Tips Industries Limited

Investor Presentation

July 2021

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Music Industry…

#19

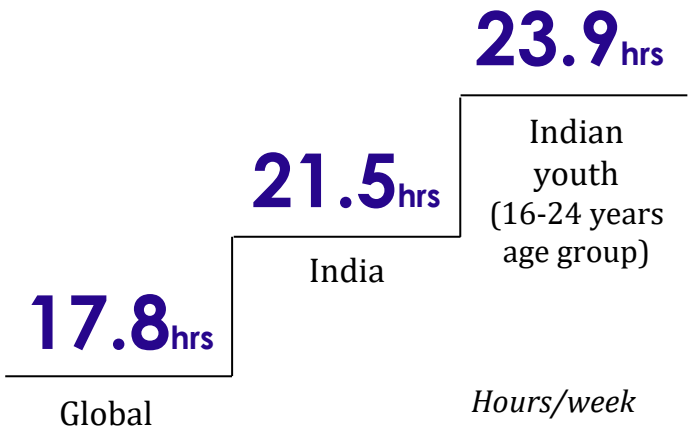
India's rank in the global music market

#14

India's rank in the global digital revenues

- ✔ **According to YouTube, musicians owned the majority of videos** that have achieved more than 1 billion lifetime views and/or have made it to the top 10 most watched videos of all time
- ✔ No. of **monthly active audio-streaming** users has grown from 165 million in 2019 to **200 million in 2020**
- ✔ According to an IFPI survey of 19 leading geographic markets in 2019, **54% of 35- to 64-year-olds used a streaming service to listen to music**, representing an increase from 46% in 2018, which was the highest rate of growth for use of streaming services across all age groups.
- ✔ Average monthly stream count was over **10 billion streams** in first half of 2020 and **crossed 11 billion streams** per month during lockdown (other than YouTube)
- ✔ Industry leaders estimated a **53% increase** in music consumption during leisure and **25% increase** during fitness activities in 2020
- ✔ **Paid subscriptions** generated 9.1% of the Indian music industry's streaming revenues in 2019, is **expected to grow to 31% by 2024.** Paid consumers on streaming apps **increased by 15%** post COVID-19
- ✔ The FICCI–EY Media & Entertainment Report 2020 expects paid subscribers for music streaming in India to **cross 5 million by 2023.**

Indians love their Music

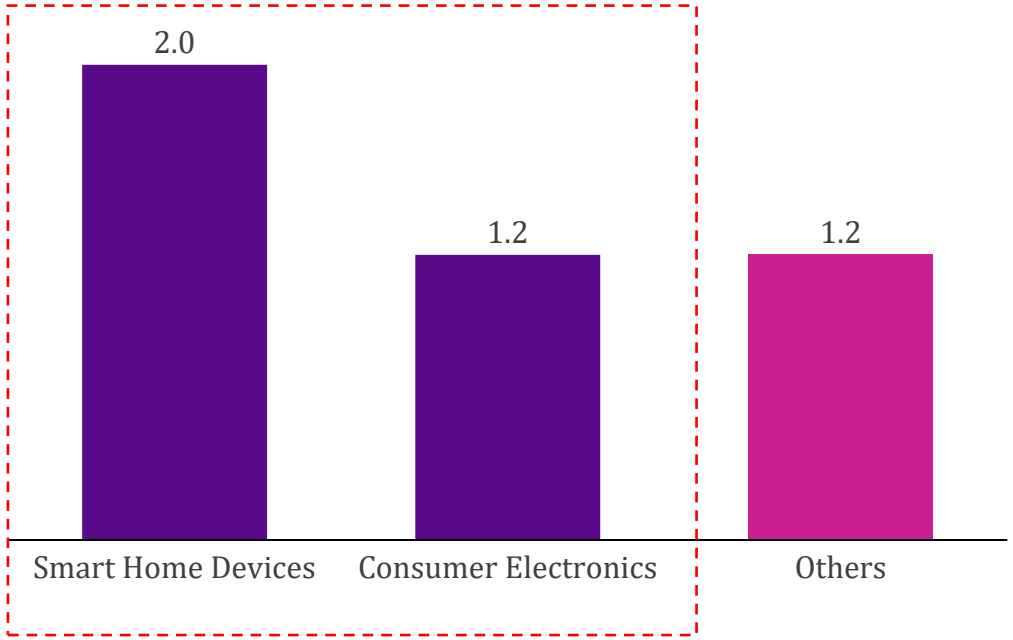


*Source: Ericsson Mobility Report November 2019 (EMR-19) & FICCI–EY Media & Entertainment (M&E) Report (2021) and RIAA, IFPI Industry report (2018, 2019 & 2020), Indian Music Industry's (IMI) — Digital Music Study 2019

...is bound to grow

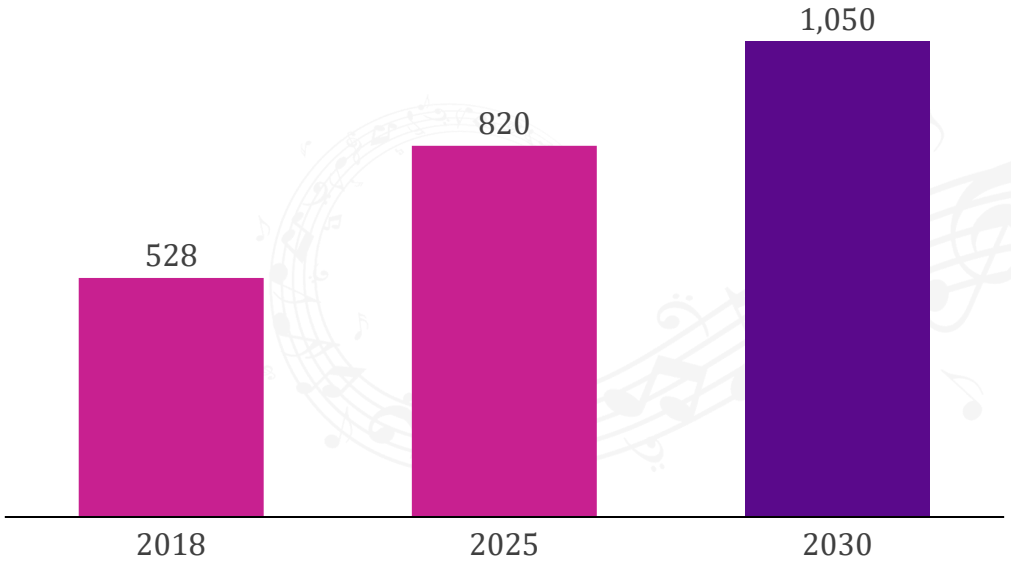
4Bn new connected consumer devices to be added by 2025 globally

Devices in Billion



Strong growth in India's digital userbase with 90% of new users to have vernacular affinity and Tier-2/3/rural shoppers to be over 1.6x of Metro/Tier-1 shoppers by 2023

Users in Millions



Increasing usage of Smart Devices & Increasing penetration of internet users widens the target audience for music companies

Source: GSMA Mobile Economy Report, 2020 I KPMG India's Digital Future Report, 2019 I Redseer – Vernacular in Now Report, 2019

Global Music Subscription Update

USA

On Demand Audio streaming in the US was up ~17% y-o-y.
76 Mn Music services subscribers v/s
74 Mn subscribers of Netflix

Netherlands

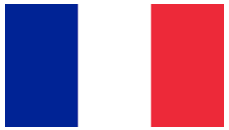
Proportion of Streaming doubled in last 8 years & **~60%** **have premium subscriptions**

Brazil

Paid streaming contributes **~75%** of revenue for Music Labels

Russia

Music revenue grew by **~50%** in 2019 and streaming grew by **~76%** for 2020, this was partially aided by high profile launch of Spotify



France

Slightly under 1/3rd of population is using Streaming services & of that more than **~62%** of people are using **paid streaming services**

China

Number of paid subscribers doubled in 2 years to 60 Mn; **Second highest globally** but still **under 5%** **penetration** of country's total population.

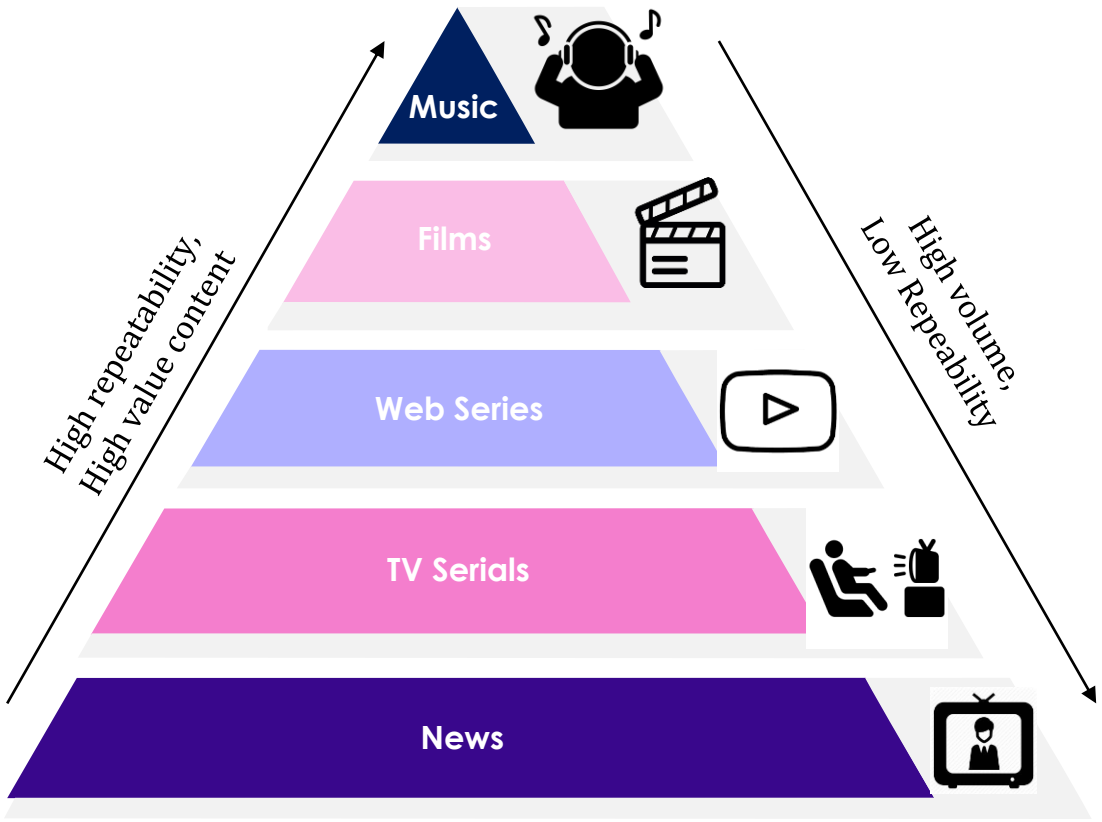
India

Listenership on audio streaming services grew by **40%** Y-o-Y in first half of 2020

Source: MusicAlly

Music is the most valuable content

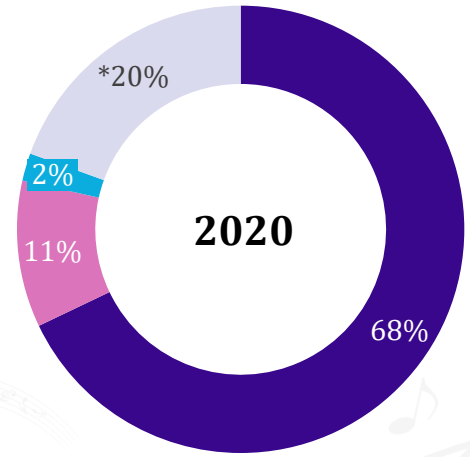
Ranking on repeated monetization



Content that can be monetized multiple times naturally commands greater economic value

Music ranks at the top of the content pyramid when ranked on repeated monetization

Music is now an internet business



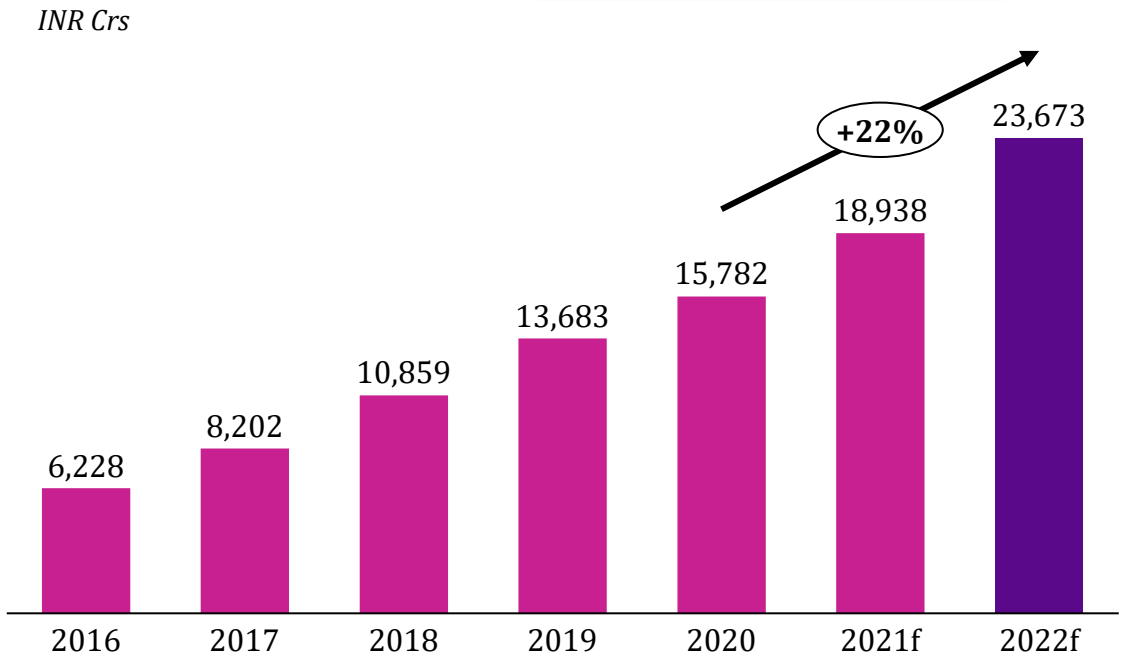
Internet platforms comprised **68%** of total revenues in 2020, up from **54%** in 2018, for the Global Music Industry

*Japan has the largest share. India's share is less than 2% as more than 80% of music has been digitized

*Source: IFPI Industry report (2020)

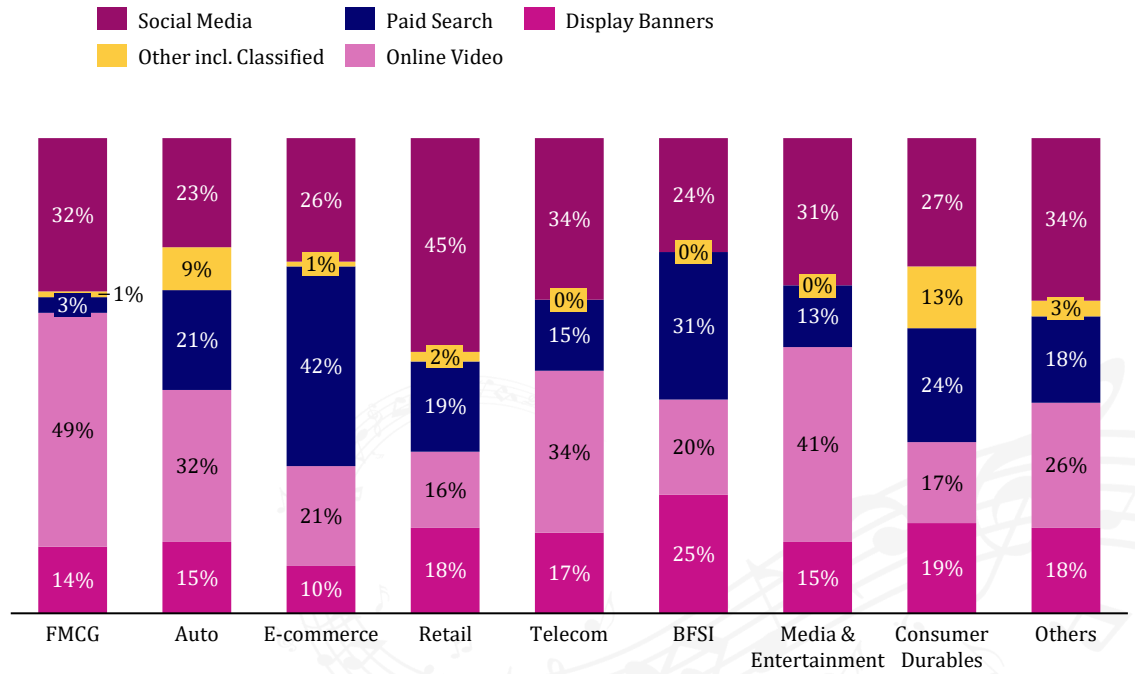
Digital Advertising – Key Driver of Indian Music Industry

Indian Digital Ad Industry



- Digital media is expected to grow at a CAGR of 22% to cross the Rs. 23,600 crores by the end of 2022
- This sustained growth can be attributed to the technological advancements, improvements in data science & analytics, introduction of policies & regulations among others

AD spends on Digital Media by formats & verticals



- Advertising spends on Digital Media is led by Social Media with the largest share of 29%, contributing Rs. 4,596 crore to the Indian digital advertising pie
- Social Media is new revenue stream for Music Industry

- On an average, Indians spend 2-3 hours on Social Media, which is at par with the global average
- 73% of the audience belonging to the age group of 45 years to 54 years use YouTube to watch online content

Source: Dentsu Aegis Network Report 2021

Ecosystem Supporting Growth

01

Convenience

Listeners no longer need to carry separate devices; smartphone apps make music available 24x7 with a tap and a swipe.

02

Rising Data Consumption

Mobile Data Traffic to grow at 21% CAGR between 2019 and 2025 in India

03

More Subscribers

72 crore mobile Internet subscriptions in India today & expected to touch 134 crs by 2025. Current tele-density in rural areas is only 57%

04

Cheap Data & Faster Network

Easy & Cheap availability of data & faster network. 58% of Indian cell phone users are on 3G or 4G networks

05

Smart Phone

Only 450mn smartphone connections in India so far. Increasing smartphone penetration in urban as well as rural India will lead to high data consumption for audio & video platforms

06

Partnerships

Multiple partnerships with various OTT & Digital platforms to provide annuity revenue stream

07

Rising AVOD Spends

Digital advertising growing ~30% p.a. in India. Increasing AVOD spend will further boost music & videos streaming online

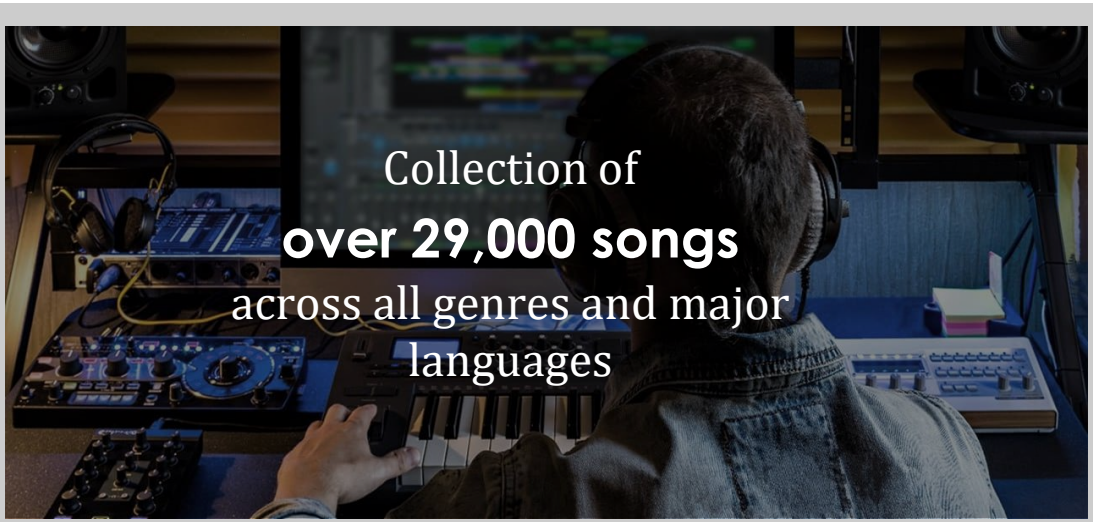
08

Technological Advancements

Evolving technologies like AI & Data analytics will play an important role in understanding consumer preference to enhance listenership

*Source: Ericsson Mobility Report November 2019 (EMR-19) & FICCI–EY Media & Entertainment (M&E) Report (2020) and RIAA, IFPI Industry report (2018)

Company Overview



Established in 1988, Tips Industries is one of the large corporate houses in the field of music and films

Consistent success in creating and acquiring high quality music I.P.R.

Since 1990, Tips has been amongst players with the highest number of gold and platinum discs to their credit

Extensive catalogue of Film, Non-Film, Devotional, Pop, Remixes

Catalogue is licensed to

- OTT platforms
- Content Aggregators
- TV Channels
- Telecom Companies
- Radio Stations,
- Advertisers
- Event Management Companies
- Hotels, Restaurants, and Others

Hindi | Punjabi | Gujarati | Bhojpuri & many others…

Presence across platforms

Corporate Philosophy

Our Vision

To maintain and grow a **MUST HAVE HITS** catalogue

Our Mission

To create, acquire and deliver quality music to a wide range of audiences

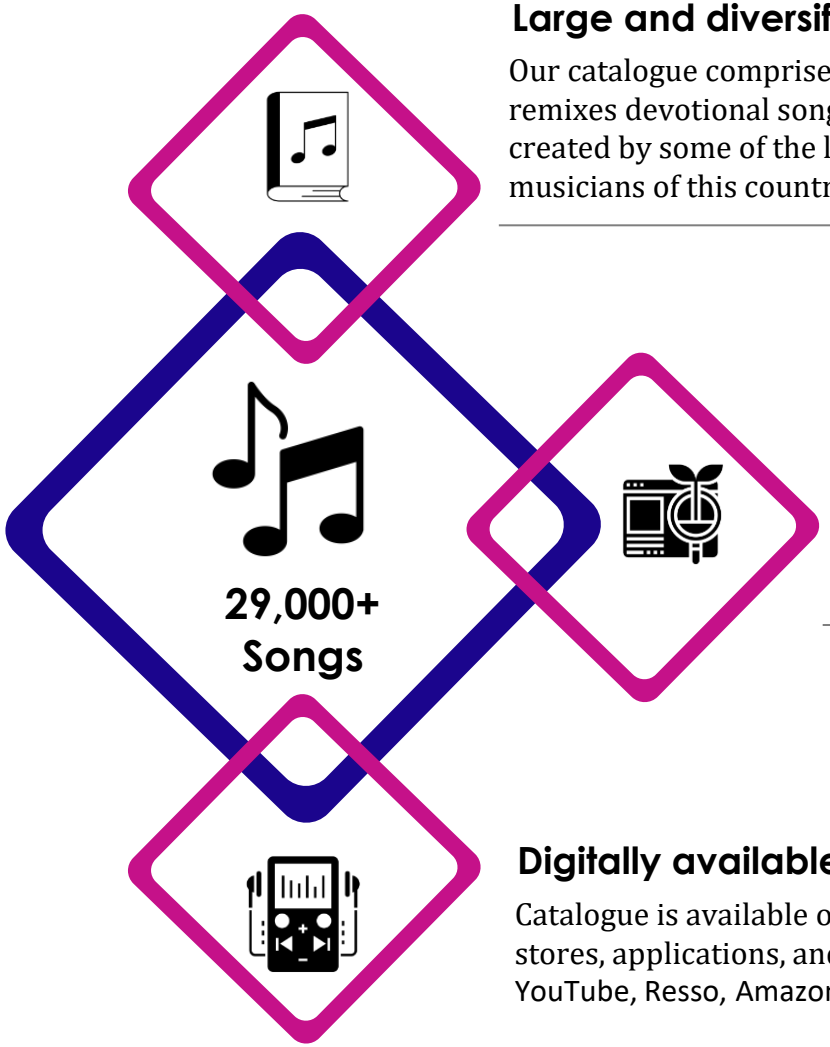
Our Purpose

Deliver Entertainment

Our Core Values

- Honesty
- Commitment
- Teamwork
- Passion
- Positive attitude

...generating multiple revenue streams



Large and diversified music library

Our catalogue comprises film, non-film, pop, remixes devotional songs and bhajans, created by some of the leading artistes and musicians of this country.

Rich & Evergreen Catalogue

Digitized catalogue comprises over 29,000 songs in multiple Indian languages and genres with new additions every year

Digitally available

Catalogue is available on all the leading online music stores, applications, and web platforms including YouTube, Resso, Amazon Prime, JioSaavn and Facebook

YouTube — Over **54 Mn** YouTube channel subscribers/followers

Rich content can be leveraged to generate multiple annuity revenue streams via following

Sync Deals

MADDOCK FILMS · EXCEL ENTERTAINMENT · AAMIR KHAN PRODUCTIONS PVT. LTD.

NETFLIX · DHARMA PRODUCTIONS · VIACOM 18 · Ogilvy

Fremantle · TATA sky · McCANN

Broadcast Partners

ZEE · Star · SONY CHANNEL · VIACOM 18

Two Pronged Content Acquisition Strategy

Our endeavour to add right content for larger target audience

1 Produce Strategy

- To introduce promising singers (TIPS) is in our DNA
- We have a strong A&R team which engages with artistes across genres and languages which allows us to present upcoming talent to our listeners.
- Our team has a deep understanding of music which allows us to create and build a repertoire of **"Must Have Hits"**

2 Purchase Strategy

- We also engage with other producers to buy music rights to complement our repertoire
- Our understanding of music and its creative process provides us deep insights on costs and returns and therefore we always remain cost conscious while acquiring music rights

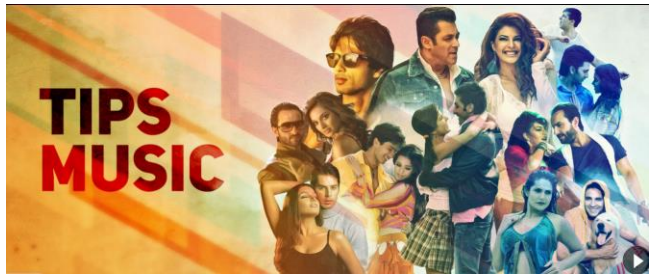
Content Cost

100% of Content cost is charged off to profit & loss account in the year of release, thus no Capitalization & no write-offs in the future. Company follows this policy since inception

Content acquisition cost is only funded through internal accruals

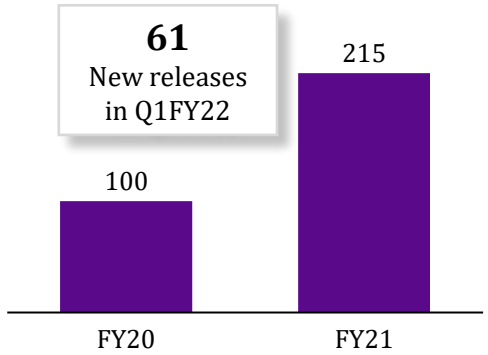
Strong A&R team to acquire content across languages & genres. 5 Artist signed exclusively

Growing listenership & Increasing Content Addition



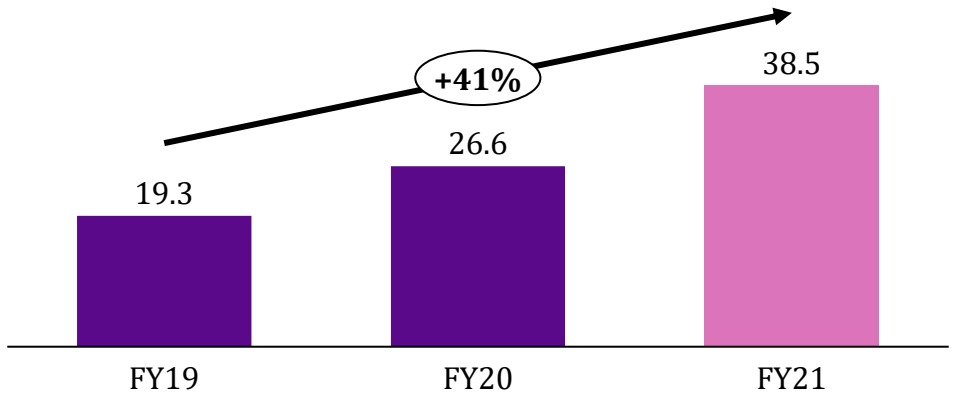
Evergreen & Rich content of **over 29,000 songs** across genres, languages & decades giving us high visibility of music revenue

New Songs Added

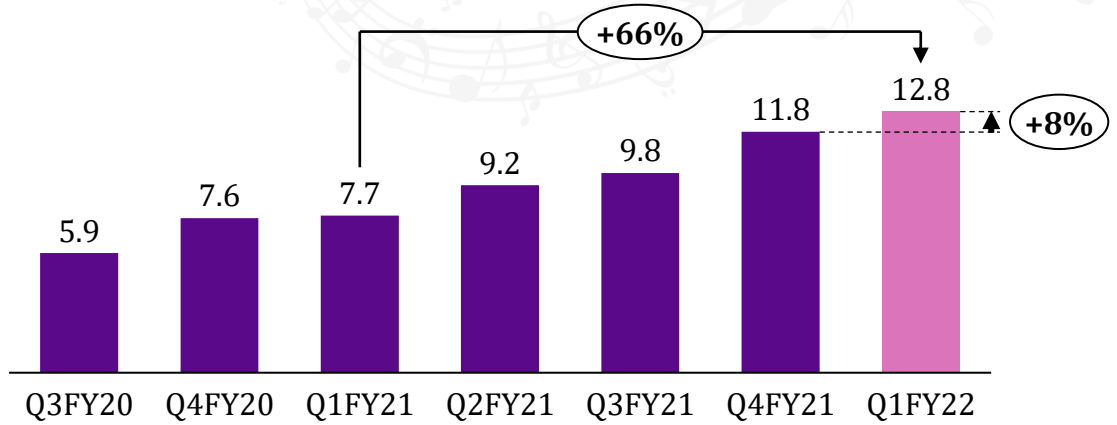


Existing Content + Continuous Additions : Increasing Music Revenue

Youtube Views (in. Bn)



Youtube Views (in. Bn)

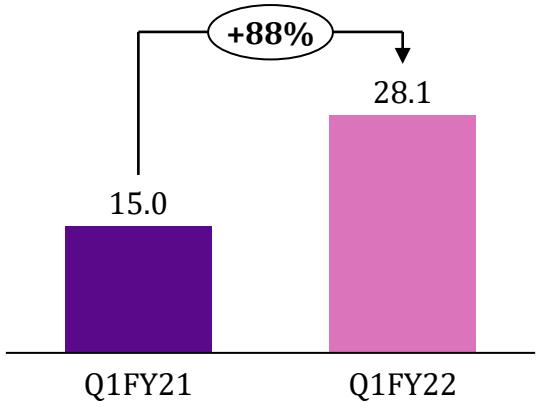


Financial Highlights

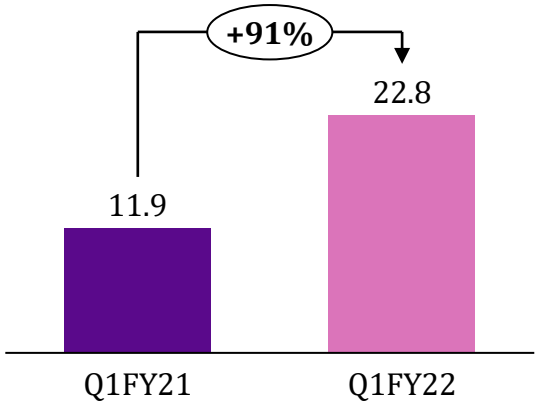
Segmental Performance - Music

Y-o-Y

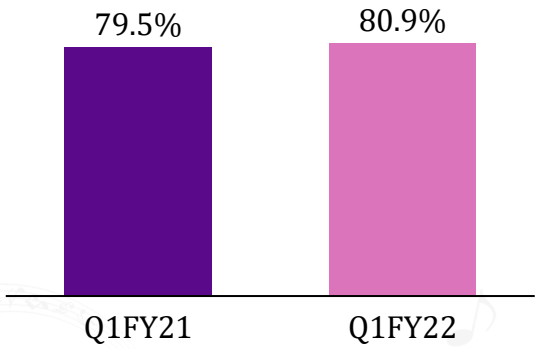
Revenue (Rs. in Crs)



EBIT (Rs. in Crs)

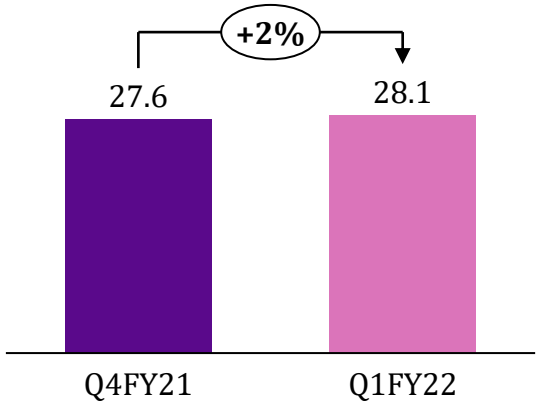


EBIT Margins (%)

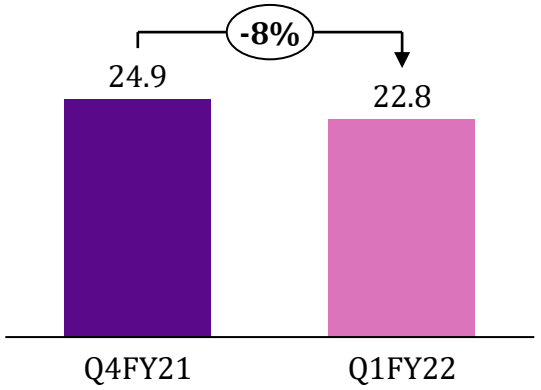


Q-o-Q

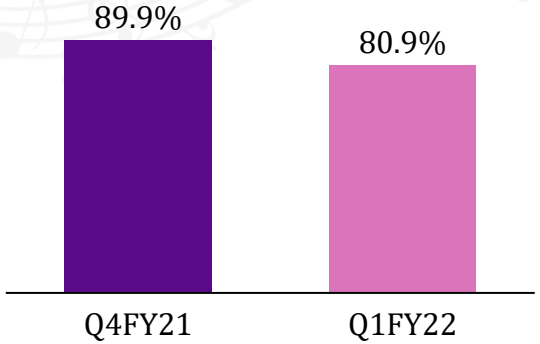
Revenue (Rs. in Crs)



EBIT (Rs. in Crs)



EBIT Margins (%)



Q1FY22 Profit & Loss Statement

Particulars (Rs. in Crs)	Q1 FY22	Q1 FY21	Y-o-Y	Q4 FY21	Q-o-Q	FY21
Revenue From Operations	**28.1**	**15.0**	**87.3%**	**27.6**	**1.8%**	**90.5**
Other Income	1.0	0.7		2.9		4.9
Total Income	29.1	15.6		**30.5**		**95.4**
Cost of Production / Distribution of Expenses	0.0	0.0		0.0		0.0
Employee Benefits Expenses	2.2	1.9		2.2		8.1
Other Expenses	7.2	4.9		6.4		27.3
EBITDA	**19.6**	**8.8**	**122.7%**	**21.9**	**-10.5%**	**60.1**
EBITDA %	**67.3%**	**56.0%**		**71.9%**		**62.9%**
Depreciation and Amortisation Expense	0.2	0.2		0.2		0.8
EBIT	19.4	8.6		21.7		59.2
Finance Costs	0.0	0.0		0.0		0.0
PBT	19.4	8.6		21.7		59.2
Tax	4.8	2.5		3.5		15.8
PAT	**14.6**	**6.1**	**139.3%**	**18.3**	**-20.2%**	**43.5**
PAT %	**50.1%**	**38.9%**		**59.9%**		**45.6%**
EPS	11.4	4.3		14.4		32.7

Consolidated Historical Profit & Loss Statement

Particulars (Rs. in Crs)	FY21	FY20	FY19	FY18
Revenue From Operations	**90.5**	**91.0**	**203.2**	**47.5**
Other Income	4.9	17.8	4.5	2.4
Total Income	**95.4**	**108.8**	**207.7**	**49.9**
Cost of Production / Distribution of Expenses	0.0	28.7	162.2	17.5
Employee Benefits Expenses	8.1	7.4	7.1	6.6
Other Expenses	27.3	56.9	27.7	13.8
EBITDA	**60.1**	**15.8**	**10.8**	**12.0**
EBITDA %	**62.9%**	**14.5%**	**5.2%**	**24.1%**
Depreciation and Amortisation Expense	0.8	1.2	1.3	1.4
EBIT	59.2	14.6	9.5	10.6
Finance Costs	0.0	0.3	2.2	6.6
PBT	59.2	14.4	7.3	4.0
Tax	15.8	3.0	4.4	0.9
PAT	**43.5**	**11.3**	**2.8**	**3.1**
PAT %	**45.6%**	**10.4%**	**1.4%**	**6.3%**
EPS	32.7	7.9	2.0	2.2

Consolidated Balance Sheet

Particulars (Rs. in Crs)	Mar-21	Mar-20	Mar-19	Mar-18
ASSETS				
Non-Current Assets				
Property, plant and equipment	2.0	1.8	2.1	1.8
Investment Property	12.5	12.8	13.1	21.6
Financial Assets				
(i) Investments	18.0	5.6	0.1	0.1
(ii) Loans	5.3	5.2	5.2	5.2
(iii) Other financial assets	0.1	0.1	0.1	3.3
Other non-current assets	4.5	6.7	12.1	9.4
Current Assets				
Inventories	-	-	28.7	57.5
Financial Assets				
(i) Trade receivables	15.1	18.1	10.6	9.0
(ii) Cash and cash equivalents	31.1	26.0	8.7	5.6
(iii) Bank balances other than (ii) above	2.4	0.4	0.6	2.3
(iv) Other financial assets	0.2	0.2	0.1	0.2
Current Tax (Net)	1.0	4.3	3.7	1.8
Other Current Assets	55.9	8.9	9.5	84.8
TOTAL ASSETS	**148.2**	**90.2**	**94.7**	**202.4**

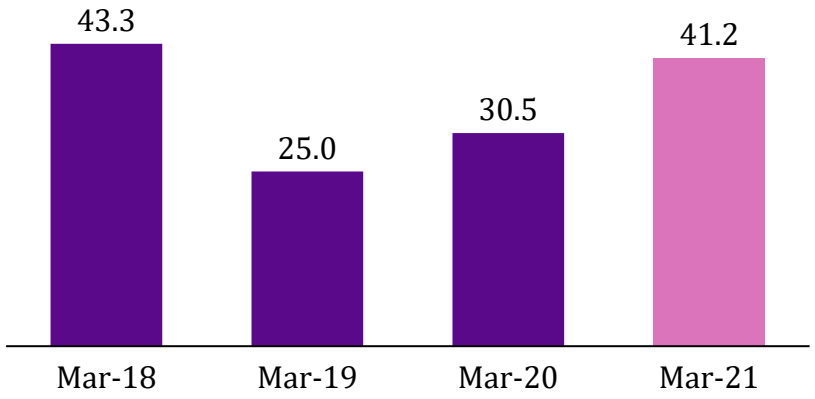
Particulars (Rs. in Crs)	Mar-21	Mar-20	Mar-19	Mar-18
Equity				
Equity Share Capital	13.0	14.3	14.3	14.3
Other Equity	88.3	66.1	56.4	55.4
Total Equity	**101.3**	**80.4**	**70.7**	**69.7**
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	-	1.9	2.0	13.7
(ii) Other Financial Liabilities	0.2	0.2	0.2	0.2
Deferred Tax Liabilities	2.4	2.7	2.9	0.0
Employee Benefit Obligations	0.3	0.3	0.5	0.3
Other Non-current Liabilities	37.3	-	-	-
Current Liabilities				
Borrowings	-	-	-	5.0
Trade Payables	6.3	4.3	17.8	4.7
Other Financial Liabilities	0.1	-	-	17.1
Employee Benefit Obligations	0.0	0.0	0.0	0.0
Other Current Liabilities	0.5	0.4	0.5	91.6
Total Liabilities	**47.0**	**9.8**	**24.0**	**132.7**
TOTAL EQUITY AND LIABILITIES	**148.2**	**90.2**	**94.7**	**202.4**

Abridged Consolidated Cash Flow Statement

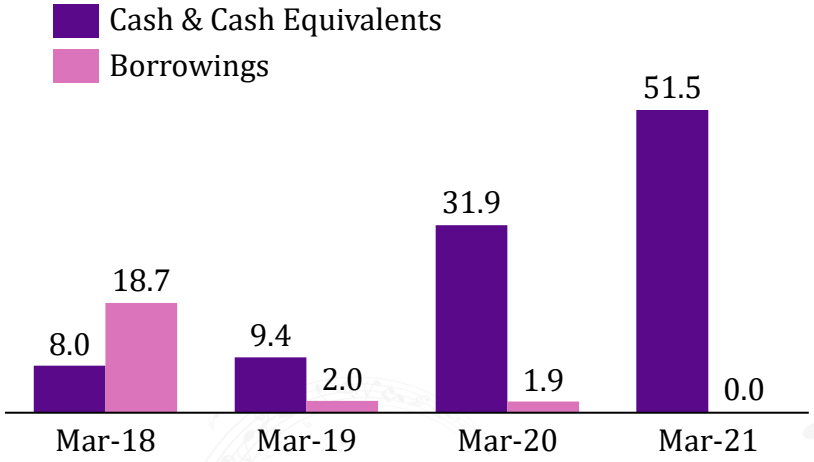
Particulars(Rs. in Crs)	Mar-21	Mar-20	Mar-19	Mar-18
Net Profit Before Tax	59.2	14.4	7.3	4.0
Adjustment for Non-Operating Items	-0.5	14.4	1.9	8.1
Operating Profit/(Loss) Before Working Capital Changes	58.7	28.7	9.2	12.1
Adjustment for WC	-4.6	5.6	19.2	30.9
Cash Generated From Operations	54.1	34.3	28.4	43.0
Direct Taxes Paid	-12.9	-3.8	-3.4	0.3
Net Cash From Operating Activities	**41.2**	**30.5**	**25.0**	**43.3**
Cash Flow From Investing Activities	**-11.5**	**-4.7**	**9.3**	**0.3**
Cash Flow From Financing Activities	**-24.6**	**-8.6**	**-31.2**	**-38.8**
Net Increase/(Decrease) In Cash And Cash Equivalents	5.1	17.3	3.1	4.8
Cash and cash equivalents at the beginning of the year	26.0	8.7	5.6	0.8
Cash and cash equivalents at the end of the period	**31.1**	**26.0**	**8.7**	**5.6**

Key Ratios

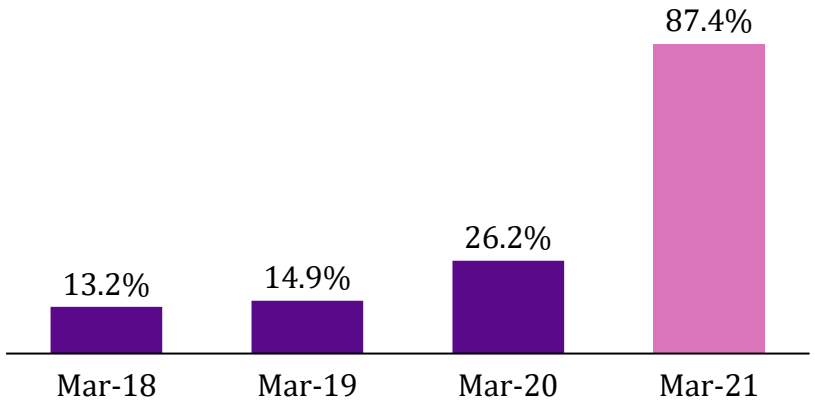
Cash Flow from Operations (Rs. in Crs)



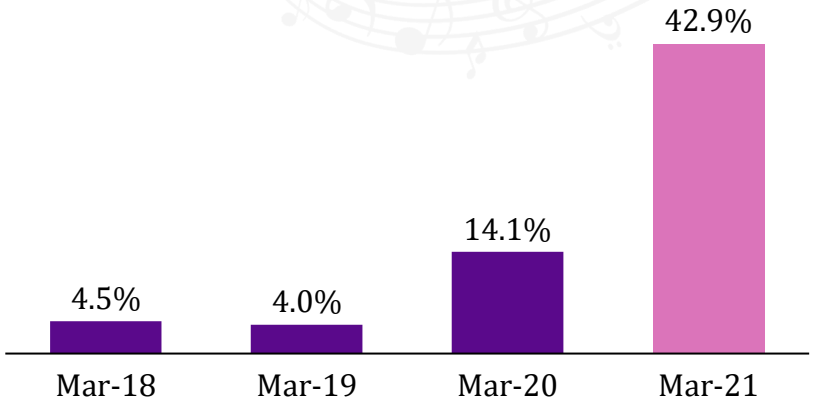
Net Cash Company (Rs. in Crs)



ROCE (%)



ROE (%)



Music Industry today

Music Monetization:

- Music labels own IPR for their repertoire for 60 years as per the Copyright Act 2012, an opportunity to monetize music rights for over half a century
- IPR provides longevity to the repertoire
- Although there are about 4-5 active players in the Hindi Music business, each has a unique repertoire and follows a different content acquisition strategy and therefore there is little or no overlap in their offerings when viewed on title-by-title basis
- Aggressive auction type situations don't exist in content acquisitions

Rising adoption of subscription:

- FICCI–EY Media & Entertainment Report 2020 expects paid subscribers for music streaming in India to **cross 5 million by 2022.**
- According to Indian Music Industry's (IMI) — Digital Music Study 2019, paid streaming subscription revenues account for 27% of all recorded music industry revenues in India
- Subscription streaming revenues grew 33% to Rs 292.8 crs. while ad supported streaming revenues grew 43.6% to Rs 257 crs.
- Clearly, paid streaming has already started contributing more to the Industry

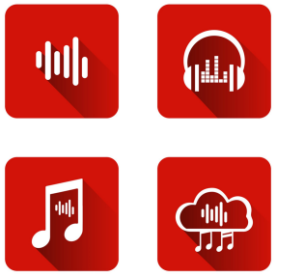
Digital Piracy:

- Technology has disrupted piracy the most
- Free services such as You Tube, and other OTT platforms also provide free music listening experiences to their users
- When licensed music is available for free, and data costs are negligible, the economic incentive for piracy is miniscule
- Economic impact of Piracy on Music Industry has declined substantially compared to its impact during the era of physical sale

Investments in Music:

- Music labels acquire music rights for future growth and expense acquisition costs annually since the outcome is unknown at the beginning; Just like the Pharma industry expenses its investments in R&D annually
- Existing repertoire of music provides a steady cash flow stream to purchase new rights

Music Industry Business Model

	Music Creators	Film Producer	Music Label	Streaming platforms
				
Business Model	Music creators include lyricists, composers, and singers who create songs and get paid for the same	Film producers use these compositions in films and sell the music rights to music labels	Music labels owns the IPR (Intellectual Property Rights) and licence the music to various platforms	Streaming platforms licence the content and make it accessible to consumer
Value	Producer pays the artists the value for the music that is created	Music label pays the producer for the rights of the songs	Music labels pay film producers upfront (advance) + royalty in perpetuity (post the recovery of upfront cost)	Streaming platforms give minimum guarantee + a variable fee based on number of streams

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