

CMP: INR 646

Rating: Buy

Target Price: INR 785

Stock Info

BSE	532375
NSE	TIPSINDLTD
Bloomberg	TPS:IN
Reuters	TIPS.BO
Sector	Media & Entertainment
Face Value (INR)	1
Mkt Cap (INR Mn)	82,579
52 week H/L (INR)	950/346
Avg. Yearly Volume (in ,000)	385

Shareholding Pattern %

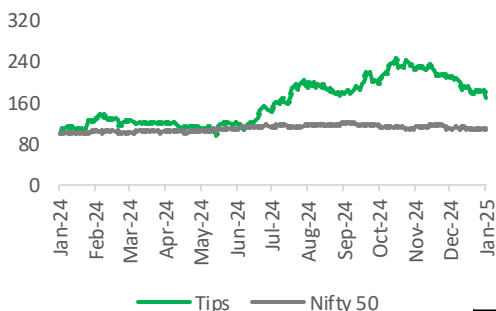
(Ason Dec,2024)

Promoters	64.15
Public & Others	35.85

Stock Performance (%) 1m 3m 12m

Tips	-20.4	-16.8	68.4
Nifty 50	-2.5	-5.2	9.02

Tips Vs Nifty 50



Tips Industries Q3FY25 revenue stood at INR 777 Mn, (+19.81% YoY, down by 3.65% QoQ) below with our estimate of INR 844 Mn. EBITDA for Q3FY25 was INR 556 Mn, marking a 28.0% YoY increase and a 6.55% QoQ decrease, Below our estimate of INR 619 Mn. EBITDA margin up by 458 bps YoY and down by 222 bps QoQ to 71.6% in Q3FY25, below our estimate of 73.4%. PAT for Q3FY25 was INR 442 Mn, representing a 27.62% increase YoY and a 8.17% decrease QoQ, below with our estimate of INR 478 Mn. PAT margin up by 349 bps YoY and down by 280 bps QoQ to 56.9% in Q3FY25, above our estimate of 56.6%. The content cost for the quarter stood at INR 146 Mn compared to INR 147 Mn in Q3FY24. TIPS Music Limited has declared a third interim dividend of INR 3 per equity share for the FY24-25.

Investment Rationale

Expanding Digital Presence and Partnerships: Digital platforms continue to be a cornerstone of growth for the company, with 75% of total revenue originating from digital streams. The company's collaboration with TikTok is projected to contribute to future revenues, especially as short-form video platforms integrate ads. The extension of video lengths on YouTube Shorts and Meta creates avenues for higher ad revenue, which could contribute as much as 25% of overall business in the coming years. Additionally, Spotify plays a key role in growing subscription-based revenues, currently achieving an annual growth rate of 40%. Tips' growing digital subscriber base, reaching 113 Mn YouTube followers, deepening its market presence. Such partnerships are set to strengthen the company's recurring revenue streams in an evolving music consumption landscape.

Focused Strategy on Content Quality over Quantity: In Q3FY25, Tips launched 116 new songs, comprising 40 film songs and 76 non-film tracks, signaling a strategic pivot toward quality content creation. Key tracks, such as "Jutti Kasuri" by Gippy Grewal and "Naina" from the movie *Crew*, have performed exceptionally well, with tracks like "Swami Shizmi" crossing 100 Mn streams on Spotify. The company plans to maintain content costs at 25-30% of revenue, ensuring a balanced approach to content investment and profitability. With INR 550-600 Mn earmarked for content acquisition in FY25, the strategy aligns with the goal of achieving long-term monetization.

Strong Catalog Performance and Legacy Monetization: Tips Industries' catalog, spanning 1988 to 2020, generates 80-85% of revenue, with classics remaining highly relevant through global performances and digital platforms. Hits by artists like Diljit Dosanjh and Jazzy B drive continued consumption, while lucrative re-creations further showcase the catalog's enduring value. With Spotify expanding into India's interiors, legacy content is poised for a surge, providing a strong foundation for future growth.

Outlook and Valuation: With increasing contributions from platforms like Spotify, YouTube, and Meta, and new monetization opportunities through partnerships like TikTok, Tips is well-positioned to capitalize on the growing digital music consumption. The management's focus on quality content, combined with plans to scale investments in FY26, ensures a sustainable growth trajectory. The company also sees significant potential in subscription revenues and ad monetization on short-form video platforms, which are expected to become major growth drivers over the next few years. **We expect Tips industries' revenue, EBITDA, and PAT to grow at a CAGR of 32.75%, 32.37%, and 31.70%, respectively, over FY25-27E. We maintain a "BUY" rating at a revised TP of INR 785 per share based on DCF; an upside of 21.5%.**

Exhibit 1: Financial Performance

Year-end March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA	P/E (x)
FY23	1,868	1,019	766	6.0	54.6%	80.4	108.4
FY24	2,416	1,585	1,272	9.9	65.6%	51.5	65.2
FY25E	3,141	2,273	1,821	14.2	72.4%	36.1	45.34
FY26E	4,146	2,978	2,356	18.4	71.8%	27.5	35.05
FY27E	5,534	3,983	3,159	24.7	72.0%	20.4	26.14

Source: Arihant Research, Company Filings

Exhibit 2: Q3FY25 - Quarterly Performance (Consolidated)

Quarterly Results					
Consolidated (INRMn)	Q3FY25	Q2FY25	Q3FY24	QoQ%	YoY%
Net sales	776.7	806.1	648.3	-3.6%	19.8%
Content Charge	145.5	138.4	147.2	5.1%	-1.2%
Employees benefits expense	30.2	27.9	26.0	8.4%	16.3%
Other expenses	45.2	45.1	40.9	0.2%	10.6%
EBITDA	555.8	594.7	434.2	-6.5%	28.0%
EBITDA Margin (%)	71.6%	73.8%	67.0%	-221.92	457.63
Depreciation & Amt.	5.5	5.5	4.4	-0.7%	24.6%
EBIT	550.3	589.2	429.8	-6.6%	28.0%
EBIT margin (%)	70.9%	73.1%	66.3%	-223.97	454.93
Other Income	41.5	55.9	34.4	-25.7%	20.7%
Finance Cost	0.7	0.8	0.7	-9.0%	4.1%
PBT	591.1	644.3	463.5	-8.3%	27.5%
Tax	148.9	162.7	117.0	-8.5%	27.2%
Reported PAT	442.3	481.6	346.5	-8.2%	27.6%
PAT margin (%)	56.9%	59.7%	53.5%	-280.24	348.51
EPS	3.5	3.8	2.7	-8.2%	28.2%

	Q3FY25	Q2FY25	Q3FY24	QoQ(Bps)	YoY(Bps)
Employee exp/Sales	3.89%	3.46%	4.01%	43.32	-11.64
Other exp/Sales	5.82%	5.60%	6.31%	22.09	-48.70

Source: Arianth Research, Company Filings

Tips Industries Q3FY25 Concall highlights

Guidance: Management is confident of achieving 30% YoY growth in both revenue and PAT for FY25, driven by digital revenue expansion and monetization of public performance rights. Emerging opportunities in subscription-based revenues, growing at 40% YoY, and ad monetization on short-form video platforms are expected to significantly boost future growth.

- Spotify's penetration into India's interiors and growing international markets are projected to drive long-term catalog consumption.

Catalog Monetization

- The catalog spanning 1988-2020 contributes 80-85% of revenue, with 20% of songs driving the majority of earnings. The company reported strong engagement at international events, with its catalog being featured in performances by artists like Jazzy B and Diljit Dosanjh.

Public Performance

- Public performance rights, managed through organizations like IPRS and NOX, continue to generate incremental revenues.

Digital Growth and Partnerships

- Digital platforms contributed 75% of the total revenue, with strong growth across Spotify, YouTube, and Meta platforms.
- The YouTube channel subscriber base has grown to 113 Mn.
- Strategic partnerships, including a deal with TikTok for global markets (excluding India and China), are expected to unlock new revenue streams starting next quarter.
- The company anticipates short-form video content, such as YouTube Shorts and Instagram Reels, to grow from contributing 2-5% of revenue to 25% in the coming years.

Content Strategy and Releases

- In Q3 FY25, Tips released 116 new songs, including 40 film songs and 76 non-film songs.
- Songs like "Swami Shizmi" crossed 100 million streams on Spotify, and "Naina" from the movie *Crew* became a hit, largely due to live performances by artists like Diljit Dosanjh.
- Catalog classics, such as "Dil Meri Na Sune" and "Bonatha Pyar," saw over 70% consumption growth on Spotify this quarter.
- FY25 content acquisition costs are expected to range between INR 550-600 Mn, with a focus on quality over quantity in upcoming releases.

Market Trends

- The company stated its focus on niche opportunities like retro content re-creations and strategic partnerships to avoid costly bidding wars in the competitive content market.

Story in charts (INR Mn)

Exhibit 3 : Revenue is expected to maintain a growth rate of 30% over the next 2-3 years.

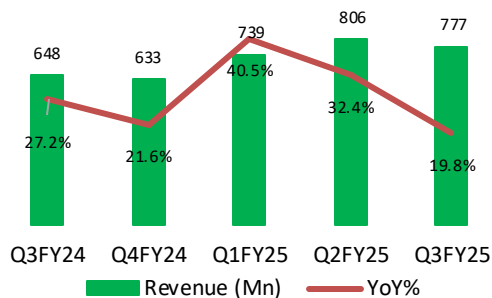


Exhibit 4 : EBITDA & EBITDA margin

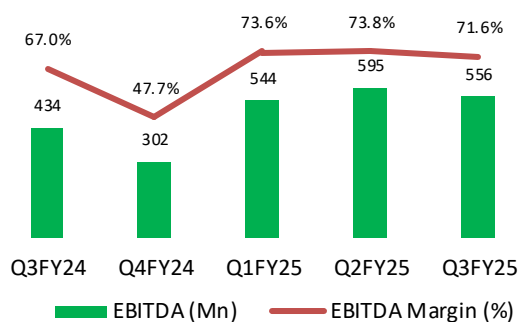


Exhibit 5: Consistent and steady growth in net profit

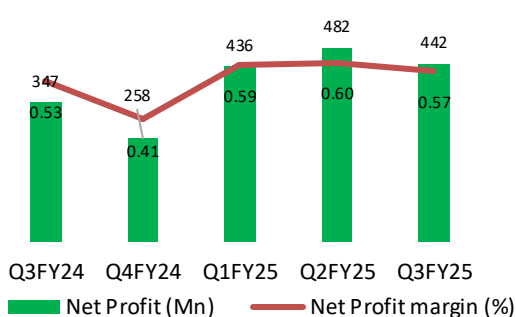


Exhibit 6: Healthy momentum of EPS

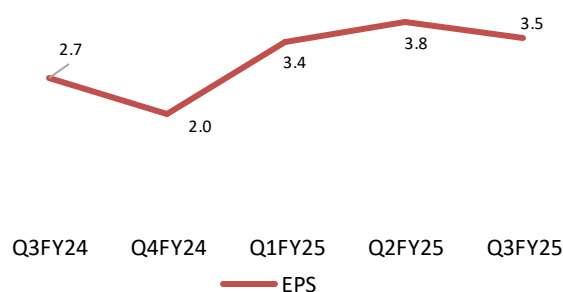


Exhibit 7: Interest Cost, Dividend, Buyback

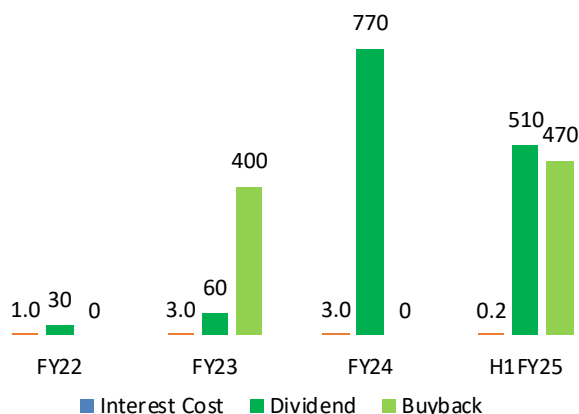


Exhibit 8: Lower content costs improved margins

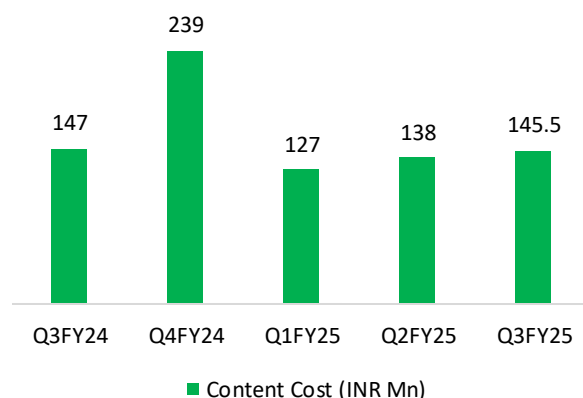


Exhibit 9: YouTube Views (Bn) per quarter

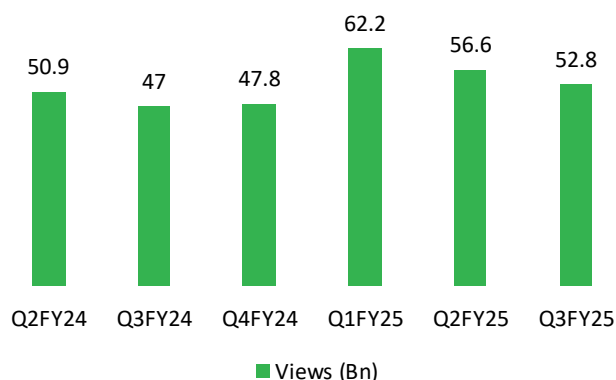
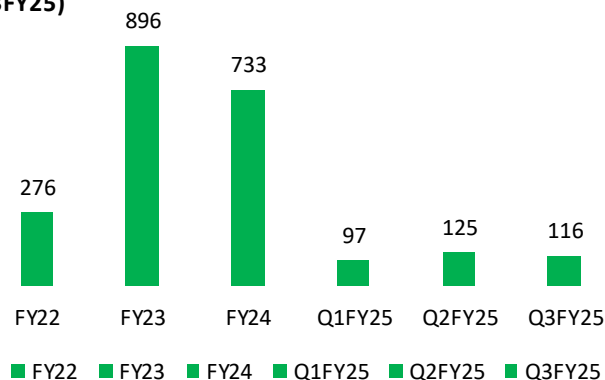


Exhibit 10: New Songs Added (116 New releases in Q3FY25)



Source: Company, Arianth Research

DCF Valuation

Valuation Assumptions

g (World Economic Growth)	4%
Rf	7%
Rm	13%
Beta (2 Yr)	0.8
CMP (INR)	646

WACC

We	99.9%
Wd	0.1%
Ke	11.7%
Kd	7.9%
WACC	11.74%

Valuation Data

Total Debt (long term borrowings) (2024)	50
Cash & Cash Equivalents (2024)	1,312
Number of Diluted Shares (2024)	128
Tax Rate (2024)	25%
Interest Expense Rate (2024)	11%

MV of Equity 82,579

Total Debt	50
Total Capital	82,630

FCFF & Target Price

FCFF & Target Price		Explicit Forecast Period						Linear Decline Phase				Terminal Yr
Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
EBIT * (1-Tax Rate)	1,689	2,211	2,956	3,851	4,884	6,028	7,232	8,428	9,533	10,457	11,110	11,499
Dep	22	30	42	52	67	83	99	116	131	144	153	158
Purchase of Assets	63	83	111	144	183	226	271	315	357	391	416	430
Changes in Working Capital	-783	-943	-1,207	-1,667	-2,064	-2,539	-3,077	-3,565	-4,035	-4,433	-4,704	-4,870
FCFF	2,431	3,102	4,094	5,426	6,832	8,424	10,137	11,794	13,343	14,642	15,552	16,098
% Growth in Post Tax EBIT		30.9%	33.7%	30.3%	26.8%	23.4%	20.0%	16.5%	13.1%	9.7%	6.3%	3.5%
As % of Post Tax EBIT												
Dep	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Purchase of Assets	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Changes in Working Capital	-46.4%	-42.7%	-40.8%	-43.3%	-42.2%	-42.1%	-42.5%	-42.3%	-42.3%	-42.4%	-42.3%	-42.4%
FCFF	2,431	3,102	4,094	5,426	6,832	8,424	10,137	11,794	13,343	14,642	15,552	16,098
Terminal Value												1,95,477
Total Cash Flow	2,431	3,102	4,094	5,426	6,832	8,424	10,137	11,794	13,343	14,642	15,552	2,11,574

Enterprise Value (EV)	99,046
Less: Debt	50
Add: Cash	1,312
Equity Value	1,00,308

Equity Value per share (INR) 785

% Returns 21.5%

Rating HOLD

WACC (%)

Terminal Growth (%)

	2.25%	2.50%	2.75%	3.50%	3.25%	3.50%	3.75%	4.00%
784.7								
10.99%	779	797	816	881	858	881	906	932
11.24%	752	769	787	847	826	847	869	894
11.49%	727	742	759	815	795	815	836	858
11.74%	703	717	733	785	766	785	804	825
11.99%	680	694	708	757	740	757	775	794
12.24%	659	671	685	730	714	730	747	765
12.49%	638	650	663	705	690	705	721	737
12.74%	619	630	642	682	668	682	696	712

Industry trends

Exhibit 11: Sustainably increasing market share:
Revenues surged 1.8x over the last two years

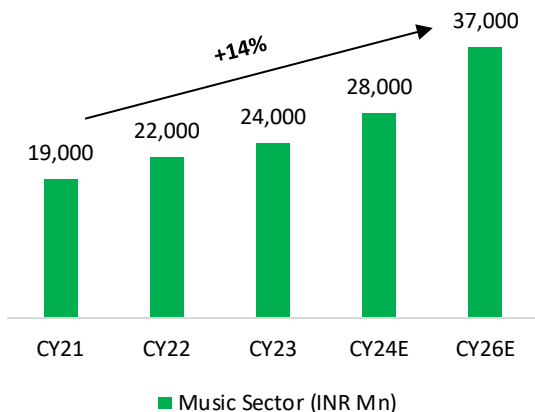


Exhibit 12: Tips Industries outperformed sector growth
by 2.8x over the past 4 years.

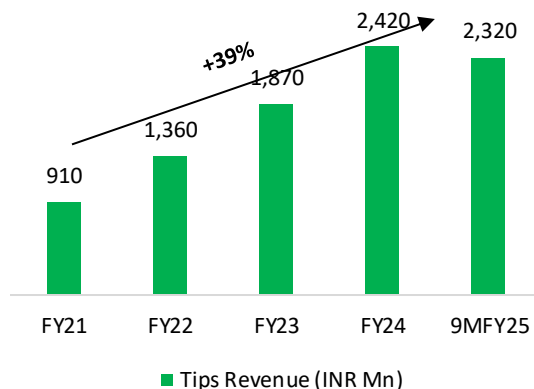


Exhibit 13: Global Music Revenue Sources

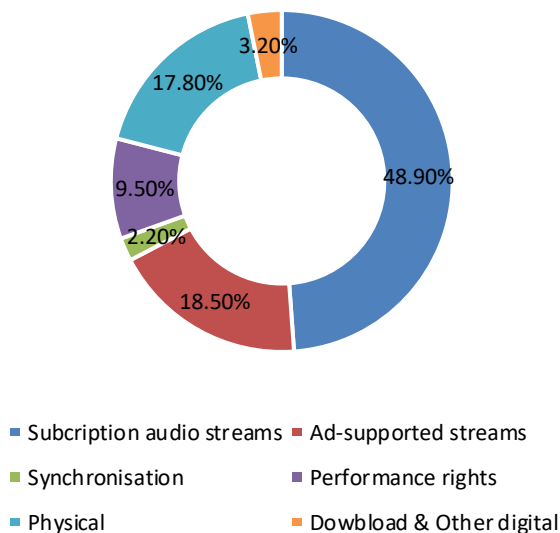


Exhibit 14: Digital Advertising – Key Driver of Indian Music Industry

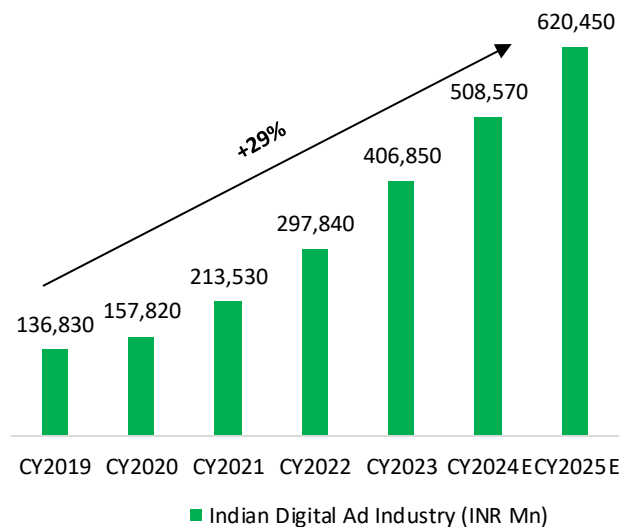
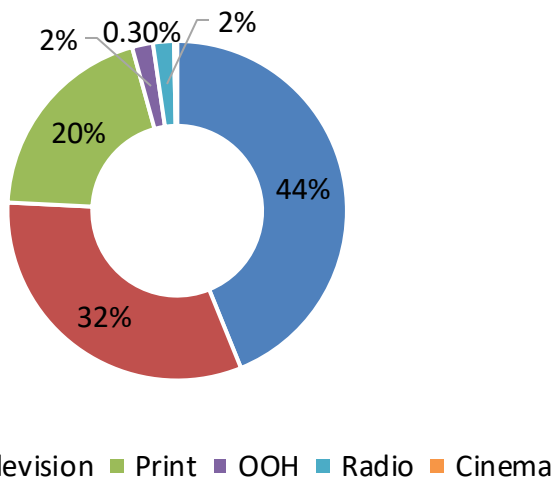


Exhibit 15: Advertising spends on different media



Key Financials

Income statement (INR Mn)						Balance sheet (INR Mn)					
Year End-March	FY23	FY24	FY25E	FY26E	FY27E	Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Gross Sales	1,868	2,416	3,141	4,146	5,534	Sources of Funds					
Net Sales	1,868	2,416	3,141	4,146	5,534	Equity Share Capital	128	128	128	128	128
YoY (%)	37.8%	29.3%	30.0%	32.0%	33.5%	Reserves & Surplus/ Other Equity	1,233	1,667	2,468	3,801	5,626
Content Charge	624	556	572	798	1,092	Networth	1,362	1,795	2,596	3,929	5,754
Employee benefit expenses	73	109	118	153	199	Unsecured Loans/ Borrowings/ Lease Liabilities	1	7	7	7	7
<i>Manufacturing & Other Expenses</i>	<i>151</i>	<i>166</i>	<i>178</i>	<i>216</i>	<i>259</i>	Other Liabilities	0	0	0	0	1
Total Expenditure	848	831	867	1,167	1,551	Total Liabilities	565	1,594	1,515	1,686	1,872
YoY (%)	18.23%	55.45%	43.44%	31.03%	33.73%	Total Funds Employed	1,927	3,389	4,111	5,615	7,626
EBITDA	1,019	1,585	2,273	2,978	3,983	Application of Funds					
YoY (%)	18.23%	55.45%	43.44%	31.03%	33.73%	Net Fixed Assets	51	80	115	160	176
EBITDA Margin (%)	54.58%	65.60%	72.38%	71.85%	71.97%	Investments/ Notes/ Fair value measurement	224	547	821	984	1,181
Depreciation	13	20	22	30	42	Current assets	1,646	2,756	3,170	4,464	6,262
% of Gross Block	10.42%	11.42%	9.45%	9.93%	10.25%	Debtors	203	263	291	386	517
EBIT	1,006	1,565	2,251	2,948	3,941	Days	37	33	34	34	34
EBIT Margin (%)	53.87%	64.78%	71.69%	71.11%	71.22%	Other Current Assets	343	268	437	612	862
Interest Expenses	3	3	3	3	3	Cash and Cash equivalent	969	1,312	873	1,112	1,586
Non-operating/ Other income	54	144	187	247	330	Current Liabilities/Provisions	533	834	903	1,019	1,144
PBT	1,057	1,705	2,435	3,192	4,268	Creditors / Trade Payables	160	147	83	111	135
Tax-Total	291	434	614	836	1,110	Days	43	35	35	35	32
Net Profit After Tax	766	1,272	1,821	2,356	3,159	Other Liabilities	365	674	805	886	976
PAT Margin	40.99%	52.65%	57.99%	56.83%	57.07%	Net Current Assets	1,113	1,922	2,267	3,445	5,118
Shares o/s/ paid up equity sh capital	128	128	128	128	128	Total Asset	1,927	3,389	4,111	5,615	7,626
Adj EPS	6	10	14	18	25	Total Capital Employed	814	1,467	1,844	2,170	2,508
Dividend per share	26	835	1,023	1,023	1,023						
Dividend payout (%)	3.39%	65.63%	56.15%	43.41%	32.38%						
Buyback amount	0	0	466	0	0						
Retained earnings	740	437	798	1,333	2,136						

Cash Flow Statement (INR Mn)						Key Ratios					
Year End-March	FY23	FY24	FY25E	FY26E	FY27E	Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Profit after tax	766	1,272	1,821	2,356	3,159	Solvency Ratios					
Adjustments: Add						Debt / Equity	0.03	0.028	0.018	0.013	0.010
Depreciation and amortisation	13	20	22	30	42	Net Debt / Equity	-0.71	-0.72	-0.33	-0.28	-0.27
Interest adjustment	-51	-140	-184	-244	-327	Debt / EBITDA	0.04	0.03	0.02	0.02	0.02
Change in assets and liabilities	754	1,986	3,148	3,165	3,896	Current Ratio	-0.94	-0.82	-0.38	-0.37	-0.39
Inventories	-	-	-	-	-	DuPont Analysis					
Trade receivables	-23	-61	-27	-95	-132	Sales/Assets	0.97	0.71	0.76	0.74	0.73
Trade payables	119	-14	-64	29	24	Assets/Equity	1.41	1.89	1.58	1.43	1.33
Other Liabilities and provisions	301	308	131	81	89	RoE	56.2%	70.86%	70.15%	59.96%	54.89%
Other Assets	62	-91	-76	-153	-218	Per share ratios					
Taxes	-17	-6	-6	-7	-11	Reported EPS	5.96	9.90	14.25	18.43	24.71
Net cash from operating activities	1,158	1,514	2,365	2,222	2,689	Dividend per share	0.20	6.50	8.00	8.00	8.00
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	1	-48	-57	-76	-58	BV per share	10.60	13.98	20.31	30.73	45.01
Net Sale/(Purchase) of investments	-	-	-	-	-	Cash per Share	2.47	5.83	4.80	6.23	8.64
Others	-59	-179	-86	83	133	Revenue per Share	14.54	18.81	24.57	32.43	43.29
Net cash (used) in investing activities	-58	-227	-143	8	76	Profitability ratios					
Interest expense	9	11	-2	5	8	Net Profit Margin (PAT/Net sales)	40.99%	52.65%	57.99%	56.83%	57.07%
Dividend paid	-26	-835	-1,023	-1,023	-1,023	EBITDA / Net Sales	54.58%	65.60%	72.38%	71.85%	71.97%
Buyback amount	-	-	-466	-	-	EBIT / Net Sales	53.87%	64.78%	71.69%	71.11%	71.22%
Other financing activities	-431	-842	-1,023	-1,026	-1,336	ROCE (%)	72.17%	61.26%	70.16%	64.15%	60.81%
Net cash (used) in financing activities	-750	-944	-2,661	-1,990	-2,291	Activity ratios					
Closing Balance	969	1,312	873	1,112	1,586	Inventory Days	0.00	0.00	0.00	0.00	0.00
FCF	1,158	1,562	2,422	2,297	2,747	Debtor Days	37.31	33.49	33.80	33.95	34.11
Capex	1	42	63	83	111	Creditor Days	43.50	34.76	34.76	34.76	31.74
						Leverage ratios					
						Interest coverage	351.82	449.07	717.80	989.39	1392.41
						Debt / Asset	0.02	0.01	0.01	0.01	0.01
						Valuation ratios					
						EV / EBITDA	80.44	51.53	36.12	27.49	20.44
						PE (x)	108.36	65.23	45.34	35.05	26.14
						OCF/EBITD (%)	113.59	95.51	104.02	74.59	67.52

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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