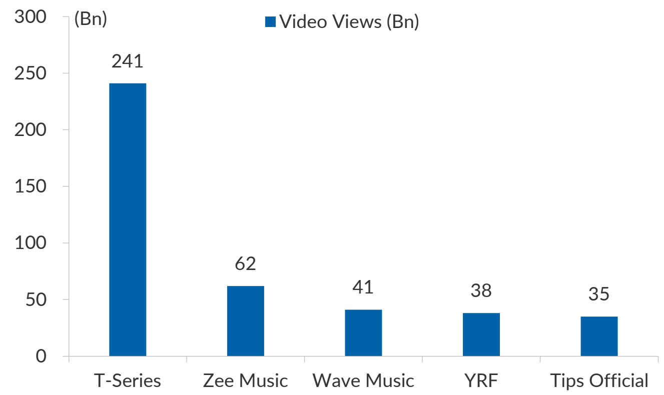
Exhibit 24: Indian music is 70% of total consumption for Spotify India, highest among its 180+ markets



Source: Industry reports, YES Sec

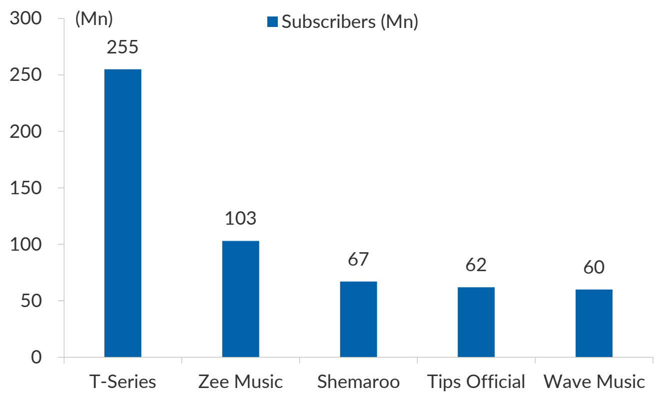
- **Increasing reach of YouTube**
  - As the top ad-based music OTT platform, YouTube has continued as the preferred platform for music consumption, with an estimated 2.2 trillion streams in 2023. Four of the top 10 most subscribed YouTube channels in India are music channels with T-Series' being the most-subscribed YouTube channel globally.
  - As per industry reports, YouTube has est. 61% of TV's reach across India, but in certain states has a reach similar to or even higher than TV, particularly HSM (Hindi Speaking Market) states like Delhi, UP, Bihar and north-eastern states. In the southern part of India, TV still commands a fair lead over YouTube. Certain broadcasters provide their content on YouTube which results in further adoption of YouTube.

Exhibit 25: YouTube Video views for top music labels in India



Source: Industry reports, YES Sec

Exhibit 26: YouTube Subscriber base of top music labels in India

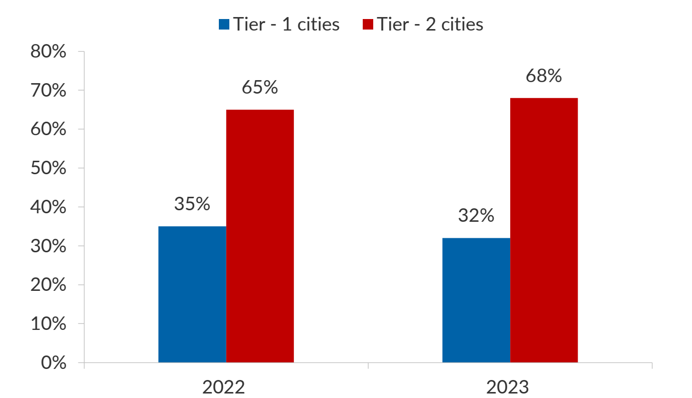


Source: Industry reports, YES Sec

- **Rise of short videos**
  - At 4.8 hours per day, Indians came sixth in the world, for the most amount of time spent on phone apps in 2023, a 9% growth since 2020. Indians spent an aggregate of 1.19 trillion hours on their mobile phones in 2023, up 10% from 1.08 trillion hours in 2022, which was the highest in the world. Time spent on social media grew to 50% of total time spent, up from 42% in 2019. Instagram was the most used app by younger audiences, while older ones preferred WhatsApp and Facebook.

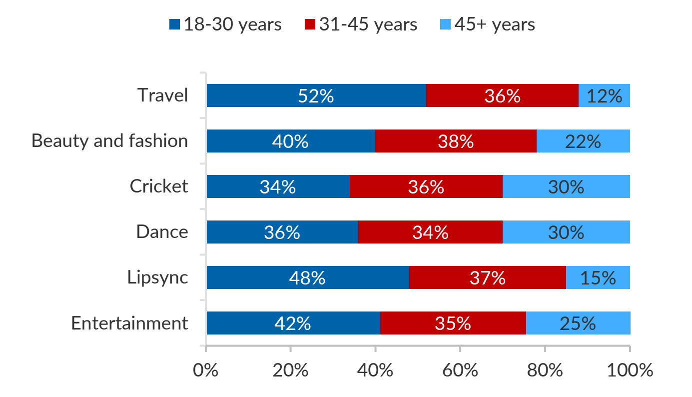
- This growth was on the back of rise of short video content created around music, entertainment, gaming and news. As per industry reports, avg minutes per day per user on short videos has reached 37 minutes in 2023 from 33 minutes in 2022. Further, popularity of short videos is 2x higher in tier-2 cities compared to tier-1 cities. Entertainment (including music) is among the most preferred category for consumption in short videos, especially in youth.
- Short video content is expected to continue to gain traction in the medium term. However, monetization of short videos remains very low as of now. But YouTube is likely to come up with monetization plan for short video format in the near term. Music, being one of the key consumption categories, is likely to benefit from monetization of short videos.

Exhibit 27: Popularity of short videos is growing in Tier-2 cities



Source: Industry reports, YES Sec

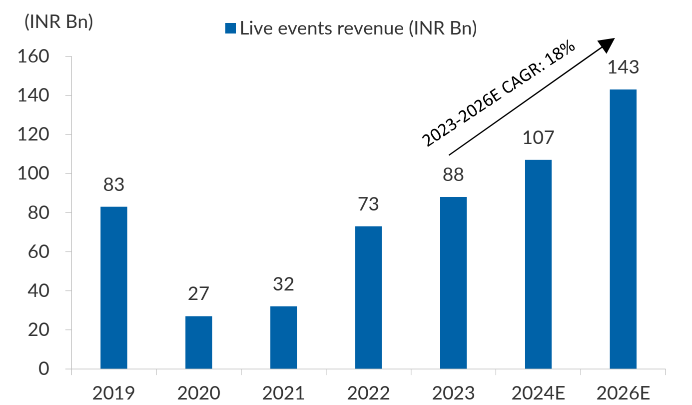
Exhibit 28: Age-wise consumption of popular genres; entertainment is a preferred category for youth



Source: Industry reports, YES Sec

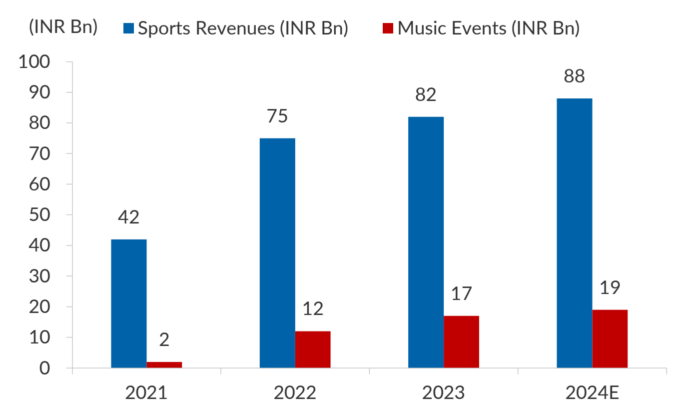
- **Live events are gaining momentum**
  - The organized live events segment grew 20% in 2023 to reach INR 88bn, crossing its pre-COVID levels. Growth was driven by government events, personal events and weddings, and ticketed events, including several international formats. Live events segment is expected to grow at a CAGR of 18% over the next three years to reach INR 143bn by 2026. Music events are likely to be the key contributor to the growth in live events. Thus, licensing revenue from live events will contribute to the growth of Indian music industry in the medium term.

Exhibit 29: Organized live events industry is expected to grow at 18% CAGR over CY23-26E



Source: Industry reports, YES Sec

Exhibit 30: Music events is a key part in total ticketing revenues from live events



Source: Industry reports, YES Sec

COMPANY OVERVIEW

TIPS Music is one of India's leading music labels which has been engaged in the business of creation, acquisition and exploitation of audio-visual content of music library digitally in India and overseas through licensing on various platforms. Company was founded in 1988 by Mr. Kumar Taurani and Mr. Ramesh Taurani. It has widespread presence across leading global digital platforms such as YouTube, Spotify, Jio Saavn, Apple Music. Amazon Prime etc. Company has diverse music catalogue of 31,000+ songs spread across all genres and major languages. Catalogue consists of music from 90's till now. Company has est. 60% share in the 90's music. Rich catalogue has allowed better monetization of the content for the company.

As of FY24, Tips Music has more than 104mn subscribers across its channels and received 194 billion views.

Company has evolved in-line with the music industry and has adjusted itself to the changing landscape. Over the period, it has faced multiple disruptions such as change in era from cassettes to CDs which was followed by transition towards MP3 music. This transition also led to rise in piracy of music content with rampant downloads from unauthorized sources. This resulted in lower monetization of content during that period. Tips, however, focused on acquiring quality content with impressive success rate. Over the past decade, music industry witnessed significant transformation with digitization wave globally as well as in India. This led to sharp increase in content consumption. Tips, being one of the key music labels, has been the key beneficiary of this trend.

Exhibit 31: TIPS Music: Presence across key OTT Platforms

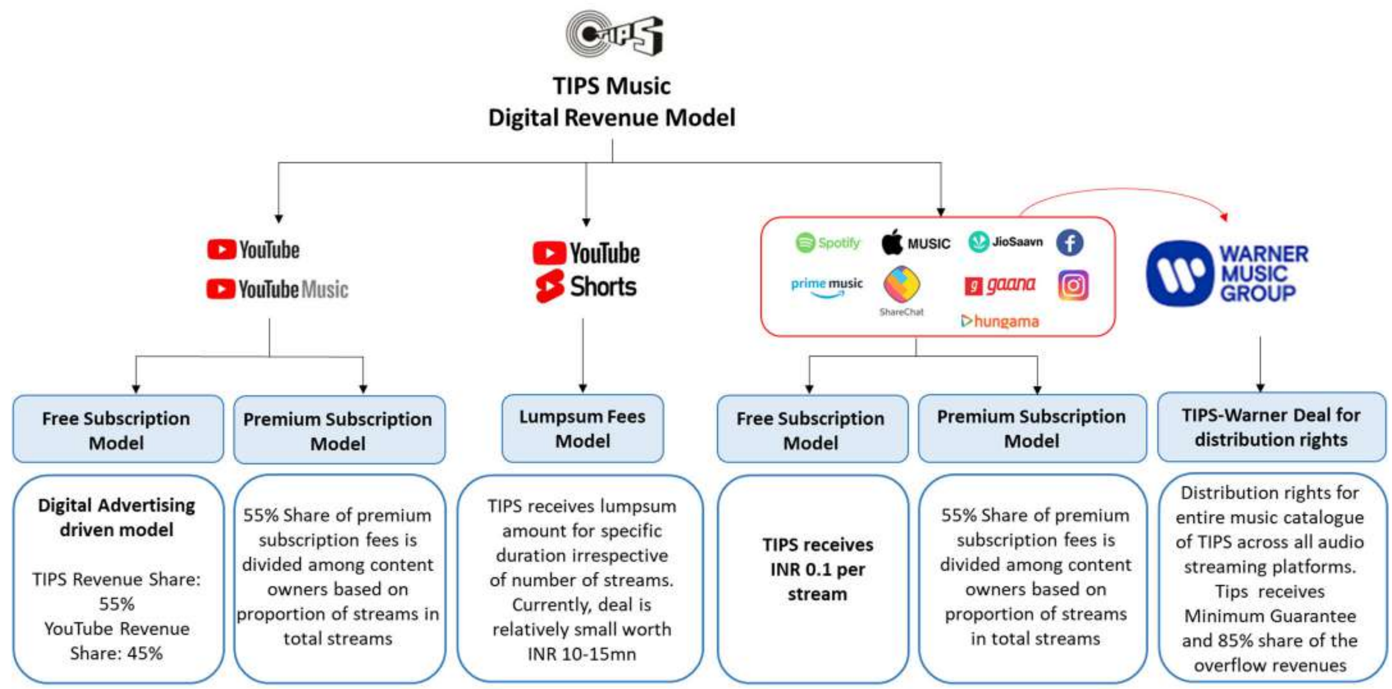
Source: Company, YES Sec

Revenue Mix

Digital Revenues:

- Digital segment contributes est ~79% of overall revenues for the company, out of which, YouTube is the key driver with est. 50% contribution to overall revenues while ~29% is contributed by other digital platforms. Digital revenues primarily consist of 1) Advertisement revenue (Free subscription model) 2) Subscription fees (Premium subscriber model)
- In the free subscription model for YouTube, company receives 55% of the Ad-revenue generated per stream while YouTube keeps 45% share.
- In the YouTube paid subscription model, est. 45% of the subscription fees is retained by YouTube while est. 55% share is distributed across different genres of consumption based on proportion in total number of streams by a particular user. For example, if a premium YT subscriber pays a monthly subscription fee of INR 100, YT will retain INR 45 with itself while INR 55 will be distributed across content owners based on the proportion of share in total streams.
- For YouTube shorts, Tips currently has a deal based on lumpsum compensation est. at INR10-15mn, irrespective of the number of views generated.
- For other digital platforms, company works on fixed revenue / stream model for free subscribers and typically charges est. INR 0.1/ stream while in case of premium subscriber, model is similar to that of YouTube.
- Deal with Warner Music: Company has recently entered into an agreement with Warner Music Co, one of the leading music labels globally. As a part of this deal, Warner music will get access to entire music catalogue of Tips including regional content and distribution rights for all digital platforms globally, except YouTube. This deal, which extends for 4 years, entails significant minimum guarantee for Tips music along with 85% share in the overflow revenue, if any. This deal ensures presence of TIPS songs across all major platforms. Further, TIPS benefits from better negotiating power of Warner Music, given it is ranked among top three music distribution platforms globally.

Exhibit 32: TIPS Music: Digital Revenues Business Model



Source: Company, YES Sec

Non-Digital Revenues:

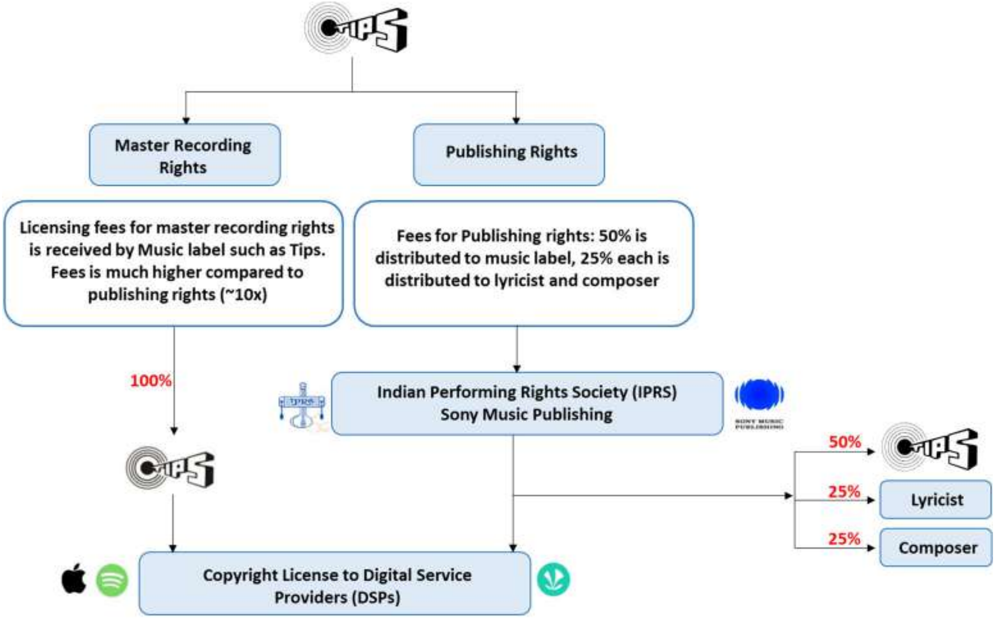
- Non-digital revenue comprises 1) Synchronization 2) Publishing revenues 3) TV Broadcasting rights 4) Live performances. Non-digital segment contributes est. 20-25% to overall revenue mix for Tips, with each sub-segment contribution at est. 7-8%.
- **Synchronization deal:** This entails licensing of music to brands for use in advertising campaigns. As a part of deal, Tips receives fixed licensing fees for use of its content for a specific duration. Company is actively exploring various brand partnerships for use of its music content in Ad campaigns. Recently, Tips has partnered with Motorola for Ad campaign under sync deal.

Exhibit 33: Synchronization Deals

Source: Company, YES Sec

- **Publishing revenues**
  - Publishing revenue consists of licensing fees collected from various distribution platforms including digital streaming services, radio and films. Globally, platforms have to purchase master recording rights as well as publishing rights to use content. Publishing rights generally cost around est. ~10% of master recording rights, which is further distributed between music label, lyricists and composer. Music label receives 50% of the publishing fees while rest is split equally between lyricists and composer.
  - In India, fee for publishing rights is collected by Indian Performing Rights Society (IPRS). IPRS issues license for the use of copyrighted music content and collects royalties from music users on behalf of content owners.
  - TIPS has entered into an agreement with Sony Music Publishing to enhance its global reach by leveraging Sony's wide distribution network. This provides more monetization opportunities for Tips' music catalogue and artists. Sony Music Publishing collects royalties on behalf of Tips on commission basis. This results in better oversight on content usage globally with improved royalty collection.

Exhibit 34: Publishing rights: Revenue collection model



Source: Company, YES Sec

- **TV Broadcasting**
  - Company provides content rights to various TV broadcasters for use in reality shows, serials etc. TIPS receives fixed licensing fees for use of its content for a specific duration.

Exhibit 35: TV Broadcasting Partnerships

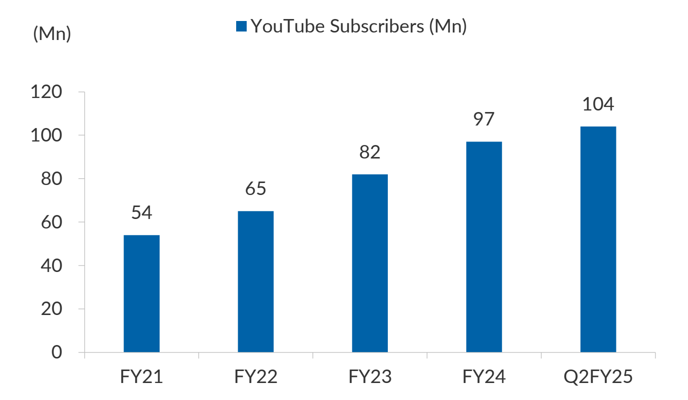
Source: Company, YES Sec

- **Live Performances**
  - TIPS generates revenue from use of its music in live events such as music concerts, weddings and parties. Event organizers have to acquire license for using copyrighted content. This fee is collected by third-party agencies. Tips has partnered with various agencies for collection of this revenue. Stricter implementation of licensing laws can provide significant boost to revenue from live performances in the medium term.

Robust Subscriber base and views on YouTube:

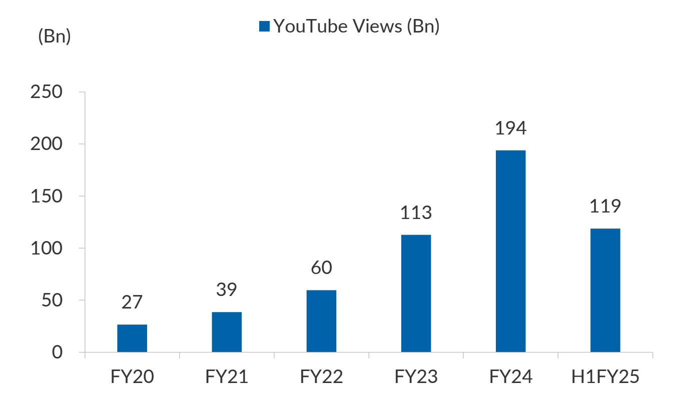
TIPS Music has more than 104mn subscribers across its YouTube channels. Company has received more than 194bn views in FY24 and has surpassed cumulative ~500bn views over past 5 years. Robust subscriber base ensures ready audience for new content released, thus ensuring large number of streams for superhit songs in a short period.

Exhibit 36: Robust Subscriber base on YouTube...



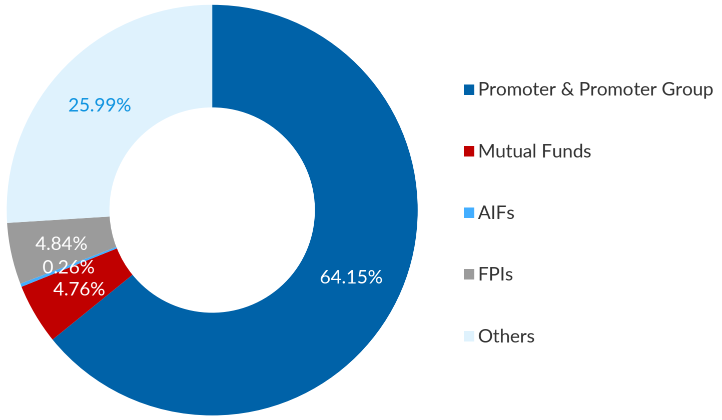
Source: Company, YES Sec

Exhibit 37: Resulting in sharp growth in number of views



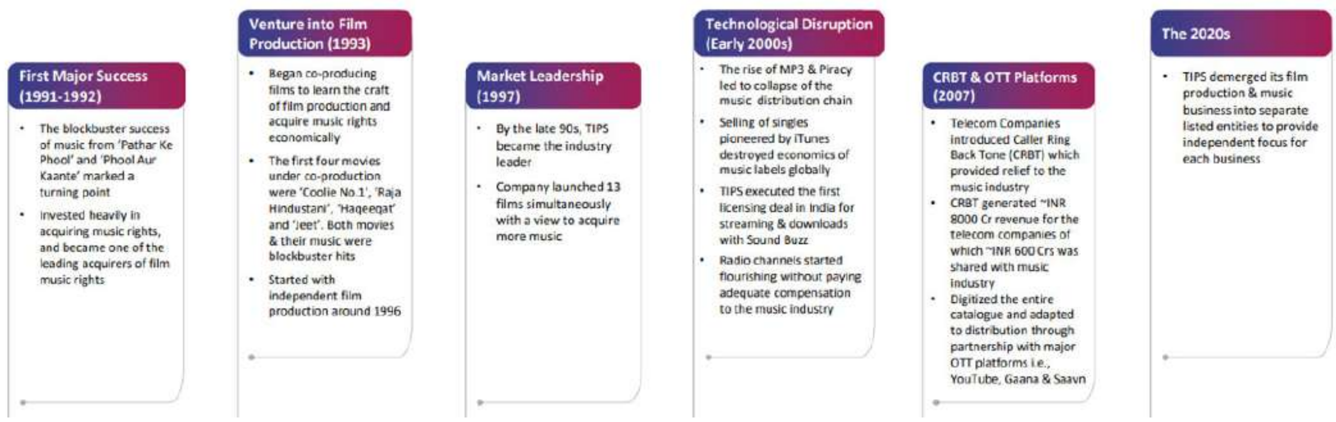
Source: Company, YES Sec

Exhibit 38: Shareholding Pattern – Sep'24



Source: Company, YES Sec

Exhibit 39: TIPS Music: Promoter's Journey



Source: Company, YES Sec

Exhibit 40: Board of Directors

Mr. Kumar S. Taurani *Chairman & Managing Director*	Mr. Kumar S. Taurani is the Chairman & Managing Director of the Company, having guided the Company since inception to its current leadership position. He is currently the Chairman of the Indian Music Industry as well under which two royalty bodies PPL and IPRS operate.
Mr. Ramesh S. Taurani *Executive Director*	Mr. Ramesh Taurani, one of the leading media industry veterans is the executive director of Tips Music. He, along with his brother Mr. Kumar Taurani started their musical journey in the early 1980s with a repertoire of regional and devotional music titles, venturing into popular Hindi film music at a later stage. Under his stewardship, TIPS has produced music albums of many stalwarts as well as introduced many new artists.
Mr. Girish Taurani *Executive Director*	Mr. Girish Taurani holds a bachelor's degree in commerce. He has rich experience in the business of Media and Entertainment Industry and has expertise in the field of Music. He is in-charge of the overall responsibilities of operating the Music and Digital Business of the Company. He has been playing a pivotal role in expansion and overall management of the business of the Company.
MRS. TARA SUBRAMANIAM *Independent Director*	Ms. Tara Subramaniam holds a bachelor's degree in law from University of Bombay. She has over 40 years of experience in the field of banking, real estate, project finance and business development. She is a Maha RERA Conciliator and a member of the governing council of the National Real Estate Development Council (NAREDCO) and has also served as the Founder President of MAHI, the women's wing of NAREDCO.
Mr. Chandrashekar Ponnuswamy *Independent Director*	Mr. P Chandrashekar holds bachelor's degree in commerce from R. A. Podar College of Commerce and Economics, Mumbai and MMS from NMIMS, Mumbai. He has rich and varied experience of more than 43 years as a Business Professional with a strong grounding in Finance. He has worked with companies such as Jumbo Group, RsPG Group, CEAT, DHL India etc.
Mr. Rajan Singh *Independent Director*	Mr. Rajan Singh is an Electrical Engineering graduate from IIT Kanpur. Post-graduation, he joined the Indian Police Service and served many years as the Trivandrum Police Commissioner. He was appointed as the police chief at the age of 28, Rajan headed the 3,500 strong Capital City police force. Later, he joined the MBA program at Wharton Business School and worked as a consultant with McKinsey in New York. He also worked as an investment professional at New Silk Route, a billion-dollar private equity fund.
Mr. V. S. Iyer *Independent Director*	Mr. Venkitaraman S. Iyer holds master's degree in Commerce and is a Practicing Chartered Accountant, having wide range of exposure and experience in the field of Corporate Laws, Finance, Audit and Taxation matters.

Source: Company, YES Sec

INVESTMENT RATIONALE

Strong Industry tailwinds to support subscriber addition:

Growth in free subscriber base: Currently, music streaming in India has an audience of approximately 185mn. The audience has grown rapidly over past few years, especially since pandemic, as consumers got more used to online consumption of content.

India has ~640mn smartphone users and ~1,059mn data subscriptions, much larger than music streaming audience of ~185mn. Further, number of video viewers in India are ~563mn as of CY23 and are expected to reach ~728mn by CY26E at 9% CAGR. Readily available video viewing audience is likely to convert to the music streaming audience in the medium term. This will be accelerated by easy access of musical content across platform at no or minimal fees. Additionally, diversification of music content with addition of more regional and multilingual content across genres will help add listeners. Thus, we believe, the growth in free subscribers is likely to continue in the medium term as total addressable market in India is significantly higher than current audience. As per industry reports, music streaming audience is expected to double over next three years and reach 360mn by 2026E at a ~25% CAGR.

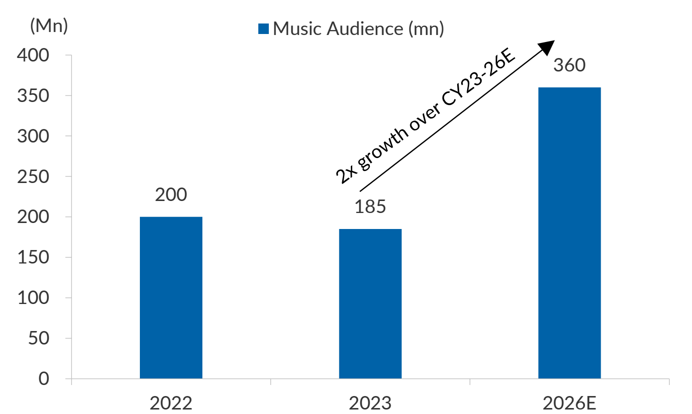
Rise of digital advertising: Over CY19-24E, share of digital advertising has increased from 20% in 2019 to ~50% in 2024E. This sharp increase has been in-line with growth in the digital audience for audio-video content. This has prompted Indian brands to shift towards digital advertising, away from traditional mediums of advertising. Digital advertising is expected to surpass INR 800bn by 2026E with more than ~55% share of total advertising.

We believe TIPS music is well-positioned to benefit from this trend. With strong music catalogue of over 31,000+ songs and consistent new launches, TIPS is likely to see sustained growth in subscribers and views over the coming period, driving revenue growth for the company.

Growth in premium subscription: India has premium subscriber base of ~7.5mn as of CY23. Premium subscriber base has grown at a CAGR of 55% over CY20-23, albeit on a low base. Factors such as rising affluence among Indian consumers, restricted features for free users on streaming platforms, convenience are likely to drive growth in the premium subscribers in future. Premium subscribers are expected to grow 2-2.5x from current levels in next 3 years and reach 15mn as per industry reports. Also, premium subscriptions have potential to reach 4-5x at 35-40mn users over next 4-5 years. This offers significant headway for growth. Further, premium subscriptions offer better realization at 2-2.5x of free subscriptions (INR 0.2-0.25 / stream). Hence, growth in premium subscriber base bodes well for leading music label like Tips.

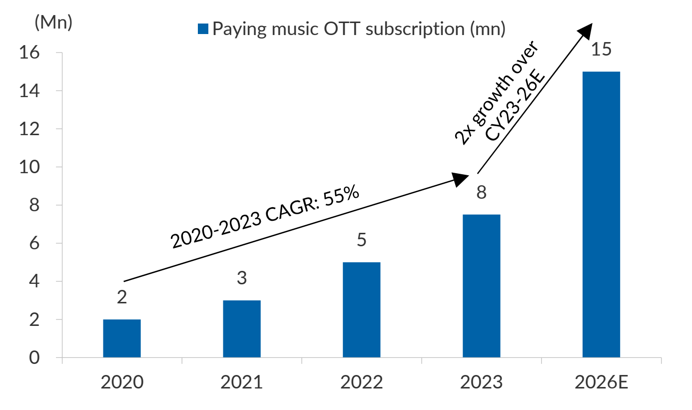
We expect TIPS Music to register revenue CAGR of ~38% over FY24-27E, led by combination of growth in Ad-revenue and premium subscriptions.

Exhibit 41: Music Audience to double over CY23-26E



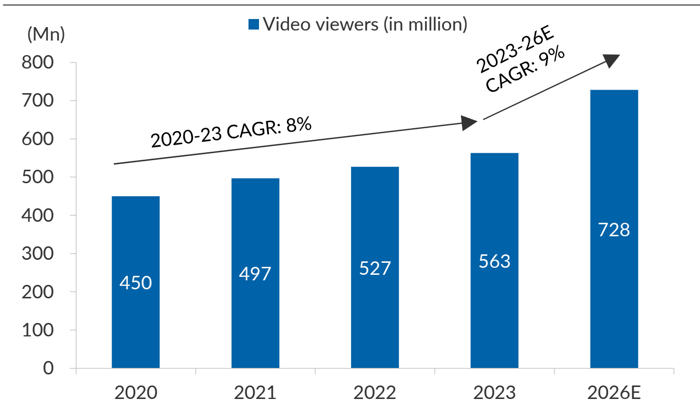
Source: Industry Reports, YES Sec

Exhibit 42: Premium users to grow 2-2.5x by 2026E



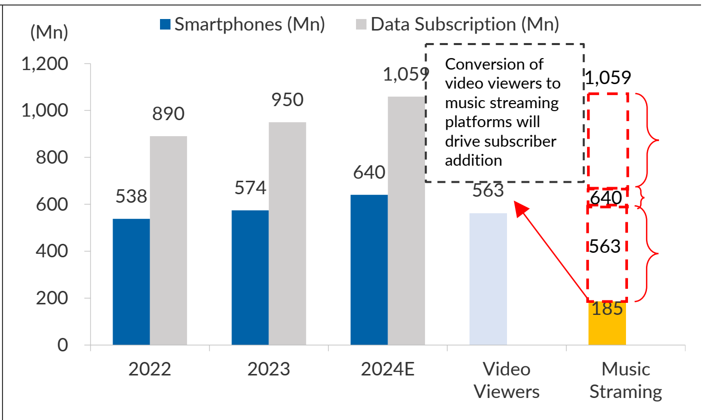
Source: Industry Reports, YES Sec

Exhibit 43: Video viewing audience in India is much larger than music streaming and growing



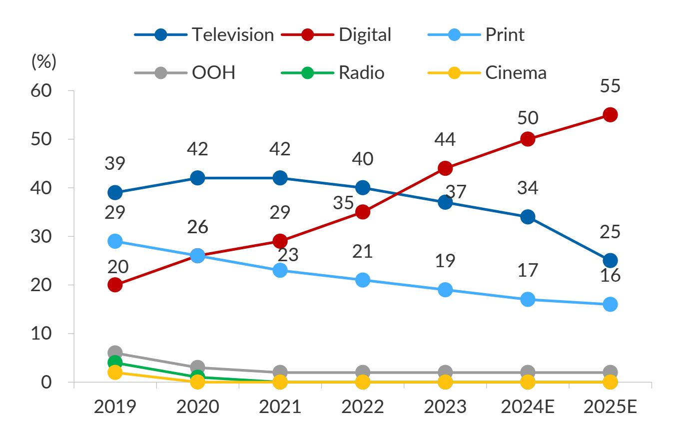
Source: Industry Reports, YES Sec

Exhibit 44: Total addressable market for music streaming is significantly higher



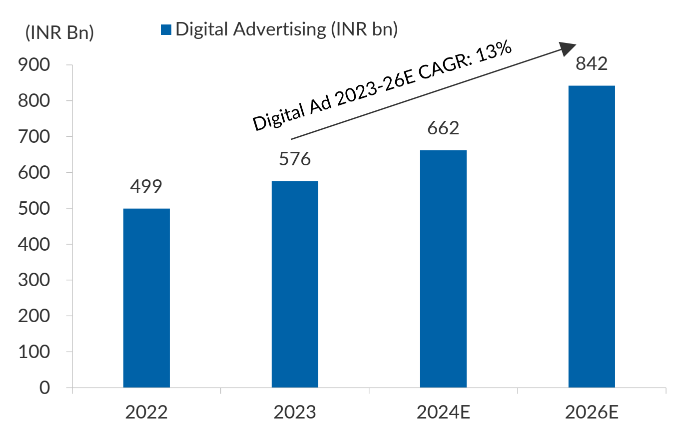
Source: Industry Reports, YES Sec

Exhibit 45: Growing share of digital advertising to drive Ad-based revenue for music labels



Source: Industry Reports, YES Sec

Exhibit 46: Digital advertising to grow at 13% CAGR over 2023-26E



Source: Industry Reports, YES Sec

Exhibit 47: Platform-wise listening restrictions for free subscribers

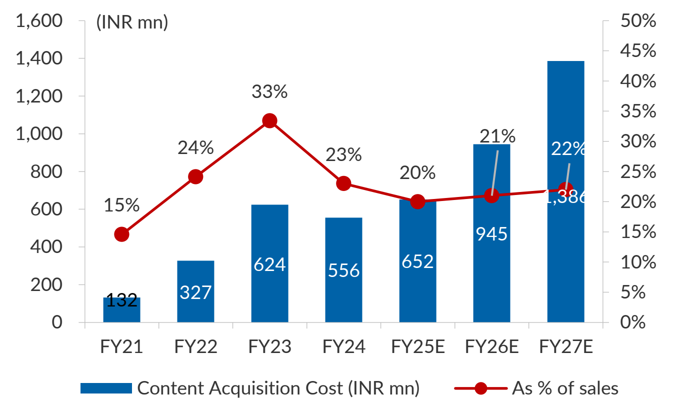
Platform	Free Subscription	Ad-free Music		Download		Background Play		Rewind / Repeat Songs		Reshuffle Playlist	
		Free	Premium	Free	Premium	Free	Premium	Free	Premium	Free	Premium
YouTube / YT Music	✓	✗	✓	✗	✓	✗	✓	✓	✓	✓	✓
Spotify	✓	✗	✓	✗	✓	✓	✓	✗	✓	✗	✓
Apple Music	✗	-	✓	-	✓	-	✓	-	✓	-	✓
Gaana	✗	-	✓	-	✓	-	✓	-	✓	-	✓
Jio Saavn	✓	✗	✓	✗	✓	✓	✓	✓	✓	✓	✓
Resso	✗	-	✓	-	✓	-	✓	-	✓	-	✓

Source: YES Sec

Prudent content acquisition strategy:

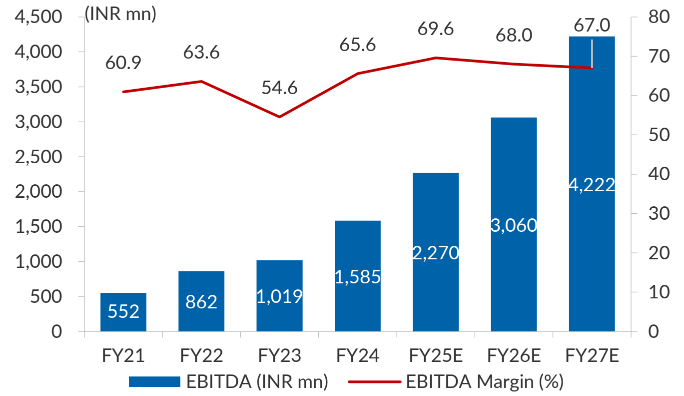
- TIPS Music has number of superhits attributed to its name over the years. It has ~60% market share in 90's music on account of acquiring/ producing 90's superhits like Khalnayak, Phool Aur Kaante, Soldier, Coolie No.1, Raja Hindustani, Rangeela, Gupt, Pardes, Taal, Raaz, etc.
- In the recent times, company is behind musical blockbusters such as Ajab Premi ki Gazab Kahani, Prince, Ramaiya Vastavaiya, Race (Franchise) etc. It has also acquired regional Tamil blockbusters film music like Ponniyin Selvan1 and 2. Over past few quarters, company has produced musical blockbusters like Crew and Ishq Vishq Rebound.
- Over the decades, TIPS Music has been home to all popular artists, including Alka Yagnik, Udit Narayan, Kumar Sanu, Sonu Nigam, Atif Aslam, Badshah, Diljit Dosanjh, Arijit Singh, A.R. Rehman, B Praak, to name a few.
- Cost consciousness: Company has followed prudent content acquisition strategy over the years, benefiting from its vast experience in creating and acquiring musical content. Company's understanding of music and its creative process helps in gathering insights on costs and expected returns. Thus, management is able to maintain cost consciousness while acquiring music rights.
- Content acquisition costs skyrocketed: Content acquisition cost in Indian music industry has skyrocketed in last few years. Competition to acquire music rights for big budget Bollywood as well as regional films has increased significantly. For example, movies such as RRR (INR 250mn), Saaho (INR 220mn) and Baahubali 2 (INR 100mn) witnessed high-value sale of audio rights. Music rights for 'Pushpa: The Rule – Part 2' were sold for estimated INR 650mn while 'Fighter' music rights were sold at estimated INR 350mn. Regional films such as Telegu film – 'Sarkaru Vari Paata' witnessed sale of audio rights at INR 45mn. TIPS has consciously refrained from entering such high value purchases, given uncertainty in the extent of popularity songs can garner among listeners.
- This ensures optimum break-even for new content. Company's threshold for payback period for a new song is estimated at 3 to 4 years. Management has guided for content acquisition cost at less than 30% of sales on an annual basis. Thus, EBITDA margins are expected to remain healthy over FY24-27E. We expect EBITDA margin in the range of 67-70% over FY24-27E.
- Management expects 30% of the content to flow in from self-production, 35% of the content is expected from acquisition in other films while rest 35% is expected to flow in from TIPS Films.
- Asset-light business model: Since inception, TIPS has followed an asset-light business model, in which 100% of the content cost is written off from profit & loss statement in the quarter of release with no capitalization and no pending write-offs in the future. This results in improved return ratios and relatively stable margins. Further, content acquisition is entirely funded through internal accruals, which ensures no leverage on the balance sheet.
- Consistent focus on new songs addition: TIPS has consistently focused on new songs addition on both films and non-film side. FY23 and FY24 saw sharp increase in content addition with 896 and 733 songs added respectively. H1FY25 saw 222 new releases. Management has guided for 300-350 new releases in FY25. Going forward, management plans to focus on quality over quantity in terms of new releases. Thus, pace of new releases is expected to moderate in future. However, investment per song is likely to increase.
- Focus on low to medium budget films music: As a part of its content acquisition strategy, TIPS Music management plans to focus on low to medium budget films. Following this strategy, company has delivered hits such as Crew and Ishq Vishq over past few months.

Exhibit 48: Content acquisition cost as % of sales to moderate over FY24-27E due to superior sales growth



Source: Company, YES Sec

Exhibit 49: EBITDA margins to remain healthy led by moderate content costs and operating leverage



Source: Company, YES Sec

Exhibit 50: Classic superhits released by TIPS with more than 100mn streams

Source: Company, YES Sec

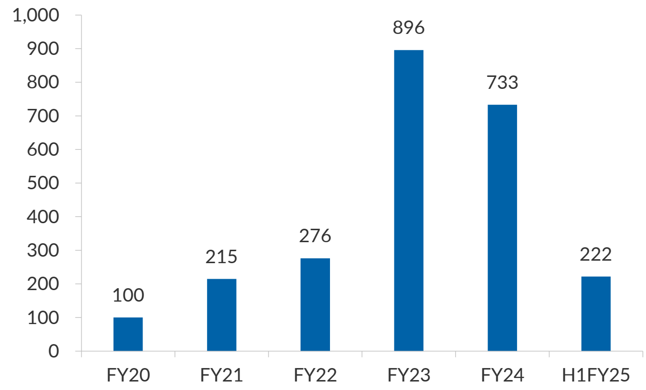
Exhibit 51: Blockbusters delivered in recent times

Source: Company, YES Sec

Exhibit 52: TIPS Music: Consistent New Content Addition across genres and languages

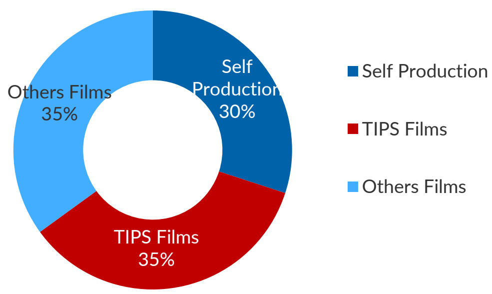
Source: Company, YES Sec

Exhibit 53: Trend in new songs addition; management to focus on quality over quantity going forward



Source: Company, YES Sec

Exhibit 54: Balanced Content Acquisition Strategy



Source: Company, YES Sec

Synergies from TIPS Films:

TIPS Films Limited is engaged in the business of production and distribution of films, web-series and related content on various platforms. TIPS films was demerged from TIPS Music in March 2022, in order to pursue independent growth strategies, efficient management control and unlock value of both businesses.

Post demerger, TIPS music enters into various agreements with TIPS films on a regular basis, mainly for acquisition of the audio-video rights for new content. Such transactions are done at arm's length basis with valuation of content evaluated by external auditor.

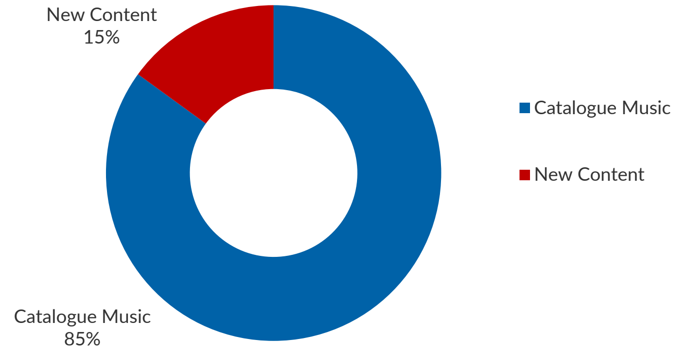
Music produced by TIPS films is solely acquired by TIPS music at fair valuation, which provides ready content to TIPS music. TIPS films plan to release est. 10-12 films over next 3 years. Assuming 4-5 songs per films, TIPS Music can acquire 50 to 60 songs from TIPS films. Direct acquisition from TIPS films allows TIPS Music to stay away from bidding war, which ensures better ROI.

Strong Music Catalogue:

One of the strongest assets of TIPS is its rich and evergreen music collection. It enjoys music catalogue of 31,000+ songs across all genres and major languages. Company generates ~85% of its revenue from catalogue music while ~15% is generated from new content.

The Copyright (Amendment) Act, 2012 protects music copyrights for 60 years in India. This is the longest period of protection when compared to any other type of IPR in India. Thus, diversified and evergreen catalogue acts as a key moat to the business, with long shelf life and multiple monetization opportunities.

Exhibit 55: Revenue Break-up: Catalogue Music vs New Content



Source: YES Sec

Deal with Warner Music; Presence across key platforms:

TIPS Music has renewed its agreement with Warner Music Co. for the duration of 4 years. Earlier deal with Warner Music, made in 2020, was of a smaller magnitude, with access to only Hindi catalogue of TIPS consisting of 13,000 songs. Also, distribution rights were primarily for international Digital Service Providers (DSPs).

Under a new deal, Warner Music will take on the commercial and distribution responsibilities for all TIPS Music's frontline and catalogue music on all audio streaming apps (Ex-YouTube), which spans across 23 Indian languages and 31,000+ songs. Minimum Guarantee (MG) will be provided to TIPS Music each year in advance, which will be est. ~10x compared to earlier deal as per management. Additionally, overflow revenue will be split in 85:15 ratio in favor of TIPS, post completion of deal at the end of 4 years.

TIPS Music will benefit from better negotiating power of Warner Music, given its position among leading music labels globally. Warner Music also offers specialist commercial support across various DSPs to land key playlist spots across frontline and catalogue releases. Also, TIPS content will be available across all major platforms, with addition of key platforms such as Meta, ShareChat, Moj, Hungama etc. All these factors should bode well for better distribution and in turn, better monetization of TIPS content.

Growth in Non-digital revenues:

Stricter implementation of Licensing laws in India as well as globally over past few years should yield positive results for recorded music industry in the coming period.

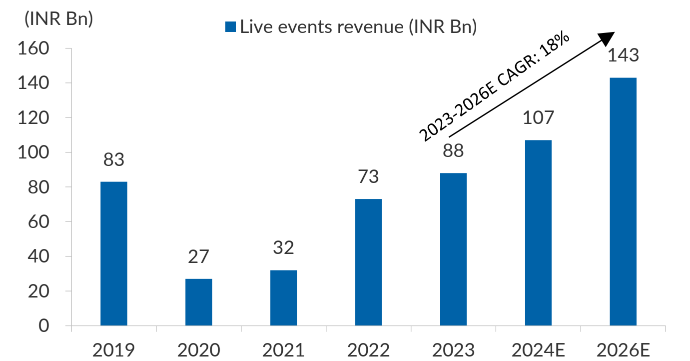
Growth in Publishing Income: Publishing income comprises of licensing fees for publishing rights of copyrighted content. Indian Performing Rights Society (IPRS) undertakes collection of license fees and distribution of licenses in India. Efficient collection from DSPs in India should bode well for TIPS Music, given its vast music catalogue.

Globally, TIPS Music has signed a global publishing agreement with Sony Music Publishing. This allows Sony to collect publishing income on behalf of TIPS Music globally (Ex-India) on commission basis. The agreement also covers administration, synchronization, and promotion of TIPS catalogue, which should help in expanding reach and audience of TIPS Music globally.

Synchronization Deals: TIPS is actively pursuing collaborations with various brands to utilize its songs in brand campaigns. It has set up a separate team to explore opportunities for Sync deals. Till now, company has partnered with brands such as boat, Coca-Cola, Netflix, Tata Sky etc. Recently, company did a sync deal with Motorola, using song 'Rangeela Re', which was used in advertisement showcasing new range of colorful mobile phones. More such deals are in pipeline as per mgmt.

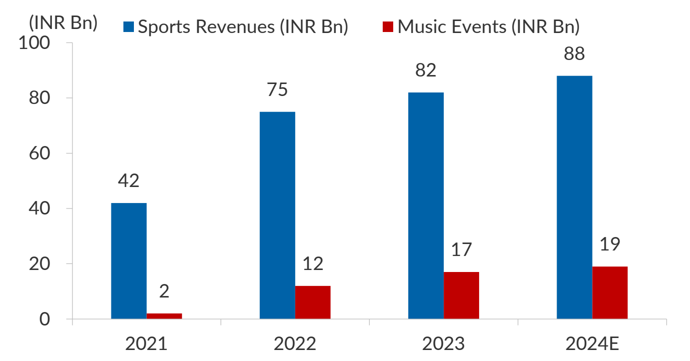
Live Performances: Live events industry has reached INR 88bn as of CY23 and is expected to grow at a 18% CAGR over CY23-26E. Music concerts / events are significant portion of live events industry. Stricter implementation of licensing laws in India has resulted in improvement in licensing fees from events such as music concerts, weddings and parties. TIPS Music has tied up with third-party agencies to ensure efficient collection of licensing fees from live events.

Exhibit 56: Organized live events industry is expected to grow at 18% CAGR over CY23-26E



Source: Industry reports, YES Sec

Exhibit 57: Music events is a key part in total ticketing revenues from live events



Source: Industry reports, YES Sec

Rise of Short Videos:

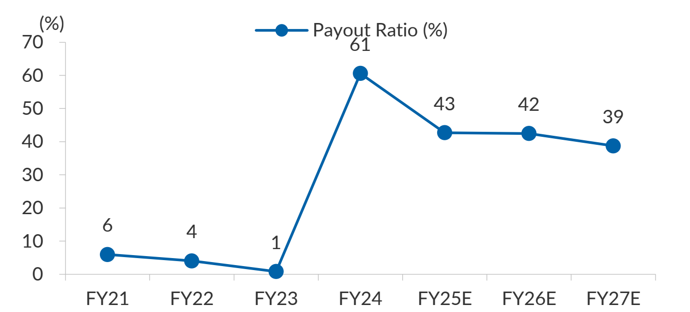
Growing popularity of short videos on key digital platforms like YouTube, Meta etc. can result in better monetization through digital advertising in coming period. Short videos garner large number of views, however, monetization is very low. For YouTube shorts, TIPS has a fixed revenue deal of estimated INR 10-15mn per year. YouTube is likely to come up with monetization plan for short videos, while other key platforms can follow suit. Given its growing popularity, short videos can act as incremental revenue driver for TIPS in the medium term.

Consistent dividend payouts and share buyback:

TIPS Music is a net cash company with high Free Cash Flow (FCF)/EBITDA ratio. Content acquisition costs are targeted to be under 30% of sales and are funded through internal accruals. Thus, company has no leverage and minimal capex requirements.

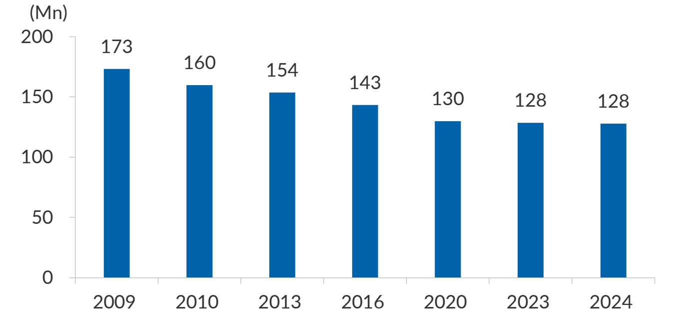
Mgmt has been consistently rewarding shareholders by distributing dividends each year since FY15. Company has also launched share buybacks periodically over last two decades. Over FY24-27E, we expect cumulative dividend payout of INR 2.5-3bn with dividend payout ratio of ~40%, enhancing shareholder value.

Exhibit 58: Dividend payout est. at ~40% over FY24-27E



Source: Company, YES Sec

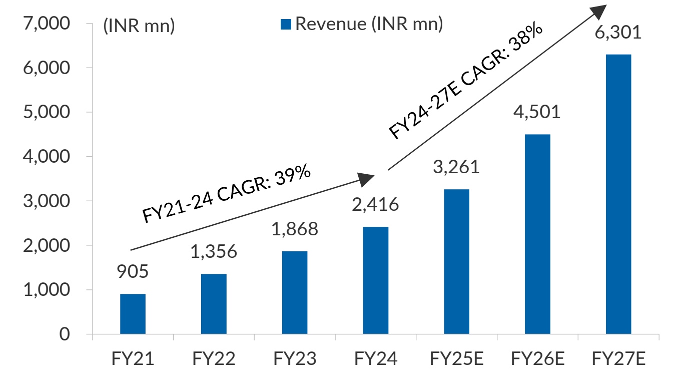
Exhibit 59: Consistent share buybacks over 2009-2024



Source: Company, YES Sec

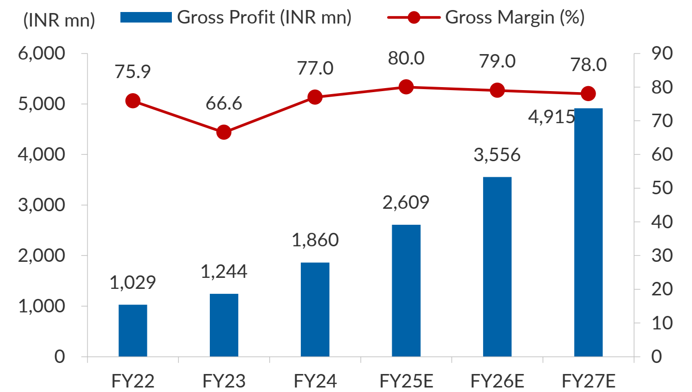
ANNUAL FINANCIALS

Exhibit 60: Revenues to register 38% CAGR over FY24-27E, led by growth in free and premium subscription



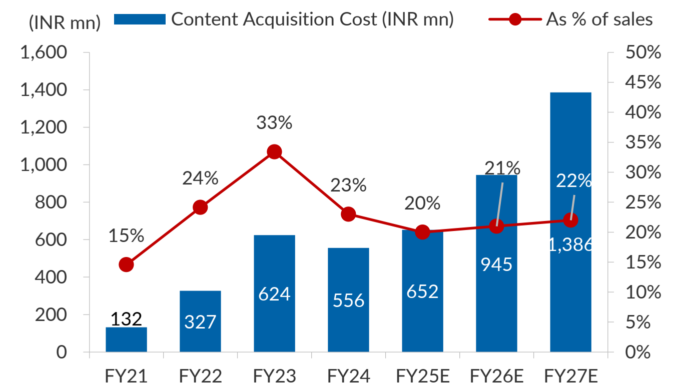
Source: Company, YES Sec

Exhibit 61: Gross margins to remain broadly stable over FY24-27E, in-line with content acquisition cost



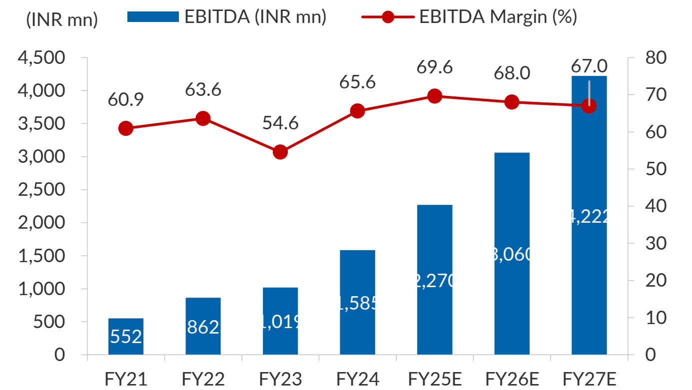
Source: Company, YES Sec

Exhibit 62: Content acquisition costs expected to moderate over FY24-27E



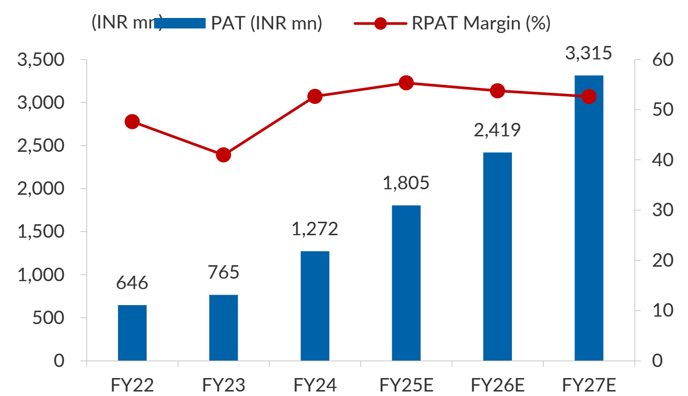
Source: Company, YES Sec

Exhibit 63: EBITDA margins to remain healthy with moderate content costs and operating leverage



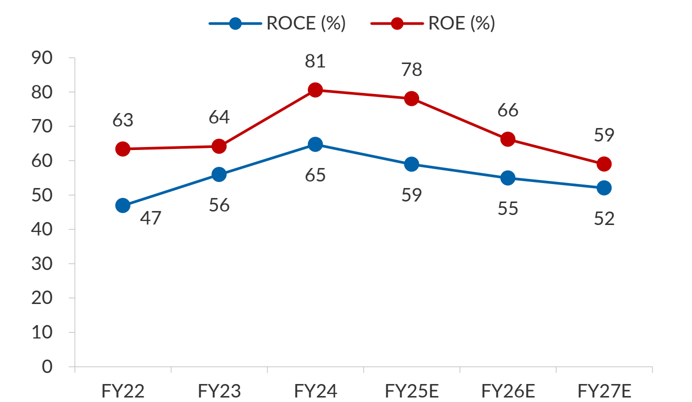
Source: Company, YES Sec

Exhibit 64: PAT to register 38% CAGR over FY24-27E



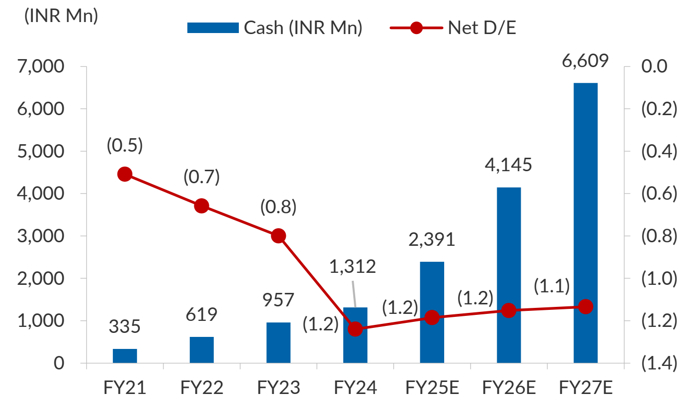
Source: Company, YES Sec

Exhibit 65: Return ratios to normalize over FY24-27E



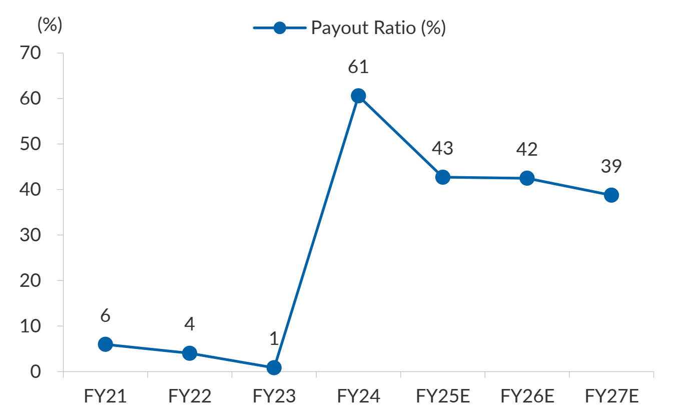
Source: Company, YES Sec

Exhibit 66: Trend in Cash and Net D/E



Source: Company, YES Sec

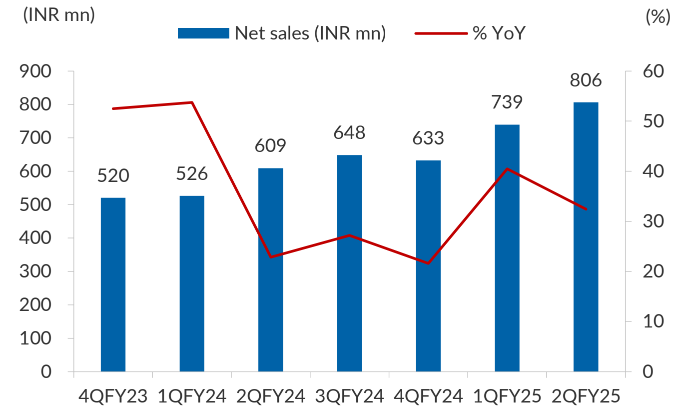
Exhibit 67: Trend in Dividend Payout Ratio



Source: Company, YES Sec

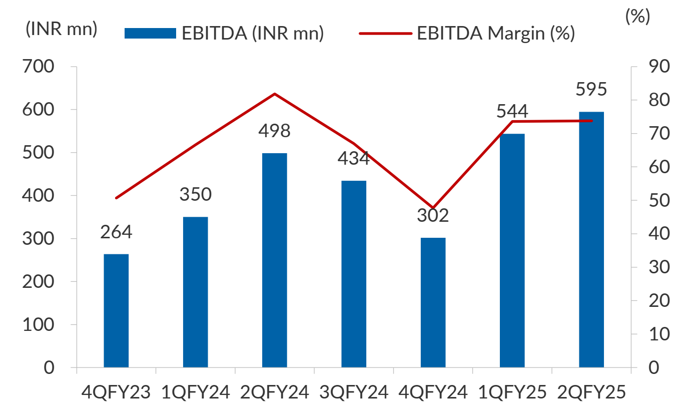
QUARTERLY FINANCIALS

Exhibit 68: Quarterly revenue trend shows steady growth momentum



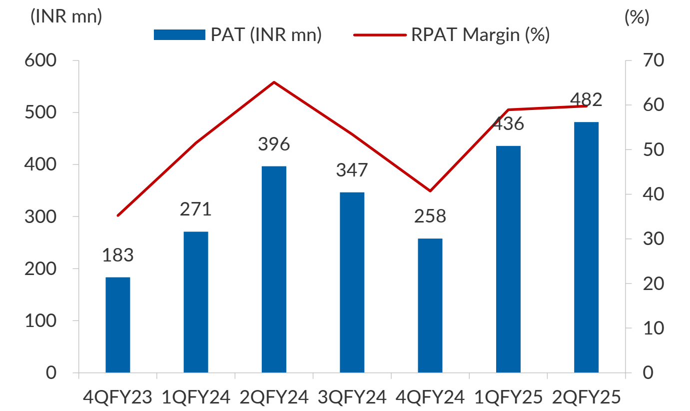
Source: Company, YES Sec

Exhibit 69: EBITDA and Margin trend



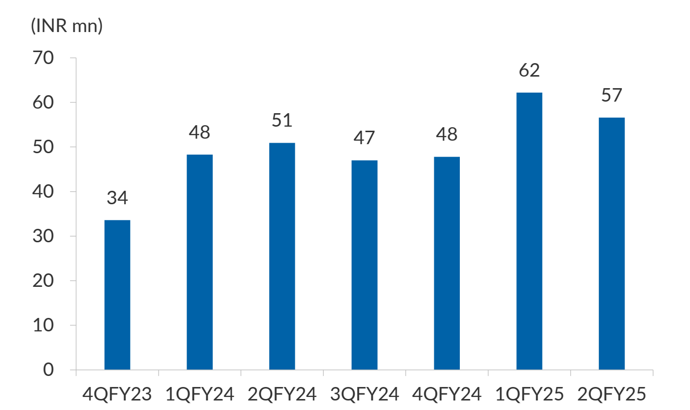
Source: Company, YES Sec

Exhibit 70: PAT and Margin trend



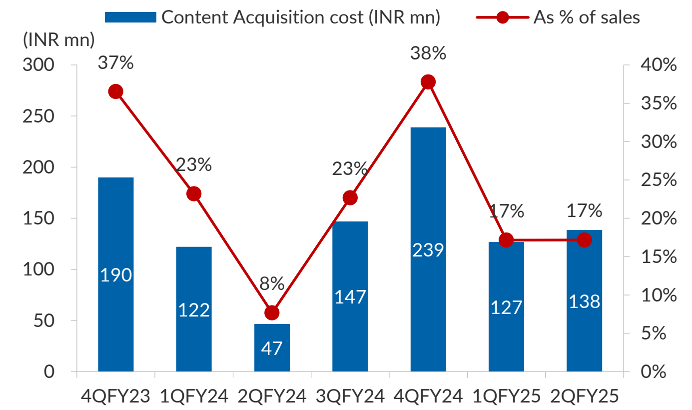
Source: Company, YES Sec

Exhibit 71: Quarterly YouTube views on upward trend



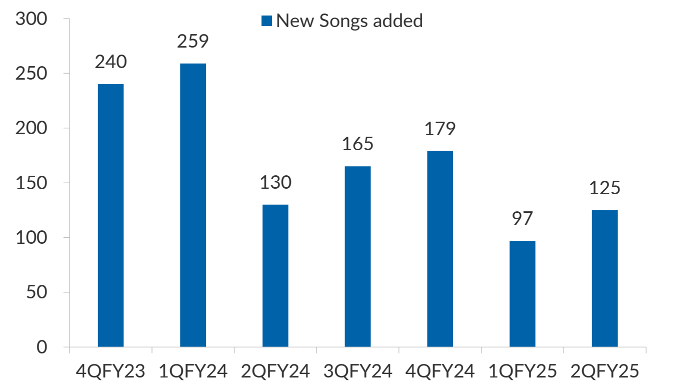
Source: Company, YES Sec

Exhibit 72: Content acquisition costs have seen QoQ volatility



Source: Company, YES Sec

Exhibit 73: New content addition has moderated with shift towards quality over quantity, but remains healthy



Source: Company, YES Sec

VALUATION AND VIEW

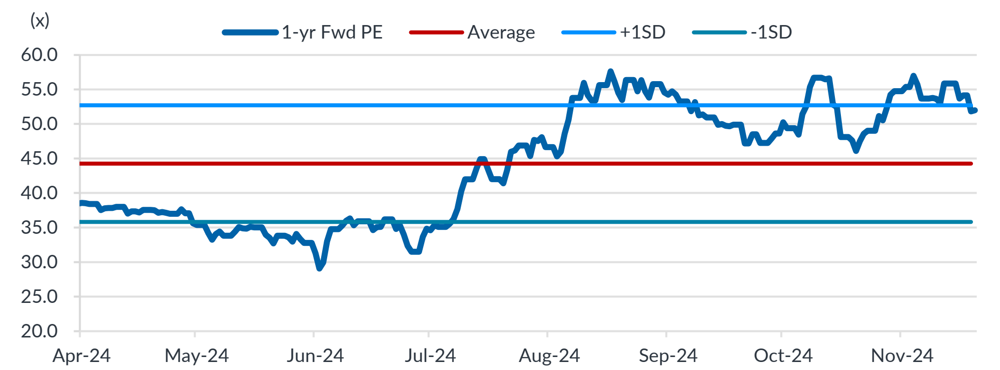
TIPS Music is one of the leading music labels in India. Rapid evolution of digital ecosystem in India with adaption of smartphones and data subscriptions have created a favorable environment for digital consumption of content and in turn, for Indian recorded music industry. Rising share of digital advertising should help sustain growth momentum for music industry as free subscriber addition for music labels can continue at healthy pace. TIPS Music, being one of the leading labels with diverse music catalogue of 31,000+ songs make it a key beneficiary.

We expect company to register revenue CAGR of 38% over FY24-27E, led by combination of growth in free subscribers supporting ad-revenues and growth in premium subscribers. Steady growth in non-digital revenues driven by stricter implementation of licensing laws in India as well as globally should also support growth.

Content acquisition costs are expected to remain steady supporting gross margins. Operating margins should benefit from operating leverage. We expect OPM to remain steady over FY24-27E in the range of 67-70%. We expect company to post RPAT CAGR of 38% over FY24-27E.

Given strong earnings growth prospects with good visibility, consistent new launches and diverse music catalogue, we value TIPS Music at target PE of 47x on Sep-26 EPS and assign target price of INR 1,050, implying upside potential of ~22%. We remain bullish on the Indian music industry and initiate coverage with BUY rating.

Exhibit 74: Trend in 1-year forward P/E



Source: YES Sec

FINANCIALS

Exhibit 75: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Networth	1,362	1,795	2,829	4,477	6,765
Equity Capital	128	128	128	128	128
Others	1,233	1,667	2,701	4,349	6,637
Debt	-	-	-	-	-
Deferred taxes	(5)	(6)	(6)	(6)	(6)
Lease liability	32	760	760	760	760
Minority					
Total	1,389	2,549	3,583	5,231	7,519
Fixed assets	51	80	91	91	90
ROU assets	-	-	-	-	-
Other Non-Current Assets	224	547	547	547	547
Investments	-	-	-	-	-
Cash & liquid	1,089	2,225	3,354	5,157	7,672
Net current assets	25	(303)	(408)	(564)	(789)
Misc exp	-	-	-	-	-
Total	1,389	2,549	3,583	5,232	7,519

Source: YES Sec

Exhibit 76: Profit & Loss Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	1,868	2,416	3,261	4,501	6,301
Content Cost	(624)	(556)	(652)	(945)	(1,386)
Gross profit	1,244	1,860	2,609	3,556	4,915
% of net revenues	66.6	77.0	80.0	79.0	78.0
Employee costs	(73)	(109)	(127)	(203)	(284)
% of net revenues	(3.9)	(4.5)	(3.9)	(4.5)	(4.5)
Other op costs	(151)	(166)	(212)	(293)	(410)
EBITDA	1,019	1,585	2,270	3,060	4,222
% of consol revenues	54.6	65.6	69.6	68.0	67.0
Depreciation/amortization	(13)	(20)	(19)	(20)	(21)
Ebit	1,006	1,565	2,251	3,040	4,201
% of consol revenues	53.8	64.8	69.0	67.5	66.7
Interest	(3)	(3)	(3)	(3)	(3)
Other Income	54	144	173	207	248
PBT	1,056	1,705	2,420	3,244	4,445
% of consol revenues	56.6	70.6	74.2	72.1	70.6
Taxes	(291)	(434)	(615)	(825)	(1,130)
Rate (%)	27.6	25.4	25.4	25.4	25.4
Less: Minority	-	-	-	-	-
PAT	765	1,272	1,805	2,419	3,315

Source: YES Sec

Exhibit 77: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash from operations	811	2,330	996	2,391	3,060
PAT	765	1,272	1,805	2,419	3,315
Add deferred tax	22	1	-	-	-
Add interest	3	3	3	3	3
Add depreciation	13	20	19	20	21
Less Other Income	(45)	(95)	(173)	(207)	(248)
Working capital change	90	1,128	(41)	(60)	(87)
Others	(38)	0	(618)	215	55
Cash from investments	(483)	(1,110)	143	187	228
Capex	(7)	(27)	(30)	(20)	(20)
Investments	-	-	-	-	-
Other Income	45	95	173	207	248
Others	(520)	(1,178)	-	-	-
Cash from financing	(435)	(848)	(10)	(774)	(774)
Equity	(401)	-	-	-	-
Direct reserve add	-	-	-	-	-
Debt	-	-	-	-	-
Interest costs	(3)	(3)	(3)	(3)	(3)
Dividends	(26)	(835)	(6)	(771)	(771)
Others/Repayment of lease liability	(5)	(10)	-	-	-

Source: YES Sec

Exhibit 78: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Ebit Margin (%)	53.8	64.8	69.0	67.5	66.7
Asset Turnover (x)	1.4	1.2	1.1	1.0	1.0
Financial Leverage (x)	1.1	1.2	1.3	1.2	1.1
Interest burden (x)	1.1	1.1	1.1	1.1	1.1
Tax Burden (x)	0.72	0.75	0.75	0.75	0.75
Adj RoE (%)	64.1	80.6	78.1	66.2	59.0

Source: YES Sec

Exhibit 79: Ratio Analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Revenue growth	37.8	29.3	35.0	38.0	40.0
Op profit growth	18.2	55.5	43.2	34.8	37.9
EBIT growth	17.7	55.6	43.8	35.1	38.2
Net profit growth	18.5	66.2	41.9	34.0	37.1
Profitability ratios (%)					
OPM	54.6	65.6	69.6	68.0	67.0
EBIT margin	53.8	64.8	69.0	67.5	66.7
Net profit margin	41.0	52.6	55.3	53.7	52.6
RoCE	55.9	64.7	58.9	54.9	52.0
RoNW	64.1	80.6	78.1	66.2	59.0
RoA	45.2	47.9	44.6	42.1	40.2
Per share ratios					
EPS	59.6	9.9	14.1	18.8	25.8
Dividend per share	0.5	6.0	6.0	8.0	10.0
Cash EPS	60.6	10.1	14.2	19.0	26.0
Book value per share	106.0	14.0	22.0	34.9	52.7
Valuation ratios					
P/E	15.1	90.7	63.9	47.7	34.8
P/CEPS	14.2	85.7	60.7	45.4	33.2
P/B	8.5	64.2	40.8	25.8	17.0
EV/EBIDTA	10.3	71.9	49.7	36.2	25.7
Payout (%)					
Dividend payout	0.8	60.6	42.7	42.5	38.7
Tax payout	27.6	25.4	25.4	25.4	25.4
Liquidity ratios					
Debtor days	40	40	40	40	40
Inventory days	-	-	-	-	-
Creditor days	31	22	22	22	22

Source: YES Sec

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