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April 25, 2025

COMPANY UPDATE | Sector: Media & Entertainment

TIPS Music Ltd

Well-positioned for a sustainable growth over medium term, maintain BUY

TIPS Music reported an in-line Q4 with Revenue/PAT growth of 24%/19% YoY. OPM decline was on expected lines on account of higher content acquisition costs. However, we believe investments behind new content gears up the company for a sustainable future growth and allows it to reap full benefits of robust industry tailwinds. Mgmt is confident of long-term growth potential and has guided for 30% topline and bottom-line growth in FY26 driven by improved monetization of existing content and strong launch pipeline. We believe medium term growth prospects for the company remain intact as incremental revenue drivers (short format videos, live performances etc.) come into play in coming quarters. We broadly maintain estimates for FY26/27e. Maintain BUY rating on the stock, with revised TP of Rs935.

In-line quarter; margin decline on expected lines: Result was broadly in-line with minor revenue miss of ~5% vs Ysec est. while PAT was in-line. Lower OPM for Q4 was already factored in as per earlier intimation by mgmt. TIPS reported sales/PAT growth of +24%/19% YoY and +1%/-31% QoQ for Q4FY25. OPM stood at 47.5% (-22bps YoY/-2407bps QoQ), reporting sharp decline QoQ due to higher content costs. OPM was also impacted by higher staff and other expenses YoY on account of provision for doubtful debts and ex-gratia and variable pay. For FY25, company has delivered sales/RPAT growth of +29%/31% YoY, in-line with mgmt guidance. B/S remains net debt positive with net cash of Rs412mn as of FY25. NWC has improved to 81 days in FY25 vs 117 days in FY24 on account of slight delay in MG advance payments from Warner. For FY25, YouTube generated 228.3bn views with 56.7bn views in Q4FY25 (+19% YoY). Total YT subscribers stood at ~117mn.

Focus on Quality over quantity: After higher number of songs launched over past 3-4 years, company has decided a shift in strategy with focus on acquisition of more quality content, albeit likely at a higher cost, over quantity of new launches. This strategy has worked out well for the company in past with impressive success rate over last 2 decades. Prudent and cautious mgmt approach towards new content acquisition also ensures investments remain within the target break-even period of 4-5 years. We expect new songs launches in the range of 300-350 for FY26 vs 443 in FY25.

Sony Music Publishing deal revamped: TIPS has renewed its deal with SMP and the revamped deal is 4x bigger compared to earlier deal, which was signed 2 years ago. As a part of new deal, YouTube has been added as a platform for international publishing exploitation which can result in incremental revenue growth. SMP has large presence globally with 31% market share and has tie-ups with local societies. Thus, SMP commands better negotiating power in terms of rates as well.

Incremental growth levers in place: In addition to the growth driven by increase in premium subscriptions and launch of quality new content, mgmt expects sharp increase in revenue contribution from short video content from FY26 onwards, with addition of Meta platforms via Warner deal. Publishing and licensing income from live events is also expected to improve with traction in live performance events. New deal for SMP and deal with TikTok for int'l geographies should bring in incremental growth in FY26. Further, Caller Ring Back Tones (CRBT) segment is expected to make a comeback in a big way over medium term which can result in additional revenue stream.

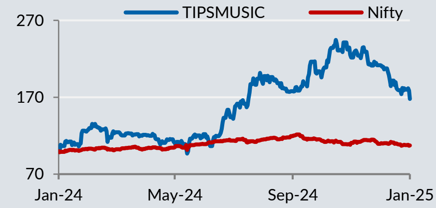
Valuation: We broadly maintain our FY26/FY27 est due to positive commentary and unchanged guidance. However, our est remain lower than guided growth. Over FY25-27E, we expect revenue/RPAT CAGR of +26%/23%. Incremental growth drivers seem to be in place for sustainable growth over medium term. We continue to value the stock at FY27E P/E multiple of 47x and arrive at TP of Rs935 post roll-over. BUY.

Reco	:	**BUY**
CMP	:	Rs 650
Target Price	:	Rs 935
Potential Return	:	+43.8%

Stock data (as on Apr 25, 2025)

Nifty	24,247
52 Week h/l (Rs)	950 / 346
Market cap (Rs/USD mn)	84426 / 990
Outstanding Shares (mn)	128
6m Avg t/o (Rs mn):	195
Div yield (%):	0.9
Bloomberg code:	TPS IN
NSE code:	TIPSMUSIC

Stock performance



	1M	3M	1Y
Absolute return	-20.4%	-16.8%	68.4%

Shareholding pattern (As of Mar'25 end)

Promoter	64.2%
FII+DII	9.9%
Others	26.0%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Revenue	3,107	3,946	4,972
YoY Growth	29%	27%	26%
EBIDTA	2,067	2,537	3,172
EBITDA (%)	66.5%	64.3%	63.8%
PAT	1,666	2,039	2,537
YoY Growth	31%	22.4%	24.4%
ROE	85.6	76.4	85.6
EPS	13.0	16.0	19.8
P/E	49.9	40.7	32.8
BV/Share	16.4	25.3	31.2
P/BV	39.7	25.6	20.8

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TIPS Music Ltd

Exhibit 1: TIPS Music Q4FY25: Actual vs estimates

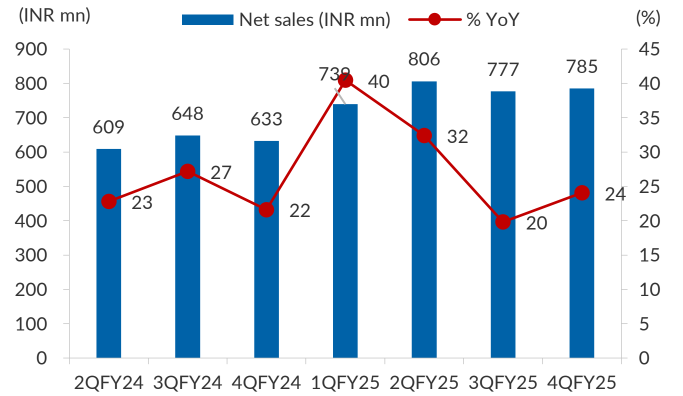
Rs mn	Actual	Estimate	% Variation	Remarks
Revenue	784.9	822.3	-4.6%	Result was broadly in-line with estimates. Operating Margin decline was on the expected lines on account of expected higher content acquisition costs for Q4.
EBITDA	372.7	393.9	-5.4%	
EBITDA Margin (%)	47.5%	47.9%	41bps	
Adj. PAT	306.1	308.1	-0.6%	

Exhibit 2: TIPS MUSIC – Q4FY25 Result Dashboard

Rs mn	Q4FY24	Q1FY24	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Revenue	**632.6**	**739.2**	**806.1**	**776.7**	**784.9**	**24.1%**	**1.1%**	**2,416**	**3,107**	**29%**
Content Acquisition Cost	(239)	(127)	(138)	(146)	(299)	25.2%	105.7%	(555)	(710)	28%
Staff Costs	(43)	(28)	(28)	(30)	(46)	7.4%	51.8%	(129)	(132)	2%
Other Expenses	(49)	(41)	(45)	(45)	(67)	36.7%	48.3%	(167)	(198)	18%
EBITDA	**302**	**544**	**595**	**556**	**373**	**23.5%**	**-32.9%**	**1,565**	**2,067**	**32%**
EBITDA Margin %	**47.7%**	**73.6%**	**73.8%**	**71.6%**	**47.5%**	**-22bps**	**-2407bps**	**64.8%**	**66.5%**	**175bps**
Depreciation	(5)	(5)	(5)	(5)	(6)	9.6%	1.3%	(20)	(22)	11%
EBIT	297	538	589	550	367	23.7%	-33.3%	1,545	2,045	32%
Interest	(1)	(1)	(1)	(1)	(1)	-21.3%	-8.2%	(3)	(3)	-13%
Other income	53	46	56	42	47	-12.5%	12.2%	144	190	32%
PBT	**349**	**583**	**644**	**591**	**413**	**18.3%**	**-30.1%**	**1,686**	**2,232**	**32%**
Tax	(92)	(148)	(163)	(149)	(107)	16.9%	-28.1%	(434)	(566)	31%
Tax rate (%)	26.2%	25.3%	25.3%	25.2%	25.9%			25.7%	25.4%	
Reported PAT	**258**	**436**	**482**	**442**	**306**	**18.8%**	**-30.8%**	**1,252**	**1,666**	**33%**

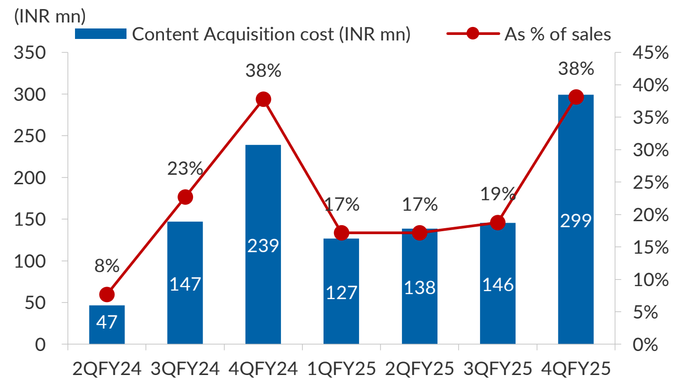
Source: Company, YES Sec

Exhibit 3: Revenue growth momentum sustained in Q4 with +24% growth YoY



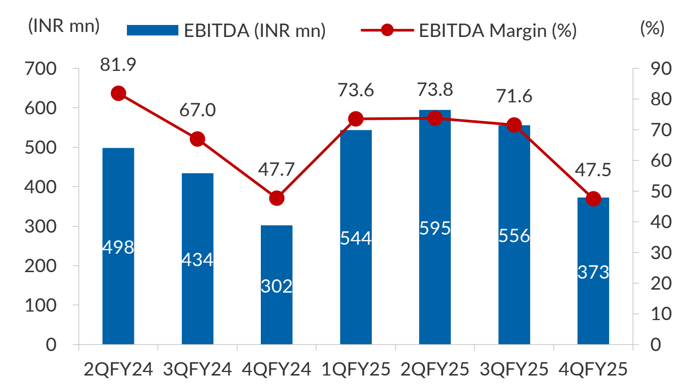
Source: Company, YES Sec

Exhibit 4: Content acquisition costs saw sharp increase in Q4 at ~38% of sales



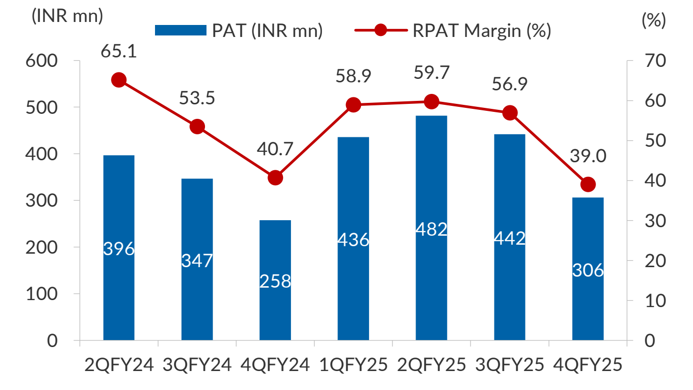
Source: Company, YES Sec

Exhibit 5: EBITDA margins reported a sharp decline QoQ as a result of higher content acquisition costs



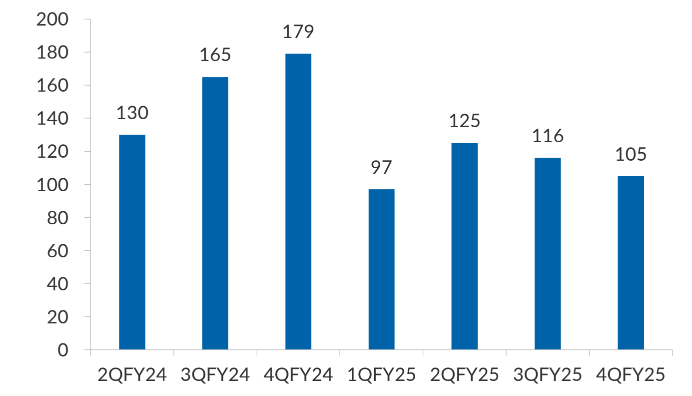
Source: Company, YES Sec

Exhibit 6: Resulting in lower RPAT growth of +19% YoY



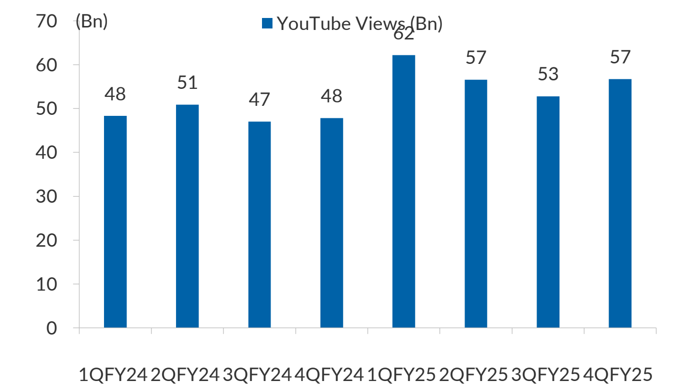
Source: Company, YES Sec

Exhibit 7: Pace of new song releases continues to moderate in Q4, in-line with management strategy



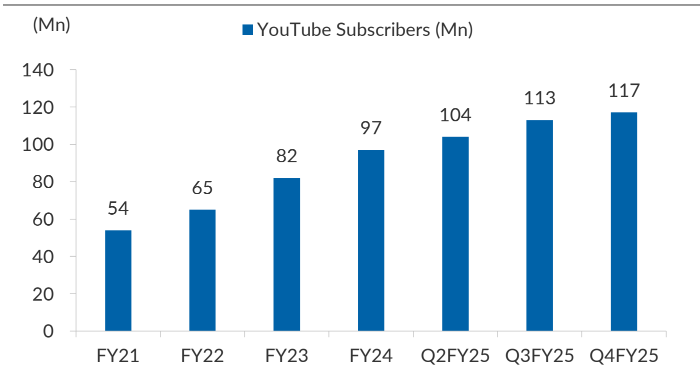
Source: Company, YES Sec

Exhibit 8: YouTube views up +19% YoY in Q4, FY25 views up +18% YoY



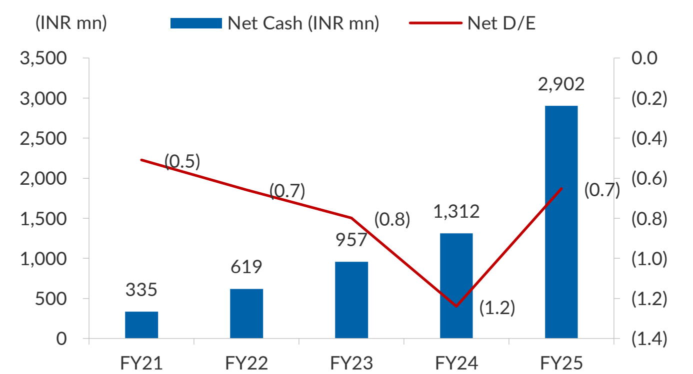
Source: Company, YES Sec

Exhibit 9: YouTube subscriber base reached ~117mn in Q4FY25 across TIPS Channels



Source: Company, YES Sec

Exhibit 10: Strong Balance sheet with significant cash reserves



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

Guidance:

- Management expects topline and bottom-line growth of ~30%+ to continue in FY26 and expects momentum to continue beyond FY26 as well, led by industry tailwinds.
- Management expects content acquisition costs to be in the range of 25-28% for FY26.
- Operating margins are expected to remain in the similar range for FY26.

Financials:

- Employee expenses were higher for Q4 due to Rs10mn ex-gratia provision and Rs7mn variable pay provision
- Other expenses saw sharp increase due to provision of Rs2.5cr on account of doubtful debts on a conservative basis
- Cumulative interim dividend of Rs7 in FY25 with Share buyback worth Rs46.6cr. Payback ratio of ~82% for FY25.
- Working capital improvement on account of delay in Advance from Warner deal. One tranche of Minimum Guarantee (MG) advance was received in April 2025 while another tranche will be received in October 2025 from Warner.
- For Warner deal, company has recognized revenue based on the actual number of streams which is lower than the advance received in Mar'24. Full recovery is expected to happen over tenure of the contract with overdues received at the end of contract of 4 years.

Sony Music Publishing (SMP) Deal Renewed:

- TIPS has renewed its deal with SMP and the revamped deal is 4x bigger compared to earlier deal, which was signed 2 years ago.
- As a part of new deal, YouTube has been added as a platform for international publishing exploitation which can result in incremental revenue growth.
- SMP has large presence globally with 31% market share and has tie-ups with local societies. Thus, SMP commands better negotiating power in terms of rates as well. This can result in sharp growth in publishing income for the company.
- Earlier deal with SMP was for the tenure of 5 year, however, MG advance recovery happened within 2 years. Hence, new deal with SMP spanning over next ~5 years is for a much larger size (~4x) with addition of YouTube as a platform.

Incremental growth levers:

- Management expects sharp increase in revenue contribution from short video content from FY26 onwards, with addition of Meta platforms via Warner deal.
- Monetization of short video formats should continue to increase over the medium term.
- For FY26, revenue from Warner deal should see significant growth over FY25.
- Publishing and licensing income from live events is also expected to improve with traction in live performance events.
- New deal for SMP and deal for TikTok for international geographies should bring in incremental growth in FY26
- Management expects Caller Ring Back Tone (CRBT) to make a comeback in a big way in medium term which can result in additional revenue stream for TIPS
- Large new quality releases in FY26 should result in incremental revenue growth for the company

Content Acquisition:

- Management expects content acquisition costs to be in the range of 25-28% for FY26.
- Going forward, focus will be on quality over quantity for content acquisition. As a result, acquisition cost per song is expected to increase. For FY26, mix will move in favor of quality Bollywood movies from regional content.
- INR95-100cr of content investments are expected in FY26, depending on the availability of the content.
- Target break-even period for new content investments is 4 to 5 years.
- For FY26, TIPS has pipeline of music rights for 10 films and is in talks with 3-4 more banners for acquisition of music rights. Out of 10 films, ~4 films are expected from TIPS Films for which TIPS Music will be receiving the music rights.
- Company maintains cautious approach for acquiring new content and does not prefer getting into bidding wars with other music labels. This is due to the low success rate of 10-15% in the business at an industry level and management prefers to have maximum good titles at appropriate costs.

Subscribers and Viewership:

- For FY25, YouTube generated 228.3bn views with 56.7bn views in Q4FY25, registering growth of ~19% YoY
- Company added 105 new songs during the quarter with total 443 songs added for FY25
- Two songs from the film “Hari Hara Veera Mallu”, released during the quarter, crossed over 50 million views on YouTube.
- The song “Taaron Ko Mohabbat Amber Se” from Shaadi Karke Phas Gaya Yaar movie which was released in 2006 became a viral sensation, generating over 9 mn reels and 2 bn views on Instagram in Q4 FY25 alone.
- Another classic, “Badal Gayi Duniya” from Andolan movie which was released in 1995, surpassed 100mn YouTube views in FY25

Music Streaming Industry:

- Music streaming industry is expected to grow at 15-20% in India over the coming years. Currently, industry size is ~INR40bn as of CY24 which is expected to grow at ~14% CAGR till CY27 and reach ~INR58bn.
- Management sees potential for industry size to reach INR100bn over next 4-5 years.
- Currently, total music listeners in India are expected at around 180-200mn (Ex-YouTube), out of which, 5% subscribers are paid subscribers. Revenue contribution from Paid subscription is expected at around ~10% at an industry level.
- Spotify boasts ~70% paid subscribers globally. Management expects India to follow the same trajectory in future as music streaming platforms nudge subscribers towards paid model.
- Worldwide CY23 saw ~7bn streams globally o/w ~1bn streams were in India. While revenue share for India for music labels was much lower at ~USD0.5bn out of ~USD28.6bn globally. Hence, management sees huge headroom for growth led by increase in revenue share via growth from Paid subscription model.

FINANCIALS

Exhibit 11: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Networth	1,362	1,795	2,095	3,240	3,987
Equity Capital	128	128	128	128	128
Others	1,233	1,667	1,968	3,112	3,859
Debt	-	-	-	-	-
Deferred taxes	(5)	(6)	(5)	(5)	(5)
Lease liability	32	760	205	205	205
Minority					
Total Liabilities	**1,389**	**2,549**	**2,296**	**3,440**	**4,188**
Fixed assets	51	80	73	94	93
ROU assets	-	-	-	-	-
Other Non-Current Assets	224	547	310	310	310
Investments	-	-	-	-	-
Cash & liquid	1,089	2,225	1,367	2,349	2,902
Net current assets	25	(303)	546	693	874
Misc exp	-	-	-	-	-
Total Assets	1,389	2,549	2,296	3,447	4,179

Source: YES Sec

Exhibit 12: Profit & Loss Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenues	**1,868**	**2,416**	**3,107**	**3,946**	**4,972**
Content Cost	(624)	(556)	(710)	(1,026)	(1,342)
Gross profit	1,244	1,860	2,397	2,920	3,629
% of net revenues	66.6	77.0	77.1	74.0	73.0
Employee costs	(73)	(109)	(132)	(154)	(184)
% of net revenues	(3.9)	(4.5)	(4.2)	(3.9)	(3.7)
Other op costs	(151)	(166)	(198)	(229)	(273)
EBITDA	**1,019**	**1,585**	**2,067**	**2,537**	**3,172**
% of consol revenues	54.6	65.6	66.5	64.3	63.8
Depreciation/amortization	(13)	(20)	(22)	(20)	(21)
Ebit	1,006	1,565	2,045	2,517	3,151
% of consol revenues	53.8	64.8	65.8	63.8	63.4
Interest	(3)	(3)	(3)	(3)	(3)
Other Income	54	144	190	218	251
PBT	**1,056**	**1,705**	**2,232**	**2,732**	**3,399**
% of consol revenues	56.6	70.6	71.8	69.2	68.4
Taxes	(291)	(434)	(566)	(693)	(862)
Rate (%)	27.6	25.4	25.4	25.4	25.4
Less: Minority	-	-	-	-	-
PAT	**765**	**1,272**	**1,666**	**2,039**	**2,537**

Source: YES Sec

Exhibit 13: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Cash from operations	**811**	**2,330**	**1,202**	**1,572**	**1,234**
PAT	765	1,272	1,666	2,039	2,537
Add deferred tax	22	1	(1)	-	-
Add interest	3	3	3	3	3
Add depreciation	13	20	22	20	21
Less Other Income	(45)	(95)	(184)	(218)	(251)
Working capital change	90	1,128	(306)	(22)	(27)
Others	(38)	0	2	(250)	(1,048)
Cash from investments	**(483)**	**(1,110)**	**106**	**198**	**231**
Capex	(7)	(27)	(15)	(20)	(20)
Investments	-	-	-	-	-
Other Income	45	95	184	218	251
Others	(520)	(1,178)	(63)	-	-
Cash from financing	**(435)**	**(848)**	**(1,385)**	**(788)**	**(913)**
Equity	(401)	-	(1)	-	-
Direct reserve add	-	-	(472)	-	-
Debt	-	-	-	-	-
Interest costs	(3)	(3)	(3)	(3)	(3)
Dividends	(26)	(835)	(895)	(771)	(895)
Others/Repayment of lease liability	(5)	(10)	(15)	(15)	(15)

Source: YES Sec

Exhibit 14: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Ebit Margin (%)	53.8	64.8	65.8	63.8	63.4
Asset Turnover (x)	1.4	1.2	1.3	1.4	1.3
Financial Leverage (x)	1.1	1.2	1.2	1.1	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	85.6	76.4	70.2

Source: YES Sec

Exhibit 15: Ratio Analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E
Growth matrix (%)					
Revenue growth	37.8	29.3	28.6	27.0	26.0
Op profit growth	18.2	55.5	30.4	22.7	25.0
EBIT growth	17.7	55.6	30.7	23.1	25.2
Net profit growth	18.5	66.2	31.0	22.4	24.4
Profitability ratios (%)					
OPM	54.6	65.6	66.5	64.3	63.8
EBIT margin	53.8	64.8	65.8	63.8	63.4
Net profit margin	41.0	52.6	53.6	51.7	51.0
RoCE	55.9	64.7	68.8	71.2	66.6
RoNW	64.1	80.6	85.6	76.4	70.2
RoA	45.2	47.9	49.2	49.7	47.2
Per share ratios					
EPS	59.6	9.9	13.0	16.0	19.8
Dividend per share	0.5	6.0	7.0	14.0	19.0
Cash EPS	60.6	10.1	13.2	16.1	20.0
Book value per share	106.0	14.0	16.4	25.3	31.2
Valuation ratios					
P/E	10.9	65.6	49.9	40.7	32.8
P/CEPS	10.7	64.6	49.2	40.3	32.5
P/B	6.1	46.5	39.7	25.6	20.8
EV/EBIDTA	7.2	51.8	39.6	31.9	25.3
Payout (%)					
Dividend payout	0	1	1	2	3
Tax payout	27.6	25.4	25.4	25.4	25.4
Liquidity ratios					
Debtor days	40	40	32	32	32
Inventory days	-	-	-	-	-
Creditor days	31	22	23	23	23

Source: YES Sec

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