



Hitting the right notes

Tips Music posted results slightly above our estimates with Revenue/EBITDA/PAT seeing a beat. The Company declared a second interim dividend of INR 2 per share for FY25 and has strong cash position with INR 259 crore in cash and investments.

Tips Music Q2FY25 Operational highlights

- Added 125 new songs in Q2 FY25 (39 film songs, 86 non-film songs).
- YouTube subscriber base reached 108 million (21% YoY)
- Released two musical short films, "Carry Marry" and "Beparwah," which were well received. - Standout releases included "Yaad Reh Jaati Hai" from "The Buckingham Murders" and non-film song "Duwa Ki Jiye."
- Entered into a synchronization deal with Motorola for their advertisement showcasing new mobile phones.

Key Financial Highlights

- **Revenue:** INR 80.6 crore in Q2 FY25, a 32% YoY increase compared to INR 60.9 crore in Q2 FY24.
- **Content Cost:** INR 13.8 crore in Q2 FY25, a significant 194% YoY increase compared to INR 4.7 crore in Q2 FY24.
- **PAT:** INR 48.2 crore in Q2 FY25, a 21% YoY increase from INR 39.7 crore in Q2 FY24
- **Operating EBITDA Margin:** 73.8% in Q2 FY25, down 814 bps YoY from 81.9% in Q2 FY24.
- **H1 FY25 Revenue:** INR 154.5 crore, a 36% YoY increase from INR 113.5 crore in H1 FY24.
- **H1 FY25 PAT:** INR 91.7 crore, a 37% YoY increase from INR 66.8 crore in H1 FY24.

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net sales	1,356	1,868	2,416	3,125	4,051	5,263
EBIDTA	862	1,019	1,585	2,033	2,652	3,462
Margins(%)	63.6	54.6	65.6	65.1	65.5	65.8
PAT (adj)	646	765	1,272	1,624	2,099	2,718
Growth (%)	15%	19%	66%	28%	29%	30%
EPS	4.98	5.96	9.90	12.65	16.34	21.17
P/E (x)	155	129	78	61	47	36
P/B (x)	98	73	55	42	31	23
EV/EBITDA (x)	100	84	53	42	32	25
RoE (%)	63	56	71	69	66	63
ROCE (%)	87	78	95	92	88	85
RoIC (%)	160	190	264	158	96	93
Net Debt	-618	-931	-1,285	-1,329	-1,014	-1,154

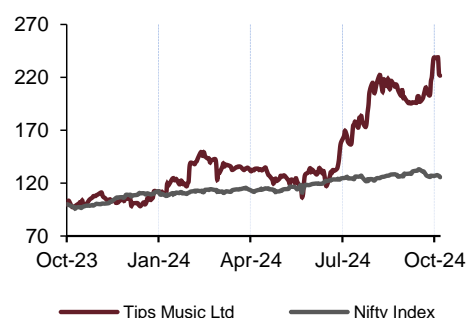
Source: Dalal and Broacha

Rating	TP (Rs)	Up/Dn (%)
BUY	847	10

Market data

Current price	Rs	770
Market Cap (Rs.Bn)	(Rs Bn)	98
Market Cap (US\$ Mn)	(US\$ Mn)	1,172
Face Value	Rs	1
52 Weeks High/Low	Rs	877 / 320
Average Daily Volume	('000)	1,313
BSE Code		532375
Bloomberg		TIPSMUSI.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	24.75	24.75
Public	75.25	75.25
Total	100.00	100.00

Source: Bloomberg

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Concall Highlights

- Maintaining revenue growth guidance of 30% for FY25 & Expecting to achieve 30% bottom line growth as well
- The Warner deal covers all major OTT platforms globally. Sony Music Publishing deal is an international agreement covering publishing rights (excluding YouTube) for all platforms.
- Aiming for a double-digit market share (10-11%) in the next 3-4 years.
- Revenue contribution from catalogue song is around 80-85% and new song (Song acquired in last three year) is around 15-20%. Catalogue is growing at a healthy pace in the range of 20-25%.
- Focusing on acquiring and releasing more film music, targeting 5-6 Hindi film releases per year.
- Potential impact on revenue from the shutdown of Wynk music service, although management believes the customer base will shift to other platforms, mitigating the effect. The company has received 12 crores on settlement with Wynk.
- **Big Trigger possibility Expecting continued growth in YouTube revenue, with short-format video getting monetized in upcoming years. YouTube has changed the guideline by increasing the timing of video to be considered as short-format video from 60Seconds to 3minutes.Increasing the timing would increase the advertisement in short format video which would in-turn increase the monetization opportunity for music labels.**
- Content cost will remain around 22% of the sales for this year and aiming to increase content investment to 28-30% of sales YoY in the coming years.

Q2FY25 Financial Performance

(Rs.Mn)	Q2FY25A	Q2FY24	YoY Growth (%)	Q1FY25	QoQ Growth (%)
Revenue from Operations	806	609	32%	739	9%
Other Income	56	36	55%	46	22%
Content cost	138	47	196%	127	9%
Employee Benefits Expense	28	21	30%	28	0%
Other Expenses	45	42	7%	41	11%
Total Expenses	211	110	91%	195	8%
EBITDA (Excluding Other Income)	595	498	19%	544	9%
Depreciation and Amortisation Expenses	5	5	21%	5	0%
EBIT / PBIT	645	530	22%	584	10%
Finance Costs	1	1	8%	1	-10%
EBT/ PBT	644	529	22%	583	10%
Tax Expense	163	133	23%	148	10%
Net Profit after Tax	482	396	21%	436	11%
Adj Earning Per Share	3.77	3.09	22%	3.40	11%

Source: Investor PPT, Dalal & Broacha Research

Valuation & Outlook

We expect robust Revenue/EBITDA/PAT CAGR of 31%/32%/32% over FY24-27E and value the company at 40x FY27e EPS of ~Rs 21 arriving at target price of Rs 847. This is justified by acting as a proxy for the evolving Indian digitization story, driven by the widespread adoption of smartphones and low-cost data, which have significantly curbed piracy and enhanced revenue tracking. This digital shift has led to a revival in the Indian music industry, with consumers increasingly embracing streaming platforms and providing music labels with a more substantial share of revenue. Despite evolving musical tastes, the consistent demand for music ensures a stable terminal value for companies as long as they maintain a relevant and appealing repertoire

	FY22	FY23	FY24	FY25e	FY26e	FY27e	CAGR FY24-27e
Revenue (Rs Mn)	1,356	1,868	2,416	3,125	4,051	5,263	31%
EBITDA (Rs Mn)	862	1,019	1,585	2,033	2,652	3,462	32%
PAT (Rs Mn)	729	816	1,414	1,732	2,257	2,925	32%
EBITDA Margin(%)	64	55	66	65	65	66	
PAT Margin(%)	47	40	50	49	50	50	
ROE	71%	60%	79%	73%	71%	68%	
ROCE	87%	78%	95%	92%	88%	85%	
ROIC	160%	190%	264%	158%	96%	93%	
CFO (Rs Mn)	293	811	2,330	1,904	1,756	2,582	
CFO to EBITDA	34%	80%	147%	94%	66%	75%	
Free cash Flow (Rs Mn)	289	804	2,302	1,880	1,737	2,569	
FCF to PAT	45%	105%	181%	116%	83%	94%	

Source: Investor PPT, Dalal & Broacha Research

FINANCIALS

P&L (Rs mn)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Sales	1,356	1,868	2,416	3,125	4,051	5,263
Operating Expenses	-	-	-	-	-	-
Employee Cost	-63	-73	-109	-94	-122	-158
Other Expenses	-431	-775	-722	-998	-1,278	-1,642
Operating Profit	862	1,019	1,585	2,033	2,652	3,462
Depreciation	-7	-13	-20	-25	-31	-36
PBIT	855	1,006	1,565	2,008	2,621	3,426
Other income	32	54	144	161	180	202
Interest	-1	-3	-3	-3	-3	-3
PBT	886	1,056	1,705	2,165	2,798	3,625
Profit before tax	886	1,056	1,705	2,165	2,798	3,625
Provision for tax	-158	-241	-291	-434	-541	-700
Profit & Loss from	-	-	-	-	-	-
Reported PAT	729	816	1,414	1,732	2,257	2,925
MI	-	-	-	-	-	-
Owners PAT	729	816	1,414	1,732	2,257	2,925
Adjusted Profit	729	816	1,414	1,732	2,257	2,925
EPS	4.98	5.96	9.90	12.65	16.34	21.17

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Equity capital	130	128	128	128	128	128
Reserves	894	1,233	1,667	2,231	3,071	4,158
Net worth	1,024	1,362	1,795	2,360	3,199	4,286
MI	-	-	-	-	-	-
Non Current Liabilities	334	32	760	536	536	536
Current Liabilities	110	533	834	1,401	1,236	1,302
TOTAL LIABILITIES	1,468	1,927	3,389	4,298	4,971	6,125
Non Current Assets	179	281	632	657	670	684
	177	281	632	657	670	690
Fixed Assets	63	50	78	103	123	136
Right of Use Assets	-	-	-	-	-	-
Financial Assets	2	72	479	479	472	478
Deferred Tax Asset	4	5	6	6	6	6
Advances	-	1	1	1	1	1
Other Non Current Assets	108	153	68	68	68	68
Current Assets	1,288	1,646	2,756	3,641	4,301	5,441
Current investments	34	131	913	1,813	2,713	3,613
Inventories	-	-	-	-	-	-
Trade Receivables	179	203	263	257	333	433
Cash and Cash Equivalent cash	221	114	485			
	399	843	827	1,330	1,014	1,154
Advances	2	26	27	-	-	-
Other Financial Assets	87	45	58	58	58	58
Other Current Assets	367	283	184	184	184	184
TOTAL ASSETS	1,468	1,927	3,389	4,298	4,971	6,125

Cashflow (Rs mn)	FY22	FY23	FY24	FY25e	FY26e	FY27e
PBT	886	1,056	1,705	2,165	2,798	3,625
Depreciation	7	13	20	25	31	36
Net Chg in WC	-360	90	1,128	378	-242	-33
Taxes	-219	-310	-439	-541	-700	-906
Others	-22	-39	-84	-123	-132	-140
CFO	293	811	2,330	1,904	1,756	2,582
Capex	-5	-7	-28	-25	-19	-13
Net Investments made	-75	-555	-2,006	-900	-900	-900
Others	-191	79	924	161	180	202
CFI	-270	-483	-1,110	-764	-739	-711
Change in Share capital	-	-	-	-	-	-
Change in Debts	-	-	-	-	-	-
Div. & Div Tax & Buyback	-26	-427	-835	-974	-1,259	-1,631
Others	-3	-8	-13	-149	-74	-99
CFF	-28	-435	-848	-1,123	-1,333	-1,730
Total Cash Generated	-5	-107	371	18	-316	141
Cash Opening Balance	226	221	114	1,312	1,329	1,014
Cash Closing Balance(a)	221	114	485	1,329	1,014	1,155
Other Bank Balances (b)	399	843	827	-	-	-
Total(a+b)	619	957	1,312	1,329	1,014	1,155

Ratios	FY22	FY23	FY24	FY25e	FY26e	FY27e
OPM	63.6	54.6	65.6	65.1	65.5	65.8
NPM	46.5	39.8	49.7	49.4	49.6	49.7
Tax rate	-27.2	-27.6	-25.4	-25.0	-25.0	-25.0

Growth Ratios (%)

Net Sales	50%	38%	29%	29%	30%	30%
Operating Profit	56%	18%	56%	28%	30%	31%
PBIT	57%	18%	56%	28%	31%	31%
PAT	15%	19%	66%	28%	29%	30%

Per Share (Rs.)

Net Earnings (EPS)	4.98	5.96	9.90	12.65	16.34	21.17
Cash Earnings (CPS)	5.04	6.06	10.06	12.84	16.58	21.45

Dividend

Book Value	7.90	10.60	13.98	18.37	24.91	33.38
Cash Flow from Operati	293.49	810.91	2,329.52	1,904.21	1,755.70	2,581.95
Less:- Capex	-5	-7	-28	-25	-19	-13
Free Cash Flow	288.70	803.76	2,301.63	1,879.56	1,736.67	2,568.55

Valuation Ratios

P/E(x)	136	113	68	53	41	32
P/B(x)	85	63	48	36	27	20
EV/EBIDTA(x)	100	84	53	42	32	25
Div. Yield(%)	0.03%	0.03%	0.97%	1.13%	1.46%	1.90%
FCF Yield(%)	0.33%	0.93%	2.67%	2.18%	2.02%	2.99%

Return Ratios (%)

ROE	63%	56%	71%	69%	66%	63%
ROCE	87%	78%	95%	92%	88%	85%
RoIC	160%	190%	264%	158%	96%	93%

Source: Dalal & Broacha Research, Company

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