

Tips Music | ADD

Earnings beat; deferred new content releases loom on guidance

Tips Music posted robust 3QFY26 earnings growth of 32.6% YoY on the back of 21.4% top-line growth (acceleration from 19.1%/10.7% in 1Q/2Q FY26) and EBIT margin expansion of ~750bps. Top-line growth was driven by a sharp increase in views for some catalogue tracks across digital platforms and a pickup in paid subscription revenue (industry growth of 40–50%), which contributes ~10%. As a result, digital revenue share jumped to 75% versus 71% in 2QFY26. Margin expansion was driven by nominal new content spends in 3Q, down 39.1% YoY (-33.1% QoQ), following deferment of a new movie release to FY27E. While management expects revenue to grow 20% in FY26 (17% in 9MFY26) and FY27E, lack of new content pipeline in the near term may weigh on the guidance. Building in the 3Q results, we are raising FY26E–28E EPS by 3–4% and DCF-based Dec'26 TP to INR 580 based on unchanged 30x P/E.

- Earnings beat driven by pickup in demand for catalogue content and paid subscriptions:** Tips Music reported a strong 3QFY26 performance, with revenue growing 21.4% YoY (+5.7% QoQ) to INR 943mn, a beat on JMFe by 8.4%. The company's catalogue content saw significant increase in views on various digital platforms. It also benefited from the recent increase in Spotify's subscription fees by 20–25% (first time since its launch in India) and continued pickup in paid subscription volumes. Digital revenue share, hence, rose to 75% versus 71% in 2QFY26. Tips Music's EBIT margin expanded 749bps YoY (+300bps QoQ) to 78.3%, primarily driven by a steep 39% YoY (-33% QoQ) decline in content cost to INR 89mn. Consequently, EBIT rose 34.2% YoY (+9.9% QoQ) to INR 943mn, ahead of JMFe by 11.2%. PAT grew 32.6% YoY (+10.3% QoQ) to INR 587mn, beating JMFe by 10.5%. Operationally, content addition moderated, with 108 new songs released during the quarter versus 133 in 2QFY26 while YouTube views remained largely flat YoY at ~53bn.
- FY26 revenue guidance retained:** Management reiterated the FY26 revenue growth guidance of 20%, but expects content costs to remain subdued at ~18% of revenue, primarily due to the deferment of one movie into the next year. As a result, they upgraded PAT growth guidance to ~25% from ~20% earlier. Furthermore, management expects 20% revenue growth momentum to sustain in FY27 as well, supported by a healthier pipeline of new releases and improving consumption trends across YouTube and OTT platforms. It also noted monetisation structures for short-form content platforms would gradually evolve from a fixed-fee structure to a variable revenue-sharing framework over medium to long term.
- Content gap to weigh on FY27 guidance:** In the music label business, regularly releasing new content is crucial, as ~70% of annual music consumption is under 18 months old. As Tips Music has no major releases on hand over the next few months, we conservatively build revenue growth of ~15% in FY27. We also note that recent EBIT margin trends of 70%+ are not sustainable given the nature of the business, which requires constant investment in new content. Accordingly, we build in EBIT margin of 67% over FY27.
- Maintain 'ADD', TP raised to INR 580:** Taking cognisance of 3Q results, we are raising FY26–28 revenue forecasts by ~4%. While we are also raising FY26E EBIT margin assumption by ~20bps, we are lowering the margin estimates for FY27 and FY28 by ~70bps and ~80bps, respectively, factoring in a likely normalisation in content investments. Overall, we are increasing earnings estimates for FY26–28 by 2.7%–3.9%. Based on the revised earnings forecast, our DCF-based Dec'26 TP increases to INR 580 (implied target P/E of ~30x); we maintain ADD.

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,416	3,107	3,666	4,216	4,848
Sales Growth (%)	29.3	28.6	18.0	15.0	15.0
EBITDA	1,585	2,110	2,680	2,837	3,190
EBITDA Margin (%)	65.6	67.9	73.1	67.3	65.8
Adjusted Net Profit	1,272	1,709	2,120	2,256	2,540
Diluted EPS (INR)	9.9	13.4	16.6	17.6	19.9
Diluted EPS Growth (%)	67.6	35.0	24.1	6.4	12.6
ROIC (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	80.6	87.9	91.2	80.6	76.6
P/E (x)	52.3	38.8	31.2	29.4	26.1
P/B (x)	37.1	31.6	25.9	21.8	18.4
EV/EBITDA (x)	40.1	30.1	23.5	22.0	19.3
Dividend Yield (%)	1.2	1.4	2.5	2.7	3.0

Source: Company data, JM Financial. Note: Valuations as of 19/Jan/2026



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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	580
Upside/(Downside)	11.9%
Previous Price Target	560
Change	3.6%

Key Data – TIPSMUSI IN

Current Market Price	INR518
Market cap (bn)	INR66.2/US\$0.7
Free Float	36%
Shares in issue (mn)	127.8
Diluted share (mn)	127.8
3-mon avg daily val (mn)	INR146.3/US\$1.6
52-week range	739/483
Sensex/Nifty	83,246/25,586
INR/US\$	90.9

Price Performance

%	1M	6M	12M
Absolute	-4.1	-18.6	-24.9
Relative*	-2.2	-20.0	-30.9

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg – JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. 3QFY26 results: Actuals versus JMFe

Financial Performance	3Q26A	3Q25A	Change (YoY)	2Q26A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)
Revenue (INR mn)	943	777	21.4%	892	5.7%	870	8.4%
EBIT (INR mn)	739	550	34.2%	672	9.9%	664	11.2%
EBIT margin	78.3%	70.9%	749bp	75.3%	300bp	76.4%	196bp
PAT (INR mn)	587	442	32.6%	532	10.3%	531	10.5%
Diluted EPS (INR)	4.59	3.46	32.6%	4.16	10.3%	4.15	10.5%

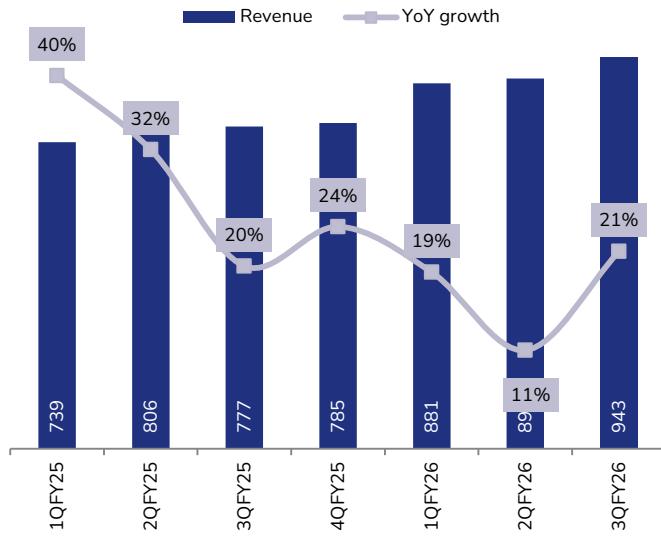
Source: Company, JM Financial

Exhibit 2. Key summary financials

All numbers are in INR mn	1QFY25	2QFY25	3QFY25	4QFY25	FY25	1QFY26	2QFY26	3QFY26	Comments
Revenue (INR mn)	739	806	777	785	3,107	881	892	943	
Change (YoY)	40.5%	32.4%	19.8%	24.1%	28.6%	19.1%	10.7%	21.4%	
Total operating expense	195	211	221	412	1,040	315	214	198	
EBITDA	544	595	556	373	2,067	565	678	745	
EBITDA Margin	73.6%	73.8%	71.6%	47.5%	66.5%	64.2%	76.0%	79.0%	▪ Revenue grew 21.4% YoY (+5.7% QoQ) to INR 943mn, a beat on JMFe by 8.4%.
Depreciation and amortisation expense	5	5	5	6	22	6	6	6	▪ EBIT margin grew 749bps YoY (+300bps QoQ) to 78.3%, a beat on JMFe by 196bps—margin expansion was mainly due to sharp decline in content cost.
EBIT	538	589	550	367	2,045	559	672	739	
EBIT margin	72.8%	73.1%	70.9%	46.8%	65.8%	63.5%	75.3%	78.3%	
Net other income	45	55	41	46	187	56	45	48	▪ PAT grew 32.6% YoY (+10.3% QoQ) to INR 587mn, a beat on JMFe by 10.5%.
PAT after MI	436	482	442	306	1,666	458	532	587	
Change (YoY)	60.7%	21.5%	27.6%	18.8%	31.0%	5.2%	10.4%	32.6%	
EPS	3.40	3.77	3.46	2.39	13.03	3.59	4.16	4.59	
Change (YoY)	61.1%	22.0%	28.2%	19.4%	31.6%	5.5%	10.4%	32.6%	

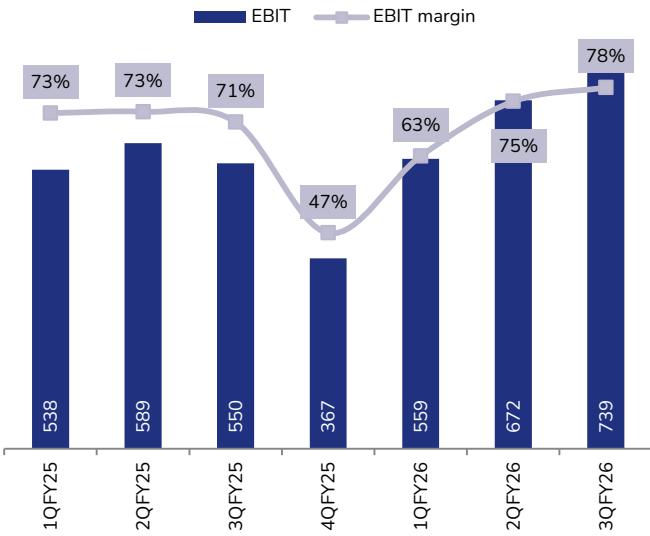
Source: Company, JM Financial

Exhibit 3. Revenue growth trend



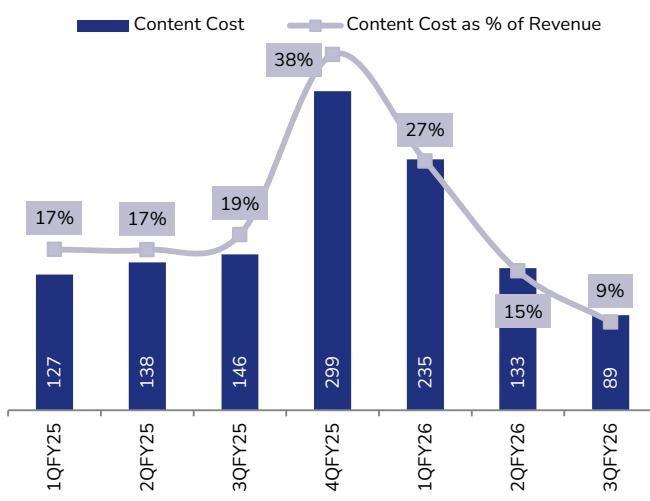
Source: Company, JM Financial

Exhibit 4. EBIT margin trend



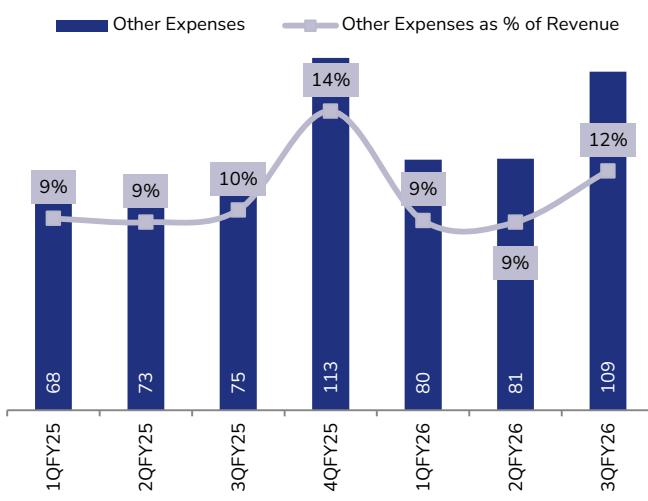
Source: Company, JM Financial

Exhibit 5. Content cost trends



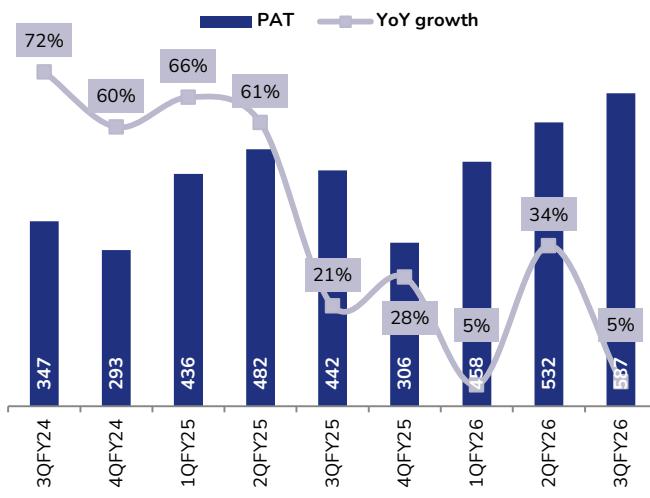
Source: Company, JM Financial

Exhibit 6. Other expenses trends



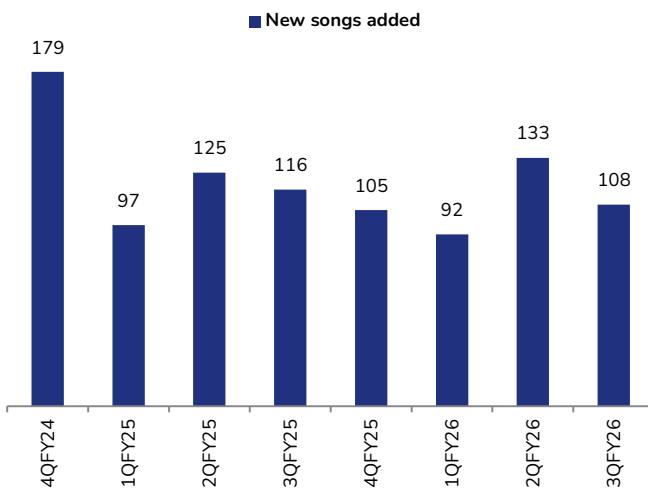
Source: Company, JM Financial

Exhibit 7. PAT trends



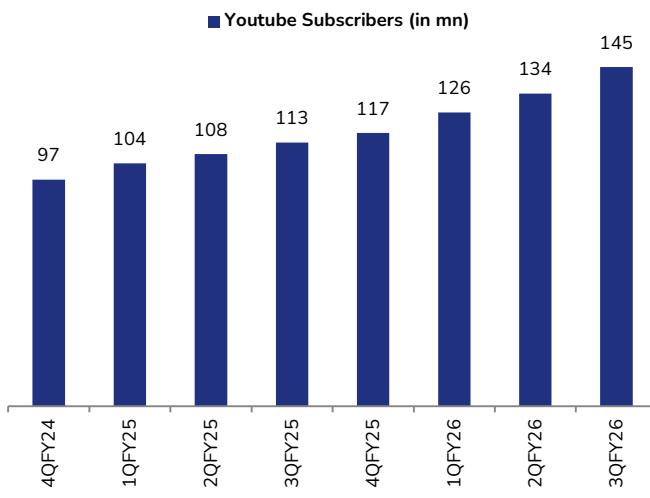
Source: Company, JM Financial

Exhibit 8. New songs added



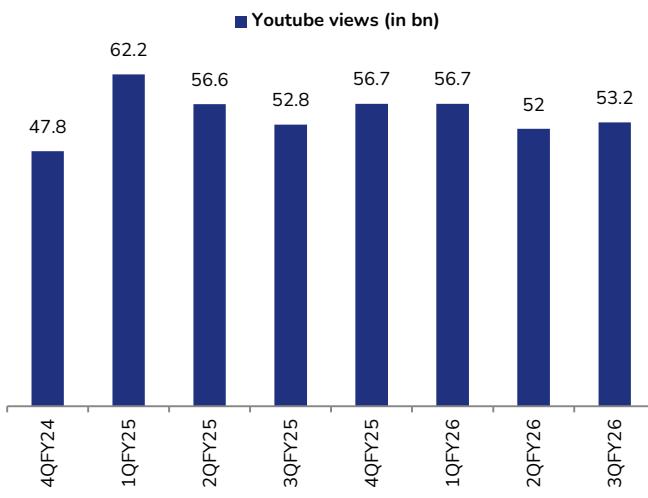
Source: Company, JM Financial

Exhibit 9. YouTube subscribers (in mn)



Source: Company, JM Financial

Exhibit 10. YouTube views (in bn)



Source: Company, JM Financial

Maintain ADD; TP raised to INR 580

Exhibit 11. What has changed in our forecasts?

All numbers are in INR mn	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,526	4,055	4,664	3,666	4,216	4,848	4.0%	4.0%	4.0%
EBIT	2,548	2,729	3,073	2,655	2,808	3,156	4.2%	2.9%	2.7%
EBIT margin	72.2%	67.3%	65.9%	72.4%	66.6%	65.1%	16bp	-70bp	-80bp
PAT	2,040	2,196	2,477	2,120	2,256	2,540	3.9%	2.7%	2.6%
Diluted EPS (INR)	15.96	17.18	19.37	16.59	17.65	19.87	3.9%	2.7%	2.6%

Source: Company, JM Financial

Key risks

- Upside:** i) Faster-than-expected audio OTT subscriptions growth. ii) Maturity of short-format video apps leading variable licensing deals for music labels.
- Downside:** i) Hiccups in distribution partnership with Warner. ii) Irrational rise in competitive intensity inflating new content cost. iii) Presence of several local as well as international players. iv) Slower-than-expected uptake in paid subscriptions. v) Revenue losses to piracy.

Exhibit 12. NTM EV/EBITDA



Source: Company, JM Financial

Exhibit 13. NTM PER



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)						Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,416	3,107	3,666	4,216	4,848	Shareholders' Fund	1,795	2,095	2,554	3,042	3,591
Sales Growth	29.3%	28.6%	18.0%	15.0%	15.0%	Share Capital	128	128	128	128	128
Other Operating Income	0	0	0	0	0	Reserves & Surplus	1,667	1,968	2,426	2,914	3,463
Total Revenue	2,416	3,107	3,666	4,216	4,848	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	0	0	0	0	0	Minority Interest	0	0	0	0	0
Personnel Cost	109	132	165	186	208	Total Loans	0	0	0	0	0
Other Expenses	722	865	821	1,193	1,450	Def. Tax Liab. / Assets (-)	-6	-46	-46	-46	-46
EBITDA	1,585	2,110	2,680	2,837	3,190	Total - Equity & Liab.	1,789	2,049	2,508	2,996	3,545
<i>EBITDA Margin</i>	65.6%	67.9%	73.1%	67.3%	65.8%	Net Fixed Assets	79	72	59	54	49
<i>EBITDA Growth</i>	55.5%	33.2%	27.0%	5.9%	12.4%	Gross Fixed Assets	173	153	165	190	218
Depn. & Amort.	20	22	26	30	34	Intangible Assets	0	2	2	2	2
EBIT	1,565	2,088	2,655	2,808	3,156	Less: Depn. & Amort.	94	83	109	138	172
Other Income	144	190	198	228	262	Capital WIP	0	0	0	0	0
Finance Cost	3	3	3	3	3	Investments	2,276	2,340	2,339	2,339	2,339
PBT before Excep. & Forex	1,705	2,275	2,850	3,032	3,415	Current Assets	1,028	936	1,581	2,276	3,034
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	Inventories	0	0	0	0	0
PBT	1,705	2,275	2,850	3,032	3,415	Sundry Debtors	263	275	348	368	455
Taxes	434	566	730	776	874	Cash & Bank Balances	485	408	935	1,565	2,184
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	28	1	1	1	1
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	Other Current Assets	252	252	298	342	394
Reported Net Profit	1,272	1,709	2,120	2,256	2,540	Current Liab. & Prov.	1,594	1,299	1,472	1,674	1,877
Adjusted Net Profit	1,272	1,709	2,120	2,256	2,540	Current Liabilities	863	373	387	433	456
<i>Net Margin</i>	52.6%	55.0%	57.8%	53.5%	52.4%	Provisions & Others	730	926	1,085	1,241	1,421
Diluted Share Cap. (mn)	128.4	127.8	127.8	127.8	127.8	Net Current Assets	-565	-363	109	602	1,157
Diluted EPS (INR)	9.9	13.4	16.6	17.6	19.9	Total - Assets	1,789	2,049	2,508	2,996	3,545
Diluted EPS Growth	67.6%	35.0%	24.1%	6.4%	12.6%						
Total Dividend + Tax	771	895	1,662	1,768	1,991						
Dividend Per Share (INR)	6.0	7.0	13.0	13.8	15.6						

Source: Company, JM Financial

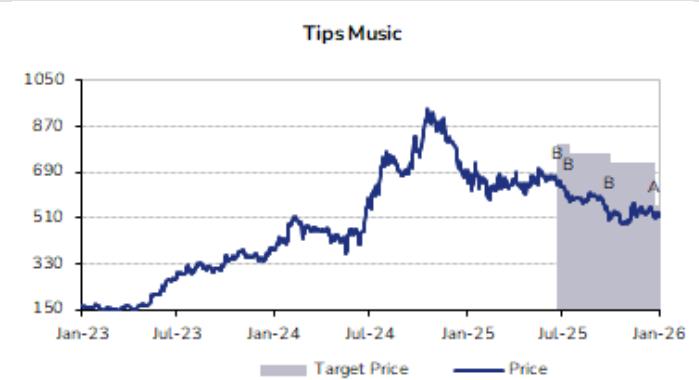
Cash Flow Statement (INR mn)						Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,705	2,232	2,850	3,032	3,415	Net Margin	52.6%	55.0%	57.8%	53.5%	52.4%
Depn. & Amort.	20	22	26	30	34	Asset Turnover (x)	1.2	1.3	1.5	1.4	1.4
Net Interest Exp. / Inc. (-)	-80	-183	-195	-225	-258	Leverage Factor (x)	1.2	1.2	1.1	1.1	1.1
Inc (-) / Dec in WCap.	1,126	-306	55	137	65	RoE	80.6%	87.9%	91.2%	80.6%	76.6%
Others	-2	30	0	0	0						
Taxes Paid	-439	-592	-730	-776	-874						
Operating Cash Flow	2,330	1,202	2,006	2,198	2,381						
Capex	-27	-15	-12	-25	-28						
Free Cash Flow	2,303	1,187	1,993	2,173	2,352						
Inc (-) / Dec in Investments	0	0	0	0	0						
Others	-1,084	121	198	228	262						
Investing Cash Flow	-1,110	106	186	203	233						
Inc / Dec (-) in Capital	0	-472	0	0	0						
Dividend + Tax thereon	-835	-895	-1,662	-1,768	-1,991						
Inc / Dec (-) in Loans	0	0	0	0	0						
Others	-13	-18	-3	-3	-3						
Financing Cash Flow	-848	-1,385	-1,664	-1,771	-1,994						
Inc / Dec (-) in Cash	371	-77	527	630	620						
Opening Cash Balance	114	485	408	935	1,565						
Closing Cash Balance	485	408	935	1,565	2,184						

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Jul-25	Buy	800	
30-Jul-25	Buy	765	-4.4
16-Oct-25	Buy	730	-4.6
8-Jan-26	Add	560	-23.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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