



### Hitting the right notes

**Tips Music's strategies focus on leveraging the digital landscape, diversifying revenue streams, and strategically expanding their content and reach through various partnerships and acquisitions. The company anticipates a 30% YoY growth in both revenue and PAT in FY25 and FY26, driven by these initiatives.**

#### Tips Music Q3FY25 Operational highlights

- For Q3FY25 the company released 116 new songs., of which 40 were new film songs and 76 Nonfilm songs
- YouTube subscriber base has now reached a remarkable 113 million.
- This quarter saw the release of popular songs like "Jutti Kasuri" by Gippy Grewal, "Afghani Afeem Hai" by Tony Kakkar, and "Tiyariyan" from movie Hoshiar Singh by Satinder Sartaaj.

#### Key Financial Highlights

- **Revenue:** INR 77.7 crore in Q3 FY25, a 20% YoY increase compared to INR 64.8 crore in Q3 FY24.
- **Content Cost:** INR 14.6 crore in Q3 FY25 compared to INR 14.7 crore in Q3 FY24.
- **PAT:** INR 44.2 crore in Q3 FY25, a 27% YoY increase from INR 34.7 crore in Q3 FY25
- **Operating EBITDA Margin:** 71.6% in Q3 FY25, up 460 bps YoY from 67.0% in Q3 FY24.
- **9M FY25 Revenue:** INR 232.2 crore, a 30% YoY increase from INR 178.3 crore in 9M FY24
- **9M FY25 PAT:** INR 136.0 crore, a 34% YoY increase from INR 101 crore in 9M 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
<b>Growth (%)</b>	<b>15%</b>	<b>19%</b>	<b>66%</b>	<b>28%</b>	<b>29%</b>	<b>30%</b>
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

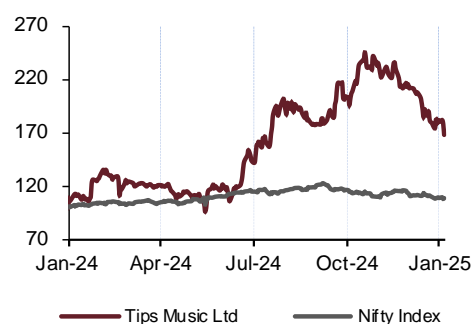
Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>847</b>	<b>32</b>

#### Market data

Current price	Rs	644
Market Cap (Rs.Bn)	(Rs Bn)	82
Market Cap (US\$ Mn)	(US\$ Mn)	951
Face Value	Rs	1
52 Weeks High/Low	Rs	950 / 345.5
Average Daily Volume	('000)	177
BSE Code		532375
Bloomberg		TIPSMUS1.N

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	64.15	64.15
Public	35.85	35.85
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Source: Bloomberg

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Concall Highlights

- **Content Cost:** The content cost for the quarter was ₹14.55 crores. Content acquisition costs are expected to be around 25-27% (currently around 18%) of revenue going forward. The company writes off content costs every quarter.
- **Digital Growth:** The company is seeing strong growth in music usage across digital platforms, with 75% of revenue coming from digital sources. Both digital and non-digital segments have shown equal growth, with strong performance on Meta platforms like Instagram and Facebook.
- **TikTok Partnership:** Tips Music has partnered with TikTok, allowing users worldwide (excluding India and China) access to their music library. The deal is structured with an upfront payment, with revenue to be booked from the next quarter based on usage/creation.
- **YouTube and Meta:** YouTube has extended the length of short-form videos to 180 seconds, followed by Meta, creating new opportunities for ad- revenue and monetization. The company's YouTube subscriber base has reached 113 million. The company sees short-form video content as a significant business opportunity, expecting it to contribute up to 25% (Currently it contributes roughly 7%) of the business in the future.
- **Content Production:** In Q3 FY25, 116 songs were launched, including 40 film songs and 76 non-film songs. The company is shifting focus to quality over quantity of songs, planning to reduce the number of releases while maintaining the same investment.
- **Collection Societies:** Tips Music is thriving with collection societies, with growth in this area. The company is a member of the IPRS society and has appointed Sony Music Publishing for international deals (Renewal of the deal is in discussion).

Subscriptions are becoming more acceptable in India



Spotify India Subscription Revenue up by 90% and Ad revenue rose by 114% for FY24

**Spotify India Loss Narrows, Revenue Strikes a High Note**

**REPORT CARD** Revenue surge fuelled by robust growth in both advertising and subscription

**Balance Sheet**

<b>NET LOSS</b>	<b>Subscription Revenue</b>
1242 cr. down	up 90% to 2382 cr. in FY24
\$85 cr. from 2382 cr. in FY23	up 157% Ad revenue rose by 144% to 1234 cr.

**REVENUE GROWTH**

<b>Operating Revenue</b>	<b>Expenses</b>
up 93% to 1521 cr.	down 2.4%

**70 million active users, 50% from new streams etc.**

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Spotify India reported a net loss of ₹1242 crore for FY24, reflecting a 58% decline compared to the ₹2982 crore loss in the previous fiscal, according to financial details shared by the firm.

The company's operating revenue rose to ₹1521 crore from ₹788 crore in FY23, driven by strong growth in both advertising and subscription revenue.

Expenses decreased 2.4% to ₹1422 crore from ₹1458 crore. Notably, advertising and marketing expenses increased 4% to ₹1018 crore, while personnel expenses went up 20% to ₹403 crore.

During FY24, advertising revenue shot up 90% to ₹1234 crore, while advertising revenue soared 144% to ₹1234 crore.

Spotify India declined to comment on the financials.

Spotify India LP has a limited liability partnership between Spotify AB (90%) and Spotify India (10%), with its ultimate parent company being Spotify Technology S.A., based in Luxembourg.

The entity's primary business operations involve providing access to the Spotify platform and services to local users in India. It is also engaged in selling advertising space and conducting marketing activities in the local market.

According to Spotify India's FY24 advertising deck, the platform has 70 million monthly active users who spend an average

- According to Spotify India's 2024 advertising deck, the platform now boasts 70 million monthly active users who spend an average of 1.44 hours daily streaming music
- 59% of Spotify's total reach comes from the top eight metro cities, while the remaining 41% is spread across 7,000 towns
- 63% of Spotify India's users fall within the 25 to 44-plus age group, while the 16-24 age group makes up the remaining 37%
- Subscription Realization per stream is higher, which will help drive top-line growth and improve margins over time

Source: Investor PPT, Dalal & Broacha Research

Q3FY25 Financial Performance

(Rs.Mn)	Q3FY25A	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)
<b>Revenue from Operations</b>	<b>777</b>	<b>648</b>	<b>20%</b>	<b>806</b>	<b>-4%</b>
Other Income	42	34	21%	56	-26%
Content cost	146	147	-1%	138	5%
Employee Benefits Expense	30	26	16%	28	8%
Other Expenses	45	41	10%	45	0%
Total Expenses	221	214	3%	211	5%
<b>EBITDA (Excluding Other Income)</b>	<b>556</b>	<b>434</b>	<b>28%</b>	<b>595</b>	<b>-7%</b>
Depreciation and Amortisation Expenses	5	4	25%	5	0%
<b>EBIT / PBIT</b>	<b>592</b>	<b>464</b>	<b>27%</b>	<b>645</b>	<b>-8%</b>
Finance Costs	1	1	4%	1	-9%
<b>EBT/ PBT</b>	<b>591</b>	<b>464</b>	<b>28%</b>	<b>644</b>	<b>-8%</b>
Tax Expense	149	117	27%	163	-9%
<b>Net Profit after Tax</b>	<b>442</b>	<b>347</b>	<b>28%</b>	<b>482</b>	<b>-8%</b>
Adj Earning Per Share	3.46	2.70	28%	3.77	-8%
<b>Margins (%)</b>			<b>(In bps)</b>		<b>(In bps)</b>
EBITDA Margins (Excl Other Income)	71.6%	67.0%	458	73.8%	-223
PAT Margins	56.9%	53.5%	349	59.8%	-282

Source: Investor PPT, Dalal & Broacha Research

Upcoming Music Releases



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**

<b>P&amp;L (Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25e</b>	<b>FY26e</b>	<b>FY27e</b>
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
<b>Operating Profit</b>	<b>862</b>	<b>1,019</b>	<b>1,585</b>	<b>2,033</b>	<b>2,652</b>	<b>3,462</b>
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	-241	-291	-434	-541	-700	-906
Profit & Loss from Associates/JV	-	-	-	-	-	-
Reported PAT	646	765	1,272	1,624	2,099	2,718
MI	-	-	-	-	-	-
Owners PAT	646	765	1,272	1,624	2,099	2,718
<b>Adjusted Profit</b>	<b>646</b>	<b>765</b>	<b>1,272</b>	<b>1,624</b>	<b>2,099</b>	<b>2,718</b>
<b>EPS</b>	<b>4.98</b>	<b>5.96</b>	<b>9.90</b>	<b>12.65</b>	<b>16.34</b>	<b>21.17</b>
<b>Balance Sheet (Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25e</b>	<b>FY26e</b>	<b>FY27e</b>
Equity capital	130	128	128	128	128	128
Reserves	894	1,233	1,667	2,231	3,071	4,158
<b>Net worth</b>	<b>1,024</b>	<b>1,362</b>	<b>1,795</b>	<b>2,360</b>	<b>3,199</b>	<b>4,286</b>
MI	-	-	-	-	-	-
<b>Non Current Liabilites</b>	<b>334</b>	<b>32</b>	<b>760</b>	<b>536</b>	<b>536</b>	<b>536</b>
<b>Current Liabilites</b>	<b>110</b>	<b>533</b>	<b>834</b>	<b>1,401</b>	<b>1,236</b>	<b>1,302</b>
<b>TOTAL LIABILITIES</b>	<b>1,468</b>	<b>1,927</b>	<b>3,389</b>	<b>4,298</b>	<b>4,971</b>	<b>6,125</b>
<b>Non Current Assets</b>	<b>179</b>	<b>281</b>	<b>632</b>	<b>657</b>	<b>670</b>	<b>684</b>
	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
Long Term Loans and Advances	-	1	1	1	1	1
Other Non Current Assets	108	153	68	68	68	68
<b>Current Assets</b>	<b>1,288</b>	<b>1,646</b>	<b>2,756</b>	<b>3,641</b>	<b>4,301</b>	<b>5,441</b>
<b>Current investments</b>	<b>34</b>	<b>131</b>	<b>913</b>	<b>1,813</b>	<b>2,713</b>	<b>3,613</b>
Inventories	-	-	-	-	-	-
Trade Receivables	179	203	263	257	333	433
Cash and Cash Equivalent	221	114	485			
Bank Balance other than cash	399	843	827	1,330	1,014	1,154
Short Term Loans and Advances	2	26	27	-	-	-
Other Financial Assets	87	45	58	58	58	58
Other Current Assets	367	283	184	184	184	184
<b>TOTAL ASSETS</b>	<b>1,468</b>	<b>1,927</b>	<b>3,389</b>	<b>4,298</b>	<b>4,971</b>	<b>6,125</b>

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
<b>CFO</b>	<b>293</b>	<b>811</b>	<b>2,330</b>	<b>1,904</b>	<b>1,756</b>	<b>2,582</b>
Capex	-5	-7	-28	-25	-19	-13
Net Investments made	-75	-555	-2,006	-900	-900	-900
Others	-191	79	924	161	180	202
<b>CFI</b>	<b>-270</b>	<b>-483</b>	<b>-1,110</b>	<b>-764</b>	<b>-739</b>	<b>-711</b>
Change in Share capital	-	-	-	-	-	-
Change in Debts	-	-	-	-	-	-
Change in Debts	-26	-427	-835	-974	-1,259	-1,631
Others	-3	-8	-13	-149	-74	-99
<b>CFF</b>	<b>-28</b>	<b>-435</b>	<b>-848</b>	<b>-1,123</b>	<b>-1,333</b>	<b>-1,730</b>
<b>Total Cash Generated</b>	<b>-5</b>	<b>-107</b>	<b>371</b>	<b>18</b>	<b>-316</b>	<b>141</b>
<b>Cash Opening Balance</b>	<b>226.76</b>	<b>221</b>	<b>114</b>	<b>1,312</b>	<b>1,329</b>	<b>1,014</b>
<b>Cash Closing Balance(a)</b>	<b>221</b>	<b>114</b>	<b>485</b>	<b>1,329</b>	<b>1,014</b>	<b>1,154</b>
<b>Other Bank Balances (b)</b>	<b>399</b>	<b>843</b>	<b>827</b>	-	-	-
<b>Total(a+b)</b>	<b>620</b>	<b>957</b>	<b>1,312</b>	<b>1,329</b>	<b>1,014</b>	<b>1,154</b>

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
<b>Growth Ratios (%)</b>						
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%
<b>Per Share (Rs.)</b>						
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
<b>Dividend</b>						
<b>Book Value</b>	<b>7.90</b>	<b>10.60</b>	<b>13.98</b>	<b>18.37</b>	<b>24.91</b>	<b>33.38</b>
Cash Flow from Operations	293.49	810.91	2,329.52	1,904.21	1,755.70	2,581.95
Less:- Capex	-5	-7	-28	-25	-19	-13
<b>Free Cash Flow</b>	<b>288.70</b>	<b>803.76</b>	<b>2,301.63</b>	<b>1,879.56</b>	<b>1,736.67</b>	<b>2,568.55</b>
<b>Valuation Ratios</b>						
P/E(x)	128	107	64	50	39	30
P/B(x)	99	74	56	43	32	24
EV/EBIDTA(x)	117	98	63	49	38	29
Div. Yield(%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF Yield(%)	0.28%	0.80%	2.28%	1.86%	1.72%	2.55%
<b>Return Ratios (%)</b>						
ROE	63%	56%	71%	69%	66%	63%
ROCE	87%	78%	95%	92%	88%	85%
RoIC	160%	190%	264%	158%	96%	93%

Source: Dalal &amp; Broacha Research, Company

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