Tips Music

Q1FY27 Result Update | Music Industry

Investment quarter rather than a weak operational quarter.

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

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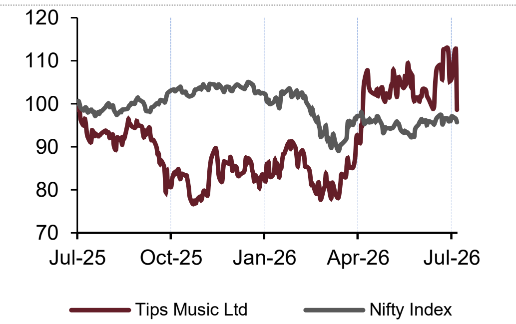
Tips Music Limited reported a healthy top-line performance in Q1FY27, with revenue from operations increasing 21% YoY to ₹1,065 million, driven by continued strength across both digital and non-digital music monetization. However, profitability moderated as the company significantly accelerated investments in content acquisition, with acquisition and in-house music production costs rising to ₹399 million (up 105% YoY). Consequently, EBITDA declined 5% YoY to ₹535 million, while EBITDA margin contracted sharply by 1,391 bps YoY to 50.3%. PAT declined 5% YoY to ₹437 million, reflecting the impact of higher upfront content investments rather than weakness in the underlying business. During the quarter, the company released 73 new songs (55 film and 18 non-film songs), further strengthening its music catalogue. The YouTube subscriber base expanded to 158.3 million, while the company maintained a strong debt-free balance sheet with ₹345 crore of cash & investments. The Board has also scheduled a separate meeting on 5 August 2026 to consider a share buyback, highlighting its continued focus on shareholder value creation. Overall, the quarter reflects a deliberate increase in growth investments, which weighed on near-term margins but is expected to support future catalogue monetization and long-term earnings growth.

Rating	TP (Rs)	Up/Dn (%)
BUY	**800**	**28**

Market data		
Current price	**Rs**	**623**
Market Cap (Rs.Bn)	(Rs Bn)	80
Market Cap (US$ Mn)	(US$ Mn)	827
Face Value	Rs	1
52 Weeks High/Low	Rs	741 / 481.15
Average Daily Volume	('000)	485
BSE Code		532375
Bloomberg		TIPSMUSI.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Jun-26**	**Mar-26**
Promoters	64.15	64.15
Public	35.85	35.85
Total	**100.00**	**100.00**

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Net sales	1,356	1,868	2,416	3,107	3,755	4,506	5,532
EBIDTA	862	1,019	1,585	2,067	2,758	3,135	3,718
Margins(%)	63.6	54.6	65.6	66.5	73.4	69.6	67.2
PAT (adj)	646	765	1,272	1,666	2,169	2,475	2,917
Growth (%)	**15%**	**19%**	**66%**	**31%**	**30%**	**14%**	**18%**
EPS	4.98	5.96	9.90	13.09	17.13	19.36	22.82
P/E (x)	126	105	63	48	36	32	27
P/B (x)	2	1	1	5	3	1	1
EV/EBITDA (x)	93	78	50	38	29	25	20
RoE (%)	63	56	71	79	83	61	61
ROCE (%)	83	78	95	107	112	82	82
RoIC (%)	153	190	264	100	87	103	122
Net Debt	-582	-898	-1,252	-892	-155	-3,029	-4,509

Source: Dalal & Broacha Research Company

Akshay Kolekar
+91 22 6714 1414
akshay.kolekar@dalal-broacha.com

Key Financial Highlights

- **Revenue: Revenue from operations for Q1FY27 stood at ₹1,065 million, registering 21% YoY growth and 2% QoQ growth, supported by healthy contributions from both digital and non-digital businesses.**
- **Profit After Tax (PAT): Net profit after tax came in at ₹437 million, declining 5% YoY and 26% QoQ, primarily due to significantly higher investments in content acquisition.**
- **EBITDA Margin: EBITDA (excluding other income) margin stood at 50.3%, contracting 1,391 bps YoY and 2,373 bps QoQ, as content acquisition expenses were front-loaded during the quarter.**
- **Content/Acquisition Cost: Acquisition cost and in-house music production expenses increased sharply to ₹399 million, accounting for 41.9% of revenue, compared with 26.7% in Q1FY26, reflecting the company's aggressive investment in expanding its library content.**
- **Content Addition: The company released 73 songs during Q1FY27, including 55 film songs and 18 non-film songs, with tracks such as "Chunnari Chunnari – Let's Go" and "Tere Paas Main" receiving strong audience traction.**
- **Digital Reach: The cumulative YouTube subscriber base increased to 158.3 million, reinforcing the continued expansion of the company's digital ecosystem.**
- **Capital Allocation: The company remains debt-free with ₹345 crore of cash & investments, and the Board will consider a share buyback proposal at its meeting scheduled on 5 August 2026.**

Conference Call Key Highlights

Guidance & Shareholder Returns

- Revenue: Management maintained FY27 **revenue growth guidance of 20%.**
- The company continues to guide for normalized **EBITDA margins of 65–70%** on an annual basis, indicating no structural deterioration in profitability.
- Management reaffirmed its commitment to **return the entire FY26 PAT (₹217 crore) to shareholders** through a combination of dividends and share buybacks.

Industry & Platform Commentary

- **Subscription mix:** subscription revenue is currently 10–15% of platform revenue in India versus >50% in more mature global markets; management expects India's paid-subscriber base to grow at a 40–50% CAGR over the next 3–5 years, gradually shifting the mix toward subscription.
- **YouTube Shorts renewal deal:** still under negotiation; Management expects to provide a meaningful update by the end of Q2FY27.

Content Investment

- Management reiterated its **FY27 content acquisition budget of ₹90–100 crore**, unchanged from previous guidance.
- The sharp increase in Q1 content cost was **primarily due to accounting timing**, as the company follows a **conservative accounting policy of expensing the entire acquisition cost upfront**, while revenue from the content accrues over multiple years.
- **Q1 content spending was largely towards film music**, which carries significantly higher acquisition costs than regional or non-film music.
- Long-term content acquisition spending is expected to remain around **20–25% of revenue**, with flexibility to increase marginally if high-quality opportunities arise.

Content Pipeline & Catalog

- Management highlighted a **strong release pipeline for FY27,** including music rights from: Balaji Telefilms, Tips Films, Multiple regional releases, non-film music
- The company expects approximately five additional film releases during the remainder of FY27, subject to movie release schedules.

  Catalog economics: only 15% of revenue comes from content released in the last three years; the remaining 85% is monetized from a catalog spanning roughly three decades

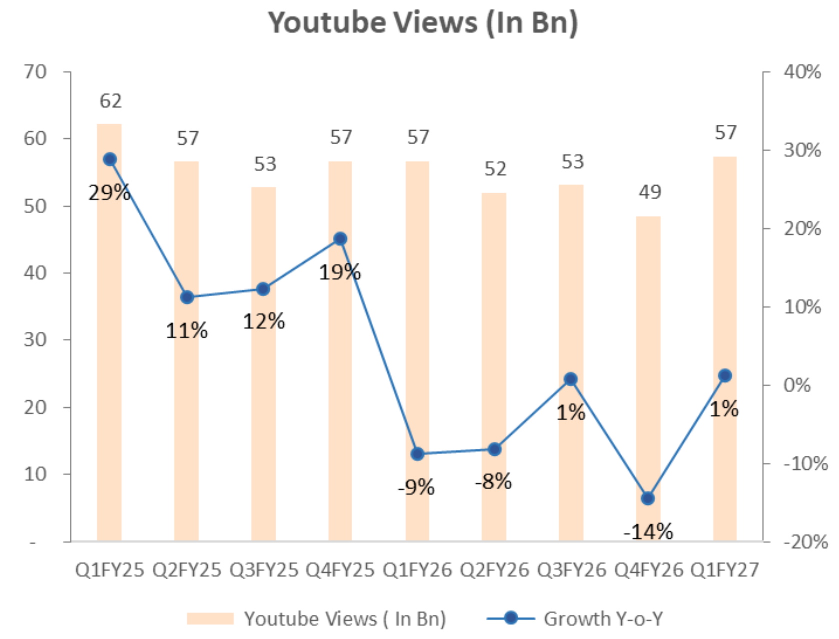
Valuation & Outlook

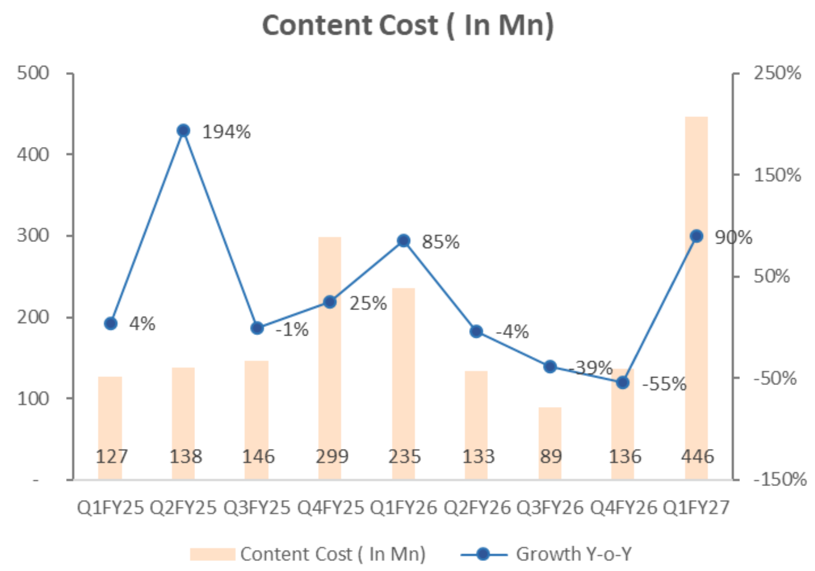
At the current market price of INR 625, the stock is trading at 32x / 27x FY27E / FY28E EPS, respectively.

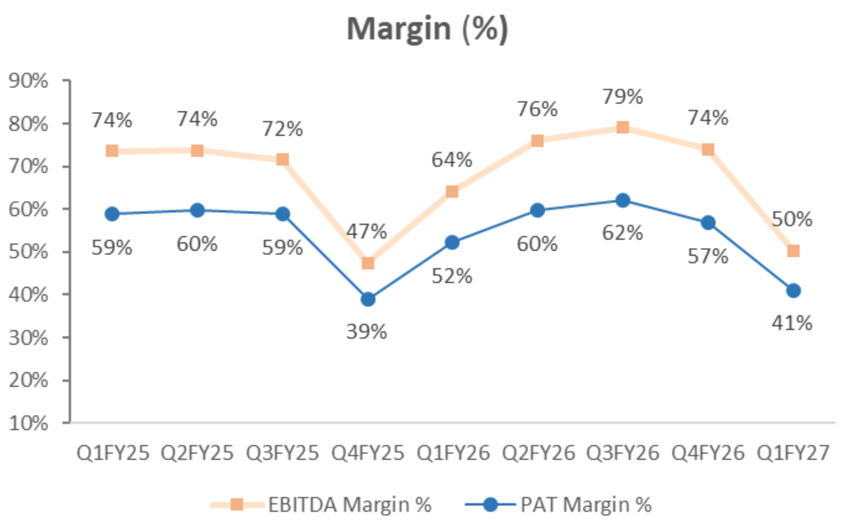
The company delivered **healthy revenue growth of 21% YoY** in Q1FY27 despite a high base, while profitability was temporarily impacted by **front-loaded content acquisition costs**, which were fully expensed during the quarter in line with the company's conservative accounting policy. Management reiterated that the elevated content investments were timing-related and expects **annual EBITDA margins to normalize at 65–70%**, with content acquisition spending remaining within the **₹90–100 crore** guidance for FY27.

Management has **reiterated its FY27 revenue growth guidance of 20%** and remains confident in sustained catalogue monetization, supported by a strong pipeline of film and non-film releases. Long-term growth continues to be underpinned by increasing digital music consumption, rising paid subscription penetration, improving platform monetization, and monetization opportunities from initiatives such as **YouTube Shorts licensing**. Additionally, the company's **debt-free balance sheet**, healthy cash reserves, and commitment to return the **entire FY26 PAT through dividends and share buybacks** reinforce confidence in its capital allocation strategy.

We assign a BUY rating to the stock, applying a target multiple of 35x FY28e, arriving at a target price of INR 800.







Source: Dalal & Broacha Research Company

Quarterly Performance Analysis

(Rs.Mn)	Q1FY27	Q1FY26	YoY Growth (%)	Q4FY26	QoQ Growth (%)
Revenue from Operations	**1,065**	**881**	**21%**	**1,039**	**2%**
Other Income	58	57	2%	38	54%
Acquisition Cost/In-house Music Productions	399	195	105%	87	362%
Royalty Expense	12	10	19%	22	-45%
Advertisment	34	30	14%	27	26%
Employee Benefits Expense	40	31	30%	82	-51%
Other Expenses	43	49	-12%	53	-18%
Total Expenses	**530**	**315**	**68%**	**270**	**96%**
EBITDA (Excluding Other Income)	**535**	**565**	**-5%**	**769**	**-30%**
Depreciation and Amortisation Expenses	10	6	75%	6	57%
EBIT / PBIT	**584**	**617**	**-5%**	**801**	**-27%**
Finance Costs	1	1	84%	0	162%
EBT/ PBT	**583**	**616**	**-5%**	**800**	**-27%**
Tax Expense	146	157	-7%	210	-30%
Net Profit after Tax	**437**	**459**	**-5%**	**591**	**-26%**
Adj Earning Per Share	3.42	3.59	-5%	4.62	-26%
Margins (%)			**(In bps)**		**(In bps)**
EBITDA Margins (Excl Other Income)	50.3%	64.2%	-1391	74.0%	-2373
PAT Margins	41.0%	52.1%	-1110	56.8%	-1579
Cost % Revenue					
Content Cost % Revenue	41.9%	26.7%	1519	13.1%	2880
Employee Cost % Revenue	3.8%	3.5%	26	7.9%	-408
Other Expenses % Revenue	4.1%	5.6%	-154	5.1%	-99

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Net Sales	**1,356**	**1,868**	**2,416**	**3,107**	**3,755**	**4,506**	**5,532**
Operating Expenses	-	-	-	-	-	-	-
Employee Cost	-63	-73	-109	-132	-203	-162	-210
Other Expenses	-431	-775	-722	-908	-794	-1,209	-1,603
Operating Profit	**862**	**1,019**	**1,585**	**2,067**	**2,758**	**3,135**	**3,718**
Depreciation	-7	-13	-20	-22	-24	-39	-43
PBIT	**855**	**1,006**	**1,565**	**2,045**	**2,734**	**3,096**	**3,676**
Other income	32	54	144	190	188	207	217
Interest	-1	-3	-3	-3	-2	-3	-3
PBT	**886**	**1,056**	**1,705**	**2,232**	**2,920**	**3,300**	**3,889**
(post exceptional)	**886**	**1,056**	**1,705**	**2,232**	**2,920**	**3,300**	**3,889**
Provision for tax	-241	-291	-434	-566	-751	-825	-972
Profit & Loss from Associates/JV	-	-	-	-	-	-	-
Reported PAT	646	765	1,272	1,666	2,169	2,475	2,917
MI	-	-	-	-	-	-	-
Owners PAT	646	765	1,272	1,666	2,169	2,475	2,917
(excl Exceptionals)	**646**	**765**	**1,272**	**1,666**	**2,169**	**2,475**	**2,917**
EPS	**5**	**6**	**10**	**13**	**17**	**19**	**23**
PB Ratio	14	13	9	90	67	51	44

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
Equity capital	130	128	128	128	128	128	128
Reserves	894	1,233	1,667	1,968	2,472	3,910	4,640
Net worth	**1,024**	**1,362**	**1,795**	**2,096**	**2,600**	**4,039**	**4,768**
MI	-	-	-	-	-	-	-
Non Current Liabilites	334	32	760	205	51	538	538
Current Liabilites	110	533	834	1,093	969	1,260	1,316
TOTAL LIABILITIES	**1,468**	**1,927**	**3,389**	**3,395**	**3,621**	**5,837**	**6,622**
Non Current Assets	179	281	632	389	598	495	477
Fixed Assets	63	50	78	62	141	73	55
Right of Use Assets	-	-	-	-	-	-	-
Financial Assets	2	72	479	212	262	268	267
Deferred Tax Asset	4	5	6	5	9	6	6
Long Term Loans and Advances	-	1	1	1	1	1	1
Other Non Current Assets	108	153	68	57	145	145	145
Current Assets	**1,288**	**1,646**	**2,756**	**3,006**	**3,023**	**5,342**	**6,145**
Current investments	**34**	**131**	**913**	**955**	**1,499**	**2,380**	**2,380**
Inventories	-	-	-	-	-	-	-
Trade Receivables	179	203	263	275	343	370	455
Cash and Cash Equivalent	221	114	485				
Bank Balance other than cash	399	843	827	485	80	1,465	2,207
Short Term Loans and Advances	2	26	27	1	2	2	2
Other Financial Assets	87	45	58	1,169	837	837	837
Other Current Assets	367	283	184	195	262	277	277
TOTAL ASSETS	**1,468**	**1,927**	**3,389**	**3,395**	**3,620**	**5,837**	**6,622**

Cashflow (Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
PBT	851	1,056	1,705	2,232	2,920	3,300	3,889
Depreciation	7	13	20	22	24	39	43
Net Chg in WC	-360	90	1,128	-306	-91	827	-46
Taxes	-219	-310	-439	-592	-728	-825	-972
Others	-22	-39	-84	-154	-156	-174	-175
CFO	**258**	**811**	**2,330**	**1,202**	**1,970**	**3,167**	**2,739**
Capex	-5	-7	-28	-15	-59	69	18
Net Investments made	-75	-555	-2,006	14	-228	-881	-
Others	-191	79	924	107	-341	225	235
CFI	**-270**	**-483**	**-1,110**	**106**	**-628**	**-570**	**271**
Change in Share capital	-	-	-	-	-	-	-
Change in Debts	-	-	-	-	-	-	-
Change in Debts	-26	-427	-835	-895	-1,662	-1,856	-2,188
Others	-3	-5	-13	-18	-11	748	-85
CFF	**-28**	**-432**	**-848**	**-1,385**	**-1,678**	**-1,108**	**-2,272**
Total Cash Generated	**-41**	**-104**	**371**	**-77**	**-336**	**1,489**	**737**
Cash Opening Balance	**227**	**186**	**81**	**485**	**407**	**77**	**1,566**
Cash Closing Balance(a)	**186**	**81**	**453**	**407**	**77**	**1,566**	**2,304**
Other Bank Balances (b)	**399**	**843**	**827**	**485**	**80**	**1,465**	**2,207**
Total(a+b)	584	924	1,279	892	157	3,031	4,510

Ratios	FY22	FY23	FY24	FY25	FY26	FY27e	FY28e
OPM	63.6	54.6	65.6	66.5	73.4	69.6	67.2
NPM	46.5	39.8	49.7	50.5	55.0	52.5	50.7
Tax rate	-27.2	-27.6	-25.4	-25.4	-25.7	-25.0	-25.0
Growth Ratios (%)							
Net Sales	50%	38%	29%	29%	21%	20%	23%
Operating Profit	56%	18%	56%	30%	33%	14%	19%
PBIT	57%	18%	56%	31%	34%	13%	19%
PAT	15%	19%	66%	31%	30%	14%	18%
Per Share (Rs.)							
Earning	5	6	10	13	17	19	23
Cash Earnings (CPS)	5.04	6.06	10.06	13.14	17.07	19.57	23.05
Book Value	7.90	10.60	13.98	16.32	20.25	31.45	37.13
Cash Flow from Operations	258.13	810.91	2,329.52	1,202.13	1,969.95	3,167.10	2,738.68
Less:- Capex	-5	-7	-28	-15	-59	69	18
Free Cash Flow	**253.34**	**803.76**	**2,301.63**	**1,186.77**	**1,910.87**	**3,235.83**	**2,756.84**
Valuation Ratios							
P/E(x)	126	105	63	48	36	32	27
P/B(x)	79	59	45	38	31	20	17
EV/EBIDTA(x)	93	78	50	38	29	25	20
FCF Yield(%)	0.31%	1.00%	2.87%	1.48%	2.38%	4.03%	3.43%
Return Ratios (%)							
ROE	63%	56%	71%	79%	83%	61%	61%
ROCE	83%	78%	95%	107%	112%	82%	82%
RoIC	153%	190%	264%	100%	87%	103%	122%

Source: Dalal & Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com