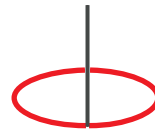


Initiating Coverage  
23<sup>rd</sup> September, 2024



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

## MUSIC INDUSTRY



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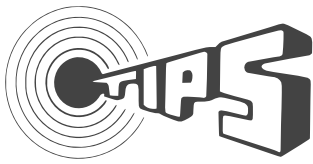
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# MUSIC INDUSTRY

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## The Must Have HITS

We Initiate Coverage on TIPS Music Ltd, one of India's leading Music Label companies, has been engaged in the business of creation, acquisition and exploitation of audio-visual content of music library digitally in India and overseas through licensing on various platforms.

One of the strongest assets of TIPS is its rich and evergreen music collection. Its large and diversified music library has a collection of over 30,000 songs across all genres and major languages. **Tips Music adopts an asset-light business model where 100% of content costs are expensed immediately in the quarter they are incurred, with no capitalization or future write-offs.**

TIPS MUSIC is capitalizing on this trend by significantly boosting its content investment to enhance both its near-term offerings and catalogue, aiming to improve viewership and expand market share. . **Additionally, a strategic partnership with Warner Music is set to enhance monetization opportunities from international music companies.**

**To further optimize capital allocation, TIPS MUSIC is committed to rewarding shareholders through consistent share buybacks and dividends, ensuring financial returns and maintaining investor confidence.**

We initiate coverage on Saregama India, the nation's oldest music label, which is strategically positioning itself as a pure-play content company, encompassing both music and non-music segments, to capitalize on the ongoing digitization of content consumption.

**To gain leadership position as India's premier music label Saregama is stepping up its content acquisition in new music with an investment pipeline of ~1000crs over the next 3 years which is double of what was invested between FY19-24.**

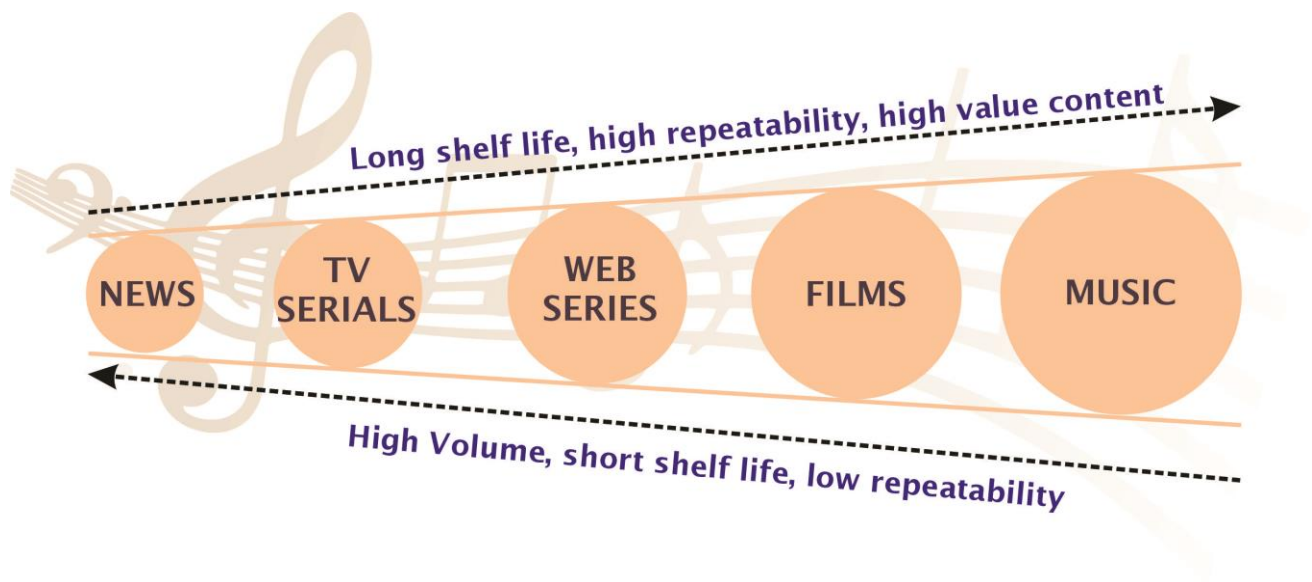
Saregama's presence across various content forms—including audio, video, live events, and digital content (via Pocket Aces) mitigates any potential seasonality in the business and expands both the TAM and the terminal value of the company.

Saregama India is resolute in its vision to become the leading music label in the country within a few years and ultimately aims to be the top integrated content and artist company for Indians globally.



## Where Music stands in the entire spectrum of content?

### Economic Value of different forms of content



Source: Tips Annual Report, Dalal & Broacha Research

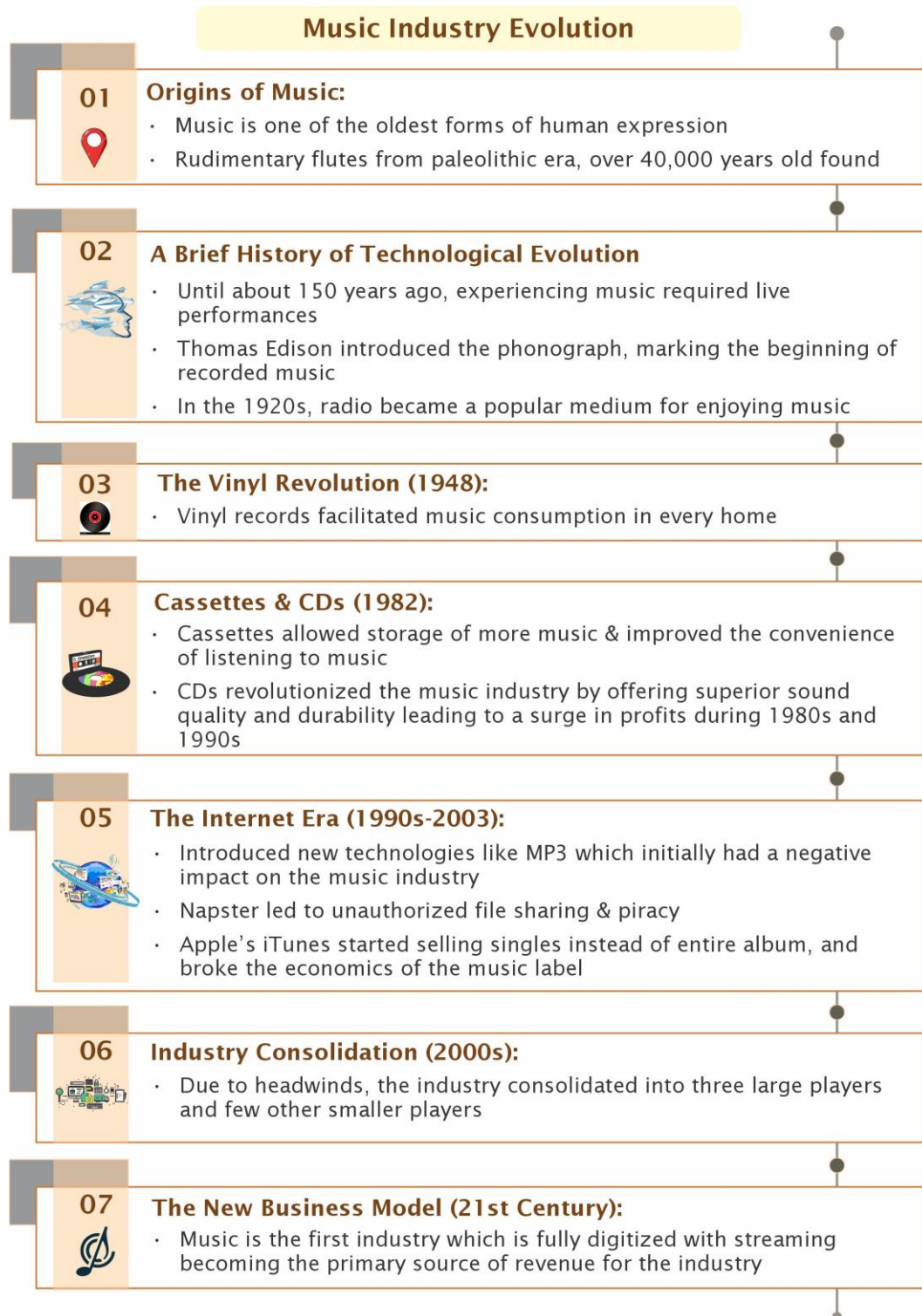
The value of content is determined by its potential for repeated monetization, with music leading the way. Unlike news and TV shows, which quickly lose relevance, films can be revisited multiple times, especially blockbusters that retain audience interest for years. Music, however, stands out, as fans often listen to their favourite songs countless times throughout their lives, greatly enhancing its economic value especially in the digital form.

The copyrights protect the content for a very long period of time (India – 60 years or more) allowing content owner to enjoy various monetization strategies over time.

## How music consumption has changed over the years?

The convenience and accessibility provided by the internet have played a crucial role in transforming music consumption globally. With over seven trillion streams recorded in 2023(+34% YoY), this growth reflects not only the technological advancements but also the evolving preferences of listeners who are increasingly embracing digital music platforms (audio + video).

### Evolution of Music Consumption

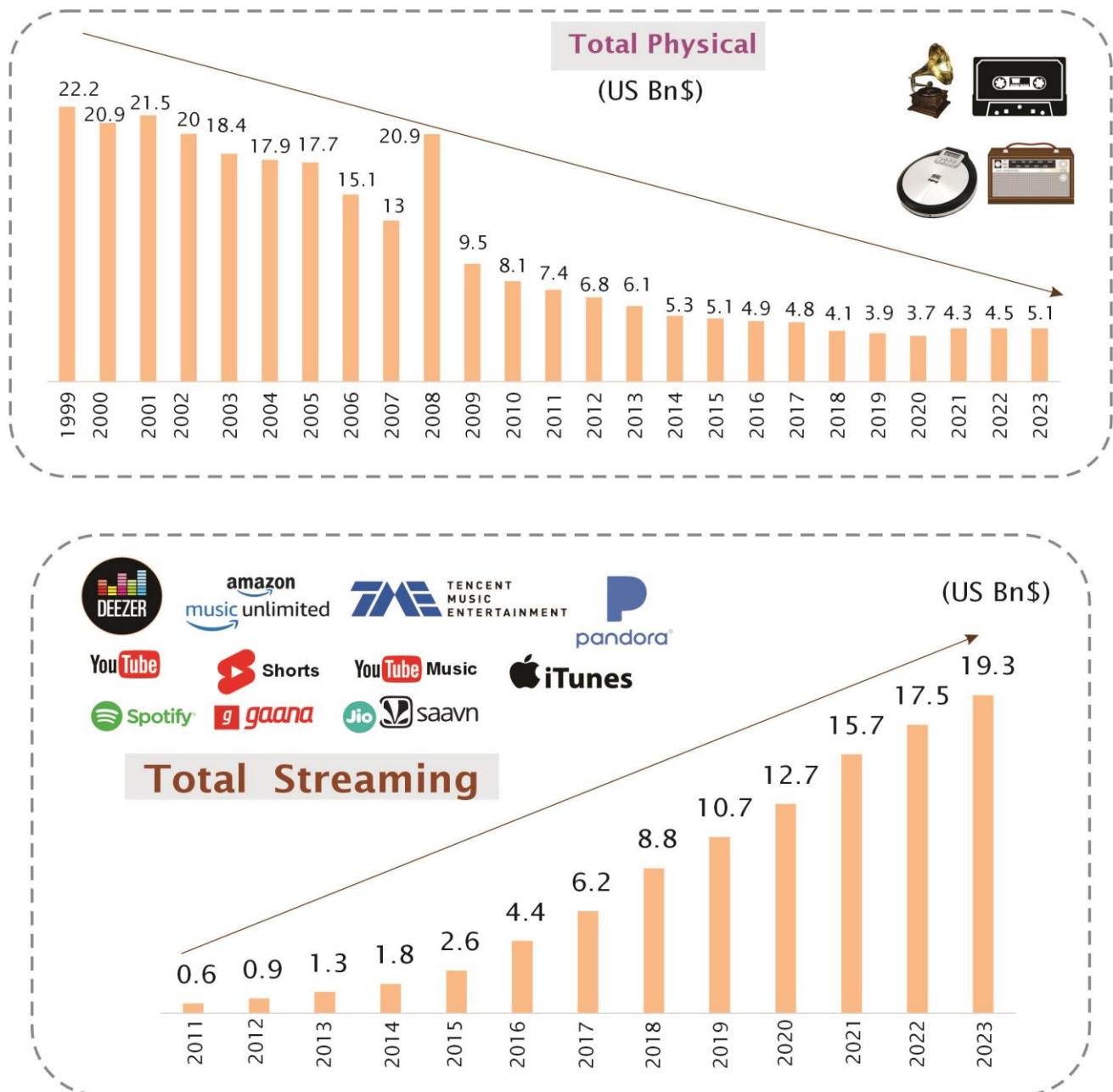


Source: Tips Investor PPT, Dalal & Broacha Research



The music industry has undergone significant transformation over the past two decades, driven by the rise of digital streaming. This shift was catalyzed by the widespread impact of piracy, which disrupted traditional revenue models. However, the emergence of legitimate streaming platforms provided a convenient and legal alternative, becoming a key revenue driver for the industry.

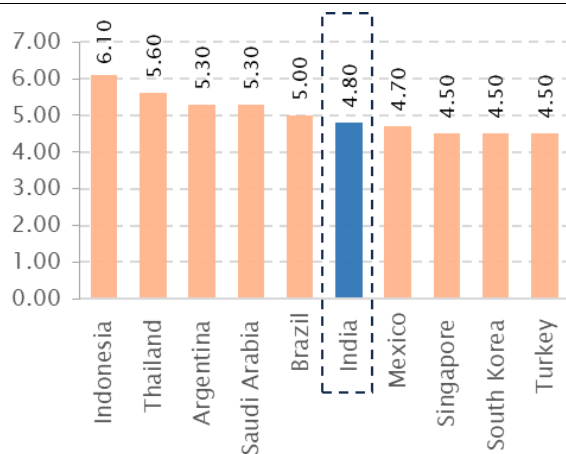
### Rise of digital streaming over the years



Source: IFPI Global Music Report 2024, Dalal & Broacha Research

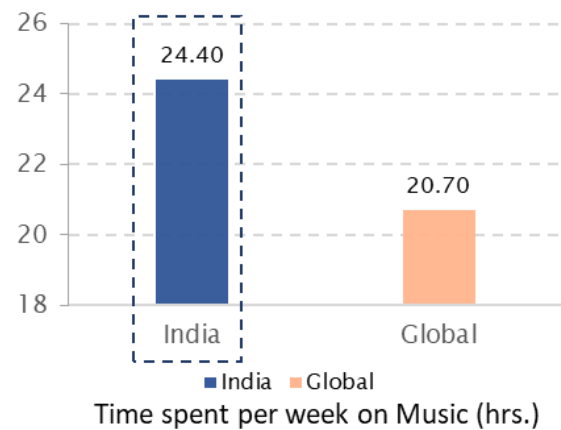
## Where India Stands in the Global Music Landscape?

**Indians spends approx 4.80 hours a day on their phones ...**



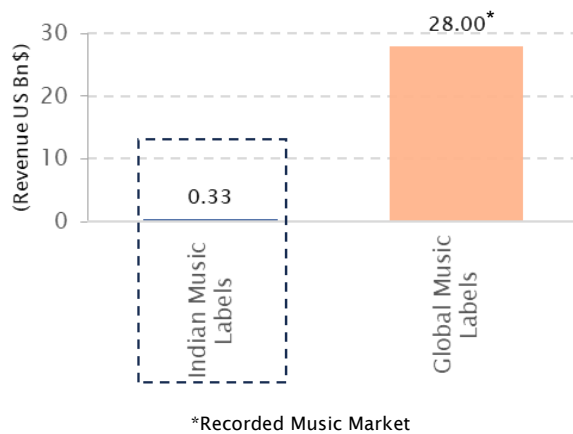
Source: FICCI Report 2024, Dalal & Broacha Research

**... of which highest time is spent in listening to music ...**



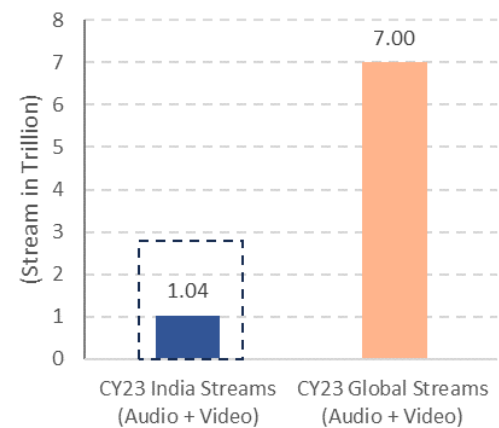
Source: FICCI Report 2024, Dalal & Broacha Research

**... but monetisation at music label level is low...**



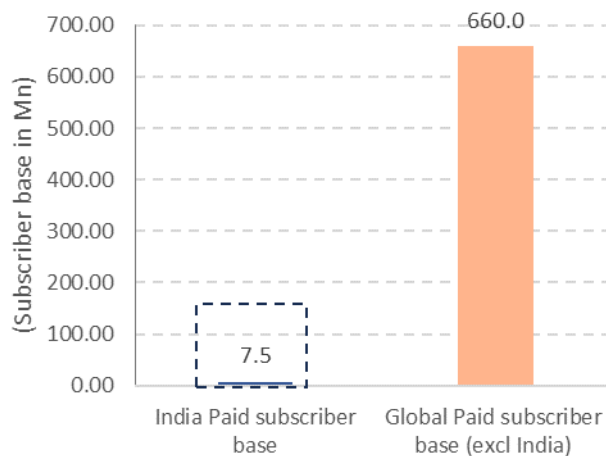
Source: FICCI Report 2024, IFPI Global Music Report 2024  
Dalal & Broacha Research

**... Eventhough India Contributes ~15% of total Global streams (audio + video)...**

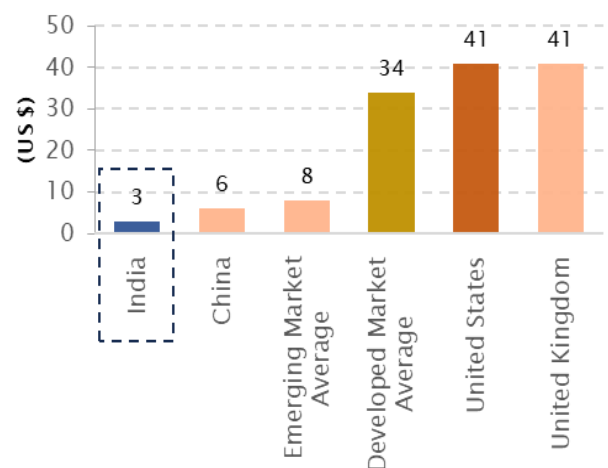


Source: Luminate Year End Report 2023, Dalal & Broacha Research

**... as Paid Audio Subscribers base in India is only 1% of Global Paid subscribers...**



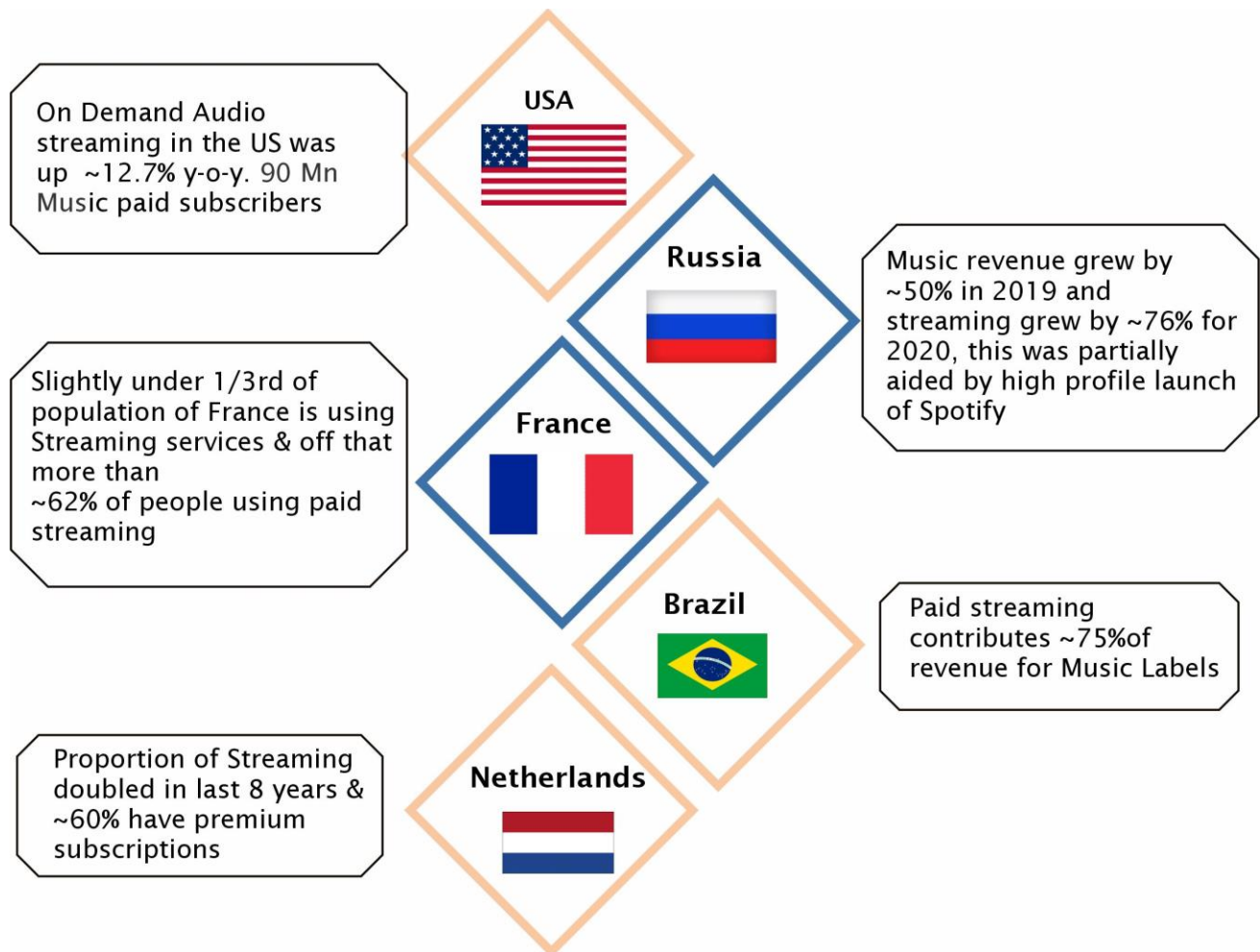
**... Resulting in the lowest ARPU globally**





**The growth in the Indian music industry will be driven by the number of people using smartphones, increased use of music streaming apps, existing customers streaming more songs and users shifting from ad-driven to paid subscription model.**

### Global Subscription Updates



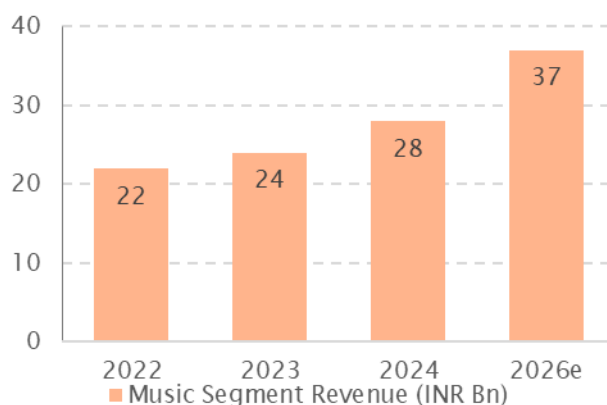
Source: Tips Investor PPT Q1FY23, Dalal & Broacha Research

## Why is Indian Music Industry moving towards a new era of growth?

**India's recorded music industry, 'the sleeping giant' of global markets**, is rapidly evolving due to the rise of streaming services, regional and independent music, and licensing reforms. These create significant opportunities for labels, artists, and consumers.

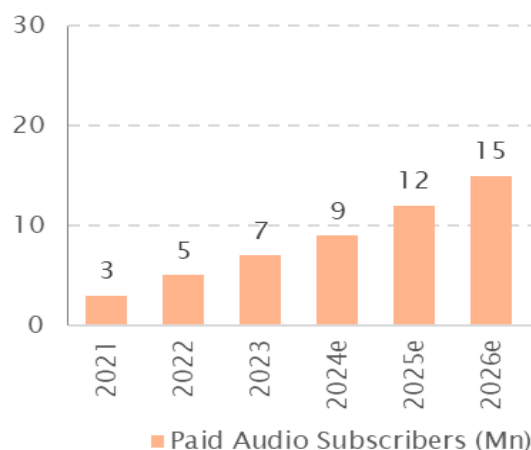
In India out of 750Mn smartphone users, only ~185Mn use music streaming app while only ~7.5Mn subscribers are paid (~4%) while remaining still stream for free which showcases the massive runway for growth in terms of paid subscribers. This provides substantial headroom to grow volumes as well as value. ***In India, we expect advertisement-supported and subscription models to co-exist.***

### Music Industry market to grow at a CAGR of 14% driven by...



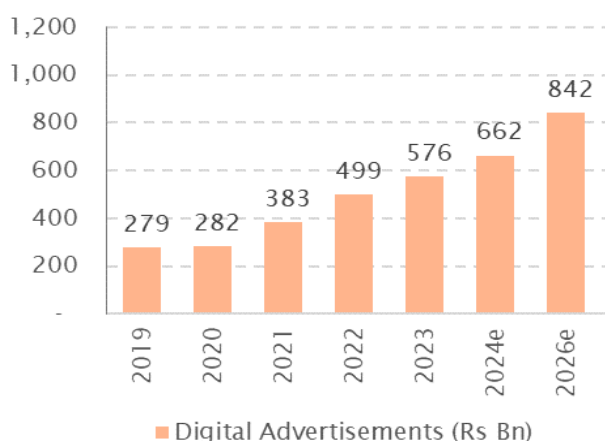
Source: FICCI Report 2024, Dalal & Broacha Research

### Rapid increase in paid subscriber base &...



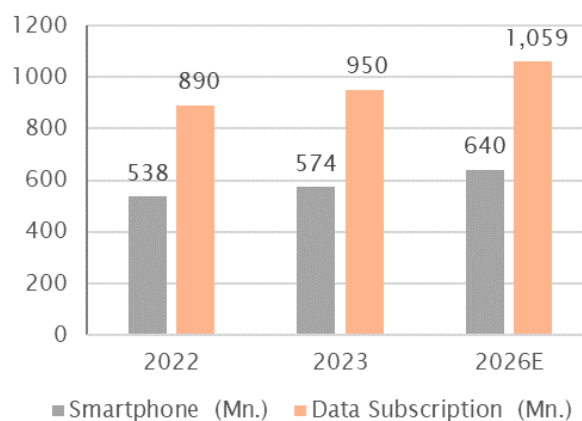
Source: FICCI Report 2024, Dalal & Broacha Research

### Rising digital advertisement fueled by ....



Source: FICCI Report 2024, Dalal & Broacha Research

### Smartphone and data subscription penetration



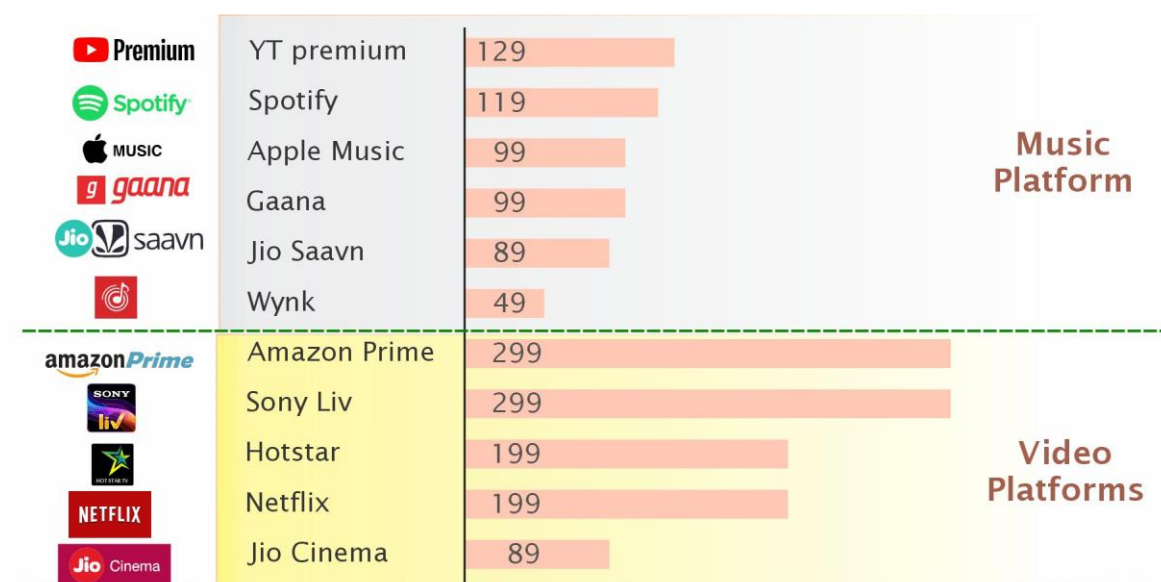
Source: FICCI Report 2024, Dalal & Broacha Research

### ➤ Music Streaming Platforms at the forefront of Digital Consumption

Music streaming platforms (YouTube, Spotify, Jio Saavn, Gaana etc) are key players in the Indian market. Due to the widespread availability of affordable internet and smartphones, streaming services have gained significant popularity among Indian consumers. These platforms offer a wide selection of songs, curated playlists and personalized recommendations that make music easily accessible to a wider audience. This offers huge opportunities for artists and labels to distribute their music on these platforms, reach huge audiences and generate revenue through streaming fees. With continued innovation, expansion into untapped markets, and a relentless focus on enhancing user experience, music streaming platforms are poised to play an even more integral role in the lives of millions of Indians, shaping the way we discover, consume, and interact with music in the digital age.

### Restrictions/Features and pricing across platforms

	Free Access	Ad free Music	Download to listen offline	High Quality Audio	Background Play	Unlimited Play
Spotify	✓	✓	✓	✓	✓	✓
YT premium	✗	✓	✓	NA	✓	NA
Jio Saavn	✓	✓	✓	✓	✓	✓
Gaana	✗	✓	✗	✓	✓	✓
Apple Music	✗	✓	✗	NA	✓	NA



Source:- Dalal & Broacha Research


➤ **Unexplored monetization of short video platforms (Youtube Shorts, Instagram Reels etc)**

Presently, over 45 million users in India create and share at least one **short-form video** per month. The market for **short video apps in India** is new but thriving. The success of Instagram Reels and YouTube Shorts highlights the need for scale to support **short videos** as a possible monetisation possibility. There exists a mismatch between ad expenditure by brands and companies and time spent on content consumption by average users. While individuals spend 7-10% of their content consumption time watching **short-form videos**, they account for less than 1% of digital Ads.


*Currently the music labels earn a lumpsum fee from the short video platforms and not basis the views leading to insufficient revenue generation as these views contribute the maximum portion of total views. When the business model evolves for these platforms into more advertisement driven, the potential to earn from these platforms is massive.*

*As per RedSeer Strategy Consultants, the SFV advertising industry has the potential to grow from US\$ 80-90 million in 2023 to US\$ 3-6 billion by 2030,*

**Growth in Youtube views does not equate growth in Youtube revenue due to extremely high views of Youtube shorts**

			
Particulars	FY22	FY23	FY24
Youtube Views (Mn)	132,000	202,000	373,000
<b>Growth</b>	<b>27%</b>	<b>53%</b>	<b>85%</b>
Youtube Revenue (Mn)*	1,418	1,730	2,015
<b>Growth</b>	<b>23%</b>	<b>22%</b>	<b>16%</b>

\* Based on our calculations

			
	FY22	FY23	FY24
Youtube Views (Mn)	59,600	112,700	193,900
<b>Growth</b>	<b>55%</b>	<b>89%</b>	<b>72%</b>
Youtube Revenue (Mn)*	678	934	1,208
<b>Growth</b>	<b>49%</b>	<b>38%</b>	<b>29%</b>

Source: Investor PPT, Dalal & Broacha Research

➤ **Piracy declining due to efficient tracking and infringement systems in place**

Copyright infringement remains a challenge for the music ecosystem. The availability of quick remedies, including blocking orders, to tackle such pirate services is vital to protect the music industry and other creative industries. Furthermore, app stores and DSPs that host such services need to be proactive in recognizing this form of infringement and work with industry bodies to curb piracy. Piracy in the music ecosystem has reduced from 76% in 2018 to 73% in 2022 but is still higher than the global average of 30%. 70% of Indian listeners admitted to using stream-ripping websites, with this percentage being slightly higher among the 16-34 age group who preferred the simplicity and ease of use associated with stream ripping.

➤ **Pivotal Role of IPRS in the growth story of Music Industry:**

IPRS plays an important role in supporting and sustaining the music industry in India by ensuring that music creators are fairly compensated for their work, protecting their rights, and adapting to the changing dynamics of the digital era. IPRS works to educate businesses and organizations about the importance of obtaining proper licenses for using music. By doing so, it helps to foster a culture of compliance and respect for intellectual property rights in India. By ensuring that creators are fairly compensated, IPRS supports the continued creation of new music, contributing to the growth and vibrancy of the Indian music industry.

Royalty payout by IPRS						
(Rs Mn)	FY19	FY20	FY21	FY22	FY23	CAGR 19-23
Distribution	524	1,402	1,846	2,101	3,042	55%

IPRS Members						
	FY19	FY20	FY21	FY22	FY23	CAGR 19-23
Total Members	4,630	5,717	6,745	8,589	10,638	23%

Source: IPRS Annual Report 2023, Dalal & Broacha Research

- According to Luminate Music Report'23, Gen Z is investing more time and money on music when compared to the average music listener. They spend 21% more hours and spend 18% more money on music annually compared to the average music listener. Gen Z listeners are also 28% more likely to pay for premium music subscriptions. **India has a population of 450Mn under the age of 30 and this demographic advantage should help in better monetization for the entire music industry.**

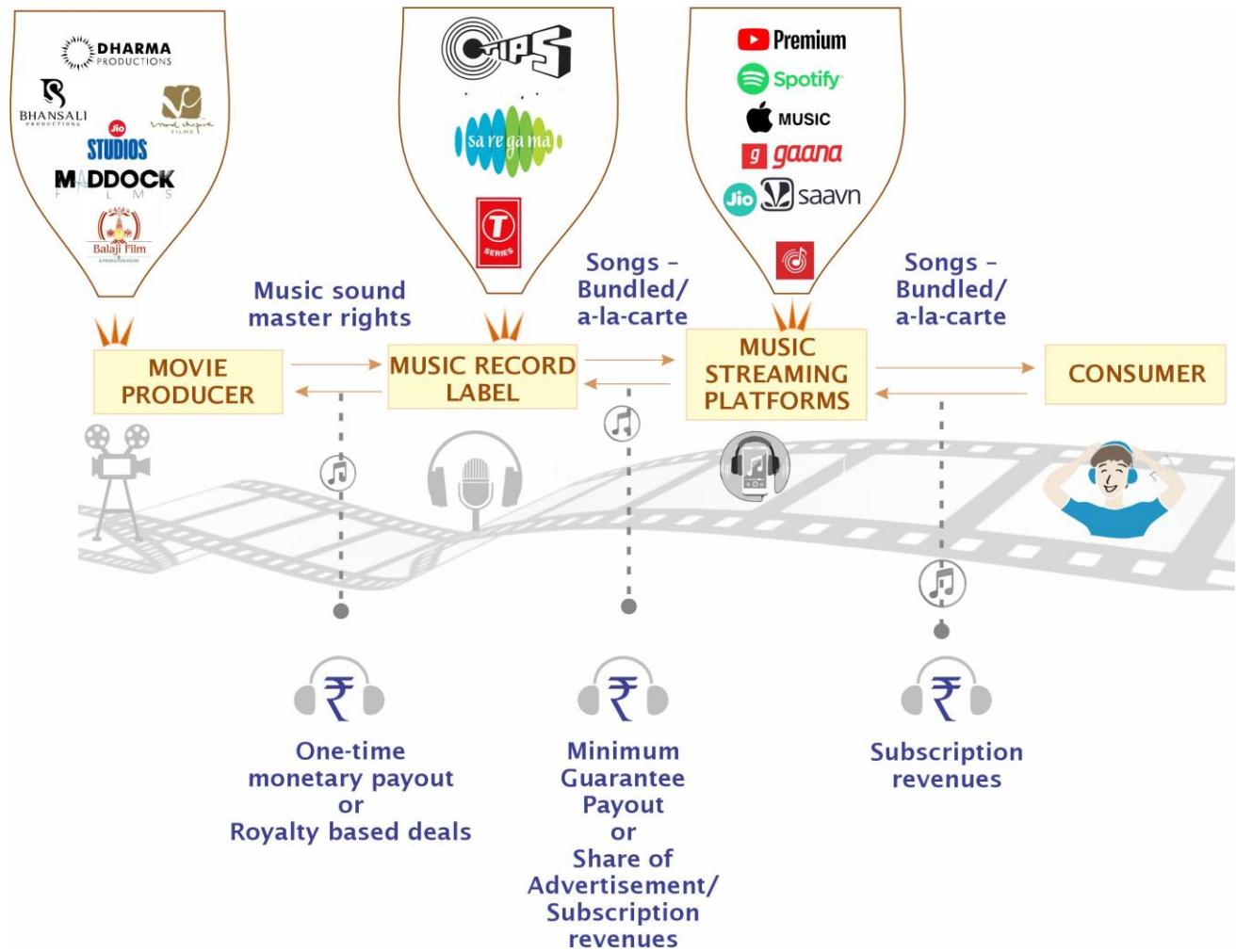
We believe India is at a critical juncture for the expansion of paid subscribers, with 5 streaming platforms now operating behind a paywall. Moreover, the top two platforms have introduced restrictions for free users, such as the inability to play songs in a specific order within playlists, repeat tracks, revisit previous songs, or skip to particular parts of a song. These limitations are likely to motivate many free users to paid subscriptions.

Globally, streaming subscription prices have remained stable for over a decade as companies focused on market penetration. However, the paid streaming sector is entering a new phase, with many providers beginning to increase prices in the last 18-24 months, particularly in developed markets where streaming penetration has largely been achieved.

In contrast, India as a music market will focus on penetration of subscriber growth while developed markets (US, Western Europe) will focus on price growth.

**In summary, a move to a paid model for music streaming platforms benefits the entire ecosystem by ensuring fair compensation for creators, improving user experience, increasing revenue stability, and fostering a healthier, more sustainable music industry.**

## Music Industry Value Chain in India



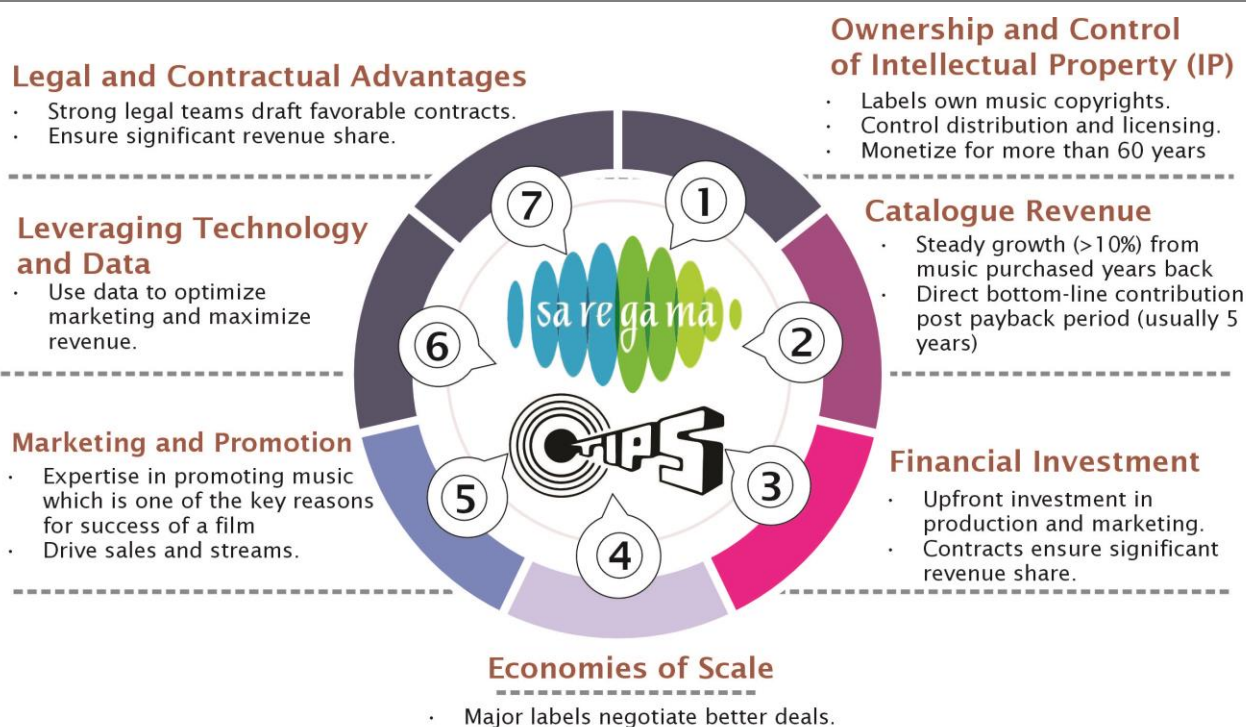
Source: Dalal & Broacha Research



## Why to Bet on Music Labels in Music Industry Value Chain?

It has been observed globally that music labels are the most profitable entities within the music industry value chain, as they hold the rights to the music and can monetize it in various ways across multiple platforms throughout the copyright's lifespan (>60 years)

### Music Labels edge over other players in the value chain





Source: Dalal & Broacha Research

### Why Catalogue Music creates massive Entry Barrier for a new entrant?

The catalogue music business refers to the ownership and control of previously recorded and released music. Established music catalogs—comprising popular songs, classic albums, and artist repertoires—play a key role in generating recurring revenue through licensing, streaming, and other uses. This creates a strong entry barrier for new or smaller music labels. Catalogue music tends to dominate streaming platforms, with older songs making up a significant percentage of streams. Listeners tend to gravitate towards familiar music, giving catalogue holders an advantage over new music and increased bargaining power to the music labels. New entrants typically lack access to these highly sought-after catalogues, limiting their ability to attract lucrative licensing agreements. ***Together, these factors make it difficult for new music labels to break into the market and compete against incumbents that hold valuable catalogues.***

The below charts reveal a stark contrast between Spotify and Universal Music Group in terms of profitability. Despite Spotify holding approximately 30% of the global market share in streaming platforms, the company has yet to achieve profitability. In contrast, Universal Music Group, with over 25% of the global market share among music labels, consistently generates profits and maintains strong operating cash flows.

### UMG Financial performance superior than Spotify

									
	CY20	CY21	CY22	CY23		CY20	CY21	CY22	CY23
Revenue (Mn Euros)	7,880	9,668	11,727	13,247	Revenue (Mn Euros)	7,432	8,504	10,340	11,108
Adjusted EBITDA	(293)	94	(659)	(446)	Adjusted EBITDA	1,497	1,788	2,135	2,369
PAT	(581)	(34)	(430)	(532)	PAT	1,369	888	782	1,259

Source: Spotify Investor PPT, Dalal & Broacha Research

Source: UMG investor PPT, Dalal & Broacha Research

#### Recent development:

On 27th August, a Bharti Airtel spokesperson announced that it will be shutting down the Wnyk Music (streaming platform) which was launched in 2014. It had a user base of ~100Mn customers. ***Our assumption is that it is being shut down due to heavy competition from other players and it was not able to generate profitability. There could be further consolidation or closing of smaller streaming platforms if economic viability is not achieved. This makes our case strong that in the music industry value chain, music labels will make the maximum profitability.***

## COMPANY SECTION



We initiate coverage on Saregama India, the nation's oldest music label, which is strategically positioning itself as a pure-play content company, encompassing both music and non-music segments, to capitalize on the ongoing digitization of content consumption. The company's transformation from a traditional music label to a comprehensive content provider began in 2017 with the expansion into digital films and series through Yoodlee Films. Over time, Saregama's business model has evolved, demonstrating a willingness to take calculated risks by exploring new verticals while adhering to a disciplined capital allocation policy. Saregama's presence across various content forms—including audio, video, live events, and digital content (via Pocket Aces) mitigates any potential seasonality in the business and expands both the TAM and the terminal value of the company.

To gain leadership position as India's premier music label, Saregama is stepping up its content acquisition in new music with an investment pipeline of ~1000crs over the next 3 years which is double of what was invested between FY19-24.

The core music licensing business will continue to outperform the music industry growth rate and the strong cashflow generated will be used to fund and scale the newer verticals.

**We expect revenue/ebitda/pat to grow at a CAGR of 24%/27%/21% over FY24-27E driven by the strategy of monetizing existing IP and creating new IP across both music and non-music verticals. This approach aims to produce relevant content for all age groups for many decades to come. We value the company at 40x and arrive at a target price of Rs 719, upside of 39%.**

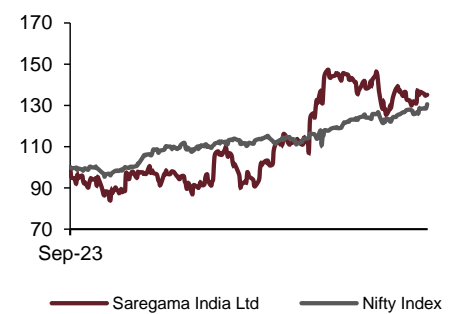
**Saregama India is resolute in its vision to become the leading music label in the country and ultimately aims to be the top integrated content and artist company for Indians globally.**

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>719</b>	<b>39</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>517</b>
Market Cap (Rs.Bn)	(Rs Bn)	100
Market Cap (US\$ Mn)	(US\$ Mn)	1,191
Face Value	Rs	1
52 Weeks High/Low	Rs	581.4 / 309.6
Average Daily Volume	('000)	217
BSE Code		532163
Bloomberg		SARE.IN
Source: Bloomberg		

#### One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	59	59
Public	41	41
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

#### Financial Summary

Year End (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	5,806	7,366	8,030	9,788	12,179	15,123
<b>Growth</b>	<b>31.38%</b>	<b>26.87%</b>	<b>9.01%</b>	<b>21.89%</b>	<b>24.43%</b>	<b>24.17%</b>
EBIDTA	1,871	2,210	2,466	2,529	3,664	4,994
<b>Growth</b>	<b>43.83%</b>	<b>18.10%</b>	<b>11.57%</b>	<b>2.59%</b>	<b>44.86%</b>	<b>36.31%</b>
Margins (%)	32.2%	30.0%	30.7%	25.8%	30.1%	33.0%
Adjusted net profit	1,527	1,851	1,976	1,726	2,525	3,466
<b>Growth</b>	<b>34.54%</b>	<b>21.23%</b>	<b>6.76%</b>	<b>-12.66%</b>	<b>46.36%</b>	<b>37.22%</b>
EPS (Rs)	8.4	9.6	10.3	8.9	13.1	18.0
P/E (x)	61.6	53.9	50.5	58.0	39.6	28.9
EV/EBITDA (x)	52.7	43.8	38.5	37.4	25.8	19.2
ROE (%)	11.1%	13.8%	13.4%	11.0%	14.5%	17.2%
ROCE (%)	12.6%	14.9%	14.3%	12.2%	17.3%	21.4%

Source: Company, Dalal & Broacha Research

## BUSINESS MODEL UNDERSTANDING

## Revenue Mix

Segment	FY21	FY22	FY23	FY24	CAGR FY21-24
Music Licensing	2,994	3,682	4,494	5,233	20%
Artist Management	-	-	-	208	
Music Retailing	861	1,056	1,298	1,296	15%
Video Segment	521	1,024	1,085	1,159	31%
Live Events	-	-	490	134	
<b>Total</b>	<b>4,376</b>	<b>5,762</b>	<b>7,367</b>	<b>8,030</b>	<b>22%</b>

*\*Excludes the publication business which got demerged in FY23*

## Monetise Existing IP + Build New IP

## 1. Music Licensing

In the core music licensing segment, Saregama derives revenue by licensing the content it owns to music streaming platforms, video streaming platforms, short format video platforms and brands.

## A. Youtube

Saregama earns advertising revenue share on content it owns either on its own channels or any 3rd party channel (Applicable for Music + Non-music content)

**Free User/Ad driven model:** 55% share in Saregama's favour on the advertising revenue generated per stream.

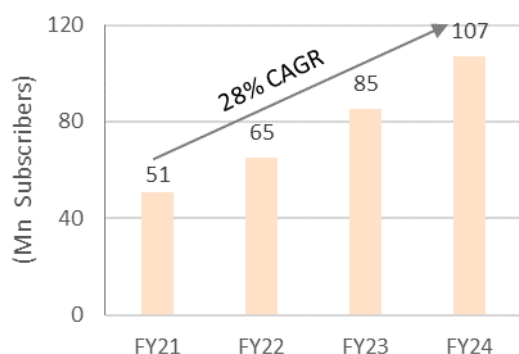
**Paid user/Subscription model:**

**Monthly subscription amount paid X 50% share retained for content owners**  
**X Content owner share of streams of the total streams**

## Youtube Shorts:

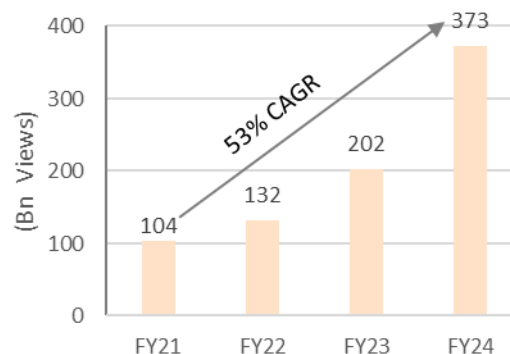
Currently the deal is based on a lumpsum amount and no revenue is generated basis the number of views. Youtube shorts contributes more than 80% of the total Youtube views, which is why the growth in Youtube revenue is not equivalent to the growth in the views garnered.

## Youtube Subscribers across channels



Source: Saregama Investor PPT, Dalal & Broacha Research

## Youtube views generated on Saregama Owned content



Source: Saregama Investor PPT, Dalal & Broacha Research

B. Music OTT Apps

Saregama earns every time a customer listens to Saregama owned song on any OTT app. Saregama has agreements with the Music OTT apps for fixed period (usually 2 years) and then re-negotiation takes place. There are certain clause related to minimum guarantee and overflows (typically booked at the end of the period). As an industry initiative Saregama has let go off minimum guarantees for all OTT platforms which have gone completely behind paywall.

Free User/Ad driven model: Rs 0.1/stream

Paid user/Subscription model:

Monthly subscription amount paid X 50% share retained for content owners

X Content owner share of streams of the total streams

The realisation is typically higher when a paid user streams a song

Assumption that out of 100 songs listened by user in a month, 18 songs are of Saregama					
Free User			Paid User		
A	Songs heard	18	A	Monthly subscription charge (assumption)	100
B	Rate/stream	0.1	B	Amount reserved for content pool	50%
			C	Saregama Market share	18%
Revenue Generated (A x B)		1.8	Revenue Generated (A x B x C)		9

Music Streaming Platforms (OTT)









### C. Social Media Platforms

Saregama earns when users upload videos using music owned by it

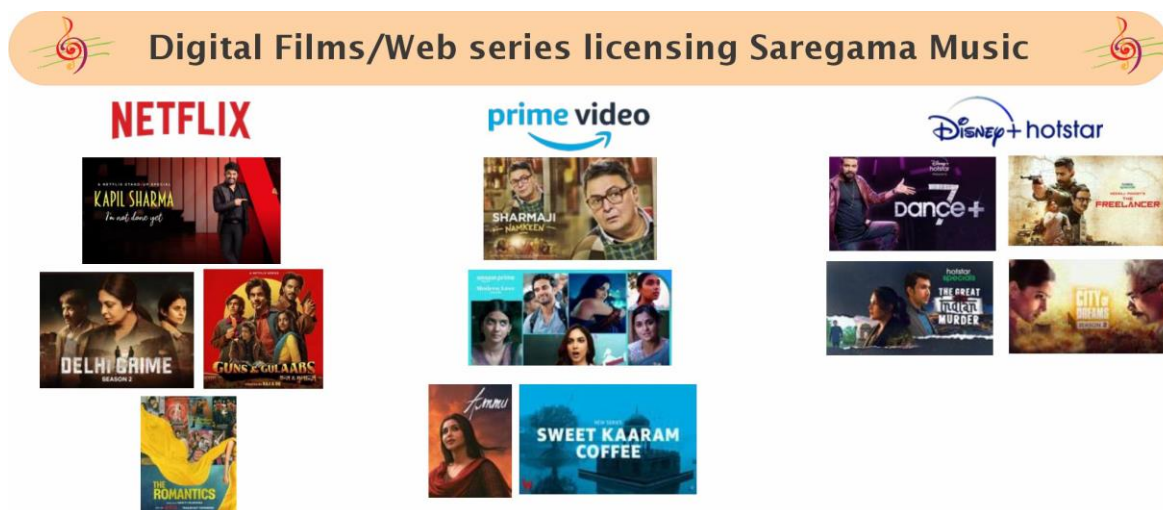
**Revenue stream:** Fixed license fee for specific period



### D. Video OTT Platforms

Saregama licenses its music to various video OTT platforms like Netflix, Amazon prime, Disney+hotstar for using it in their web series.

**Revenue stream:** Fixed license fee for specific period



### E. Broadcasting Platforms – Tv channels & Brands

1. Saregama Licenses its music to Television Channels for use in various TV serials, reality shows.

**Revenue stream:** Fixed license fee for specific period.

#### Channels using Saregama owned music



2. Saregama Licenses its music to Brands for use of songs in their ad jingles.

**Revenue stream:** Fixed license fee for specific period.

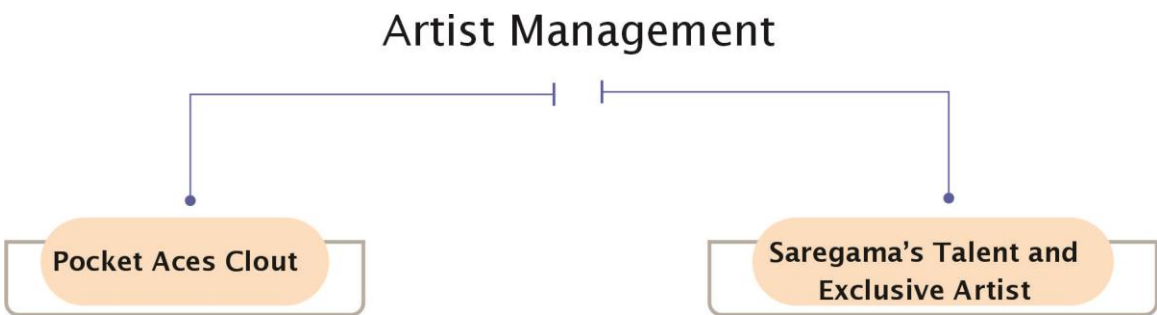
**Brands using Saregama owned music**



**F. Public performance**

All music that is played at events like weddings, concerts, and parties generates revenue for the music label and is also shared with the respective music composers/singers of such songs. It has given rights to a collective body called PPL for licensing the music for public performances being held at various public and commercial premises. They are also a part of IPRS that collects revenue for publishing rights and distributes amongst labels and artists (lyricists and music composers).

**2. Artist Management**



This is a new vertical which was started in Q2FY24 aims to nurture talent through strategic integration into IP releases. The focus is to build the profile of the artists and secure profitable brand partnerships on platforms like Instagram & Youtube as well as opportunities for live events and performances. Through these partnerships, Saregama shares in the artist's earnings, establishing a mutually beneficial revenue sharing model that supports both the artist's career growth and the investment the company has made in their development.

### A. Pocket Aces Clout:

Market leader with 150 exclusive influencers boasting a follower base exceeding 100Mn+. Aims at identifying talented individuals across the industry and use personalised strategies to build their brands, creating content and distributing it effectively. Clout actively pursues partnerships with brands and opportunities in Pocket Aces' wide range of short and long video channels, as well as collaborations with other studios and opportunities in live events.

**Revenue Stream:** Clout operates on a commission model during the period of exclusivity

### B. Saregama's Talent and Exclusive Artiste

Saregama India Limited has introduced a new branch under its artist management segment named Saregama Talent. This initiative focuses on identifying and fostering emerging artists, showcasing them through new releases. Strategy includes monetising their talent by securing bookings for live events, weddings, and brand endorsements, ensuring these artists thrive in the industry.

**Revenue Stream:** Saregama earns a fixed share of income each time the artist performs

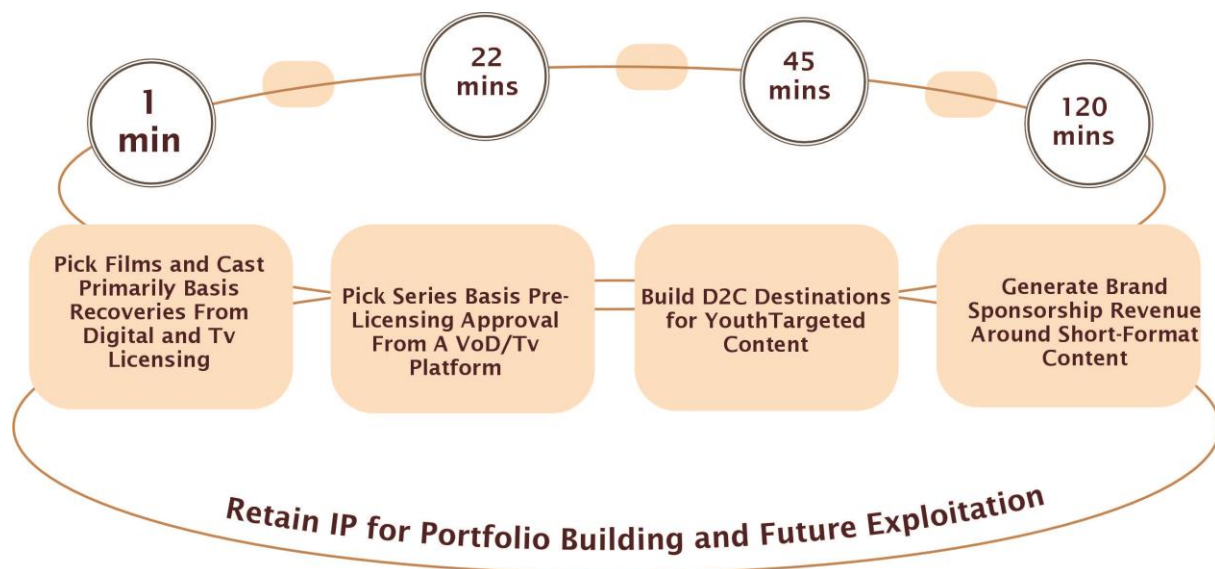
## 3. Music Retailing

Carvaan, the flagship product, comes with over 5,000 pre-loaded songs and is primarily aimed at individuals over 40 who are less tech-savvy, as well as the corporate gifting market. Launched in 2017, the product experienced rapid growth in its early years, but has encountered demand and supply challenges since the onset of COVID. In response, the company has introduced new variants, including Carvaan Mini+ and Carvaan Mobile at lower realization. A company study indicates a positive correlation between songs loaded on Carvaan and those streamed on digital platforms.

MUSIC RETAILING	FY18	FY19	FY20	FY22	FY23	FY24
Volumes sold	387,000	904,000	741,000	401,000	561,000	686,000
Realisation/unit	3,850	3,261	2,783	2,633	2,314	1,889



#### 4. Video Segment



##### A. Films and Series

Yoodlee Films is Saregama's production house and digital content via Dice (a division of Pocket Aces) focussed on creating content for theatrical releases and 3rd party digital platforms & TV. 30 films have been released and licensed under the Yoodlee brand.

**Strategy:** To create IP in regional languages as ROI is higher. The investments in this are hedged up-front by licensing Satellite and Digital rights of the films to platforms in advance of the film's theatrical release. Films are selected basis the story, actor and director after analysing the returns on their earlier projects.

**Revenue stream:** Fixed fee license for a specified time period

##### Films and Web Series released by Saregama





## B. TV serials

6000 hours of content created exclusively for Sun TV.

**Strategy:** To own IP rights for these serials and monetise these serials on platforms like Youtube and Facebook with plans to expand on other video platforms.

**Revenue Stream:** Sale of commercial time (advertising slots)

## C. D2Channels (via Pocket Aces)

Primary channels include FilterCopy, Nutshell, Dice Media, Gobble, and Pocket Change, collectively amassing a follower base exceeding 40 Mn.

**Strategy:** Create and distribute content through own channels on Youtube, Instagram, Facebook and Snapchat

**Revenue Stream:** Generating advertising revenue by incorporating brands into video content and licensing the content created on third party platforms.



22 Mn+

Followers & Subscribers



3 Mn+

Followers & Subscribers



7 Mn+

Followers & Subscribers



6 Mn+

Followers & Subscribers

## 5. Live Events

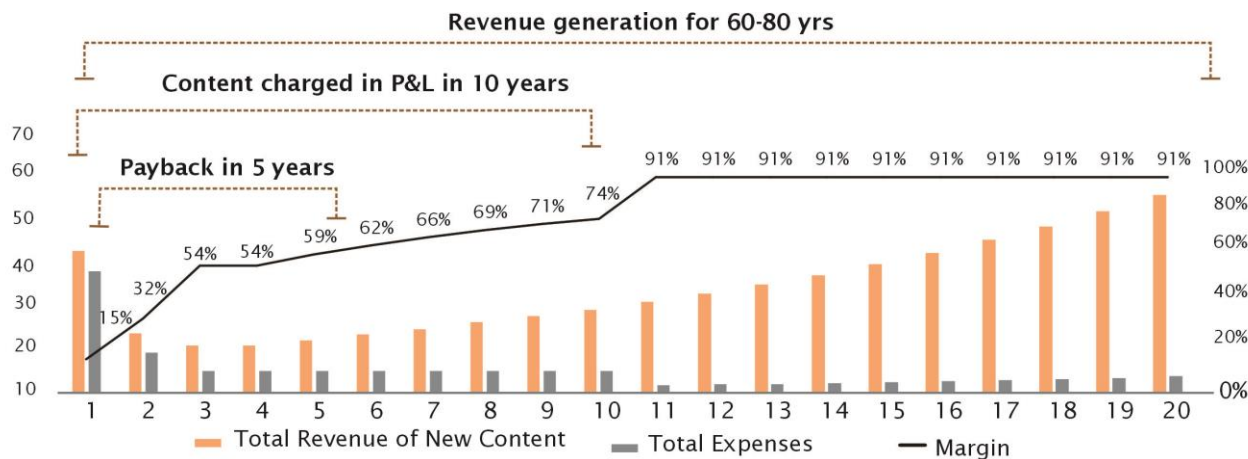
The company has added this vertical in FY23 where they hosted 14 live events with the aim of monetising the fragmented event management business and leverage their relationship within the music industry. The ultimate aim is to deepen the relationship with the artists. Successfully debuted with a world tour by Diljit Dosanjh, spanning across 30 concerts in India, USA, Canada, Australia and New Zealand.

**Strategy:** This vertical will remain in investment phase for a couple of years and 5-10% margin target in the medium term. Working capital is just 30-45 days with a high IRR.

**Revenue stream:** Share in ticket sales, sponsorships, merchandise sale and create IP which can be monetised on other platforms.

**Capital deployed in the video and live events vertical not to exceed 18%**

New Content Investment Impact on Income Statement



New Music generates IRR of ~26%. Once the cost is fully charged off, the margins move up to ~90%  
Total Expenses include marketing expense, amortization of content cost and royalty post recovery of cost+ hurdle rate

Content amortization schedule

(%)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total amortisation	36.0	12.0	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5

Any new content acquired in a year includes marketing expenses which is fully expensed out in the year of release. The remaining cost is amortized over 10 years with highest charge in Year 1 and Year 2.

Impact on Cashflows

When Bollywood/Hindi music is acquired, it becomes part of the inventory upon release. As a result, the reported operating cash flows will appear lower than the actual cash flows generated.



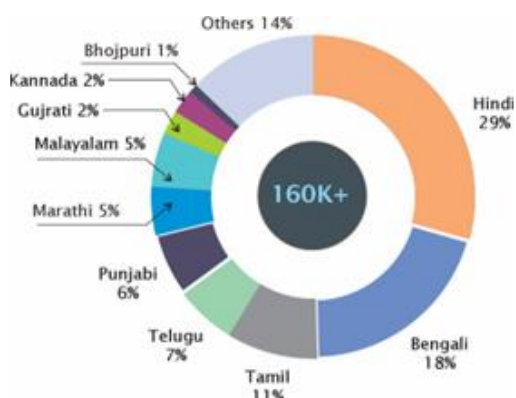
## Investment Rationale:

### ➤ PAN India Catalogue Music Library creates Strong Entry Barrier

- With a library of over 1.6 lac songs across multiple languages and genres which has been built over the last 100years creates a very strong entry barrier for any new entrant. *Assuming in a year 1000 movies are released and each movie has 4 songs, it will take ~40 years to build such a vast library assuming all songs are procured by the new entrant.*
- Such a large library of songs gives immense bargaining power to music labels to negotiate better deals with streaming platforms as platforms are aware that they cannot function without the songs of the largest labels.
- A special department has been set up to create derivatives or cover versions of songs, resulting in the creation of over 8,500 new versions in FY24 resulting in continued momentum of the catalogue music.
- ~75% of the songs have been acquired pre 2010 indicating that the amortization of the songs is complete and no significant incremental investment is required so any revenue generated from those songs is virtually converted in entirety into profits and cashflows.*
- The company is confident of the catalogue music growing at 10-12% CAGR atleast for the foreseeable future

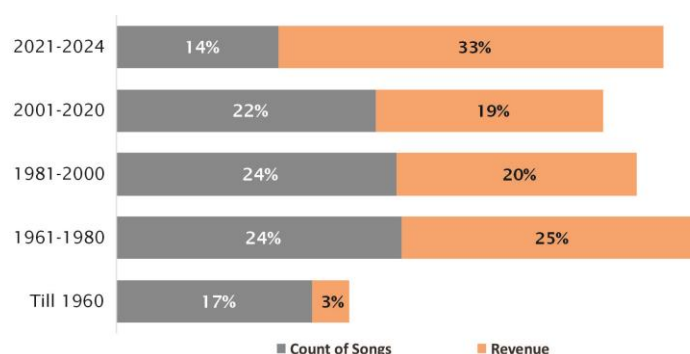
## Competitive shield + Regular Cashflows

### Share of Saregama's songs by language



Source: Saregama Investor PPT, Dalal & Broacha Research

### Era wise songs contribution



36% of Saregama's songs were released post 2000, and they contributed to 52% of FY24 revenue

Source: Saregama Investor PPT, Dalal & Broacha Research

## ➤ Stepping Up the Content Acquisition to Future proof the company

- The company had taken a decision of not making any major investments in acquiring new music between 2000-2015 on account of heightened piracy and low monetisation. With the rise of digital streaming platforms in India, introduction of anti-piracy laws and effective infringement tracking systems in place monetisation journey took off for the music labels. In light of this, Saregama stepped up its music content acquisition in the last few years to take advantage of the tailwinds in the music industry.
- The company aims to take leadership position by acquiring both film and non-film music across languages. The company has indicated that it intends to acquire 25-30% of the new music that will be released in the industry.*
- The company has guided for investment of ~Rs 1000crs over the next 3 years for new music acquisition which would be funded by the QIP money raised in FY22 and internal accruals. ~Rs 542crs unutilised QIP money is sitting on the balance sheet as on 31st March'24.*
- This new music acquisition will drive growth in the near term and ensure the longevity of the business with a *payback period of new music acquired on a portfolio basis of 5 years.*

### Music Content acquisition trajectory

(Rs Mn)	FY19	FY20	FY21	FY23	FY24	FY25E	FY26E	FY27E
Content Acquisition	324	151	195	1,192	1,949	Combined 10000 Mn		

## GROWTH + LONGEVITY

### Where is the edge in Music Acquisition?

The company has a team of music experts fluent in every language, deeply rooted in the music industry and possessing a thorough understanding of regional tastes and who have the authority to make acquisition choices, *supported by advanced predictive AI model* which help to determine the best genres and acquisition prices. This process speeds up decision-making and fosters a greater sense of responsibility among team members. Each executive is responsible for the initial five-year performance outcomes of the content they acquire. This increases the success rate and maximizes the ROI. *The entire decision making is decentralized in nature.*

### Partnership with new film production studios



### ➤ Artist Management vertical to aid the music licensing business

Saregama India has followed the footsteps of Universal Music Group, the biggest music label globally by setting up an artist management vertical. Having a strong artist management division will give Saregama a competitive edge over other music companies. It can attract top talent by offering a full range of services, from music production to career management, making it a one-stop-shop for artists looking to maximize their potential. Artist management will allow Saregama to diversify its revenue streams beyond traditional music sales and streaming. Through management, the company can earn revenue from various sources like touring, brand partnerships, endorsements, and merchandising. Artist management fosters long-term relationships between Saregama and its artists and these relationships can lead to extended collaborations, with the company continuing to profit from an artist's career over many years.

### ➤ Change of strategy in Music Retailing to aid profitability

Due to decreased demand, the company has decided to shift Carvaan from a physical store-based retail product to one that is exclusively available through e-commerce channels and select modern trade outlets. The focus will be on high-demand products, reducing the number of SKUs. Marketing expenses and costs related to physical distribution of product will be cut resulting in better margins. This transition to a pull model may result in a reduced topline.

### ➤ Scaling up of Non-music verticals to create business optionality

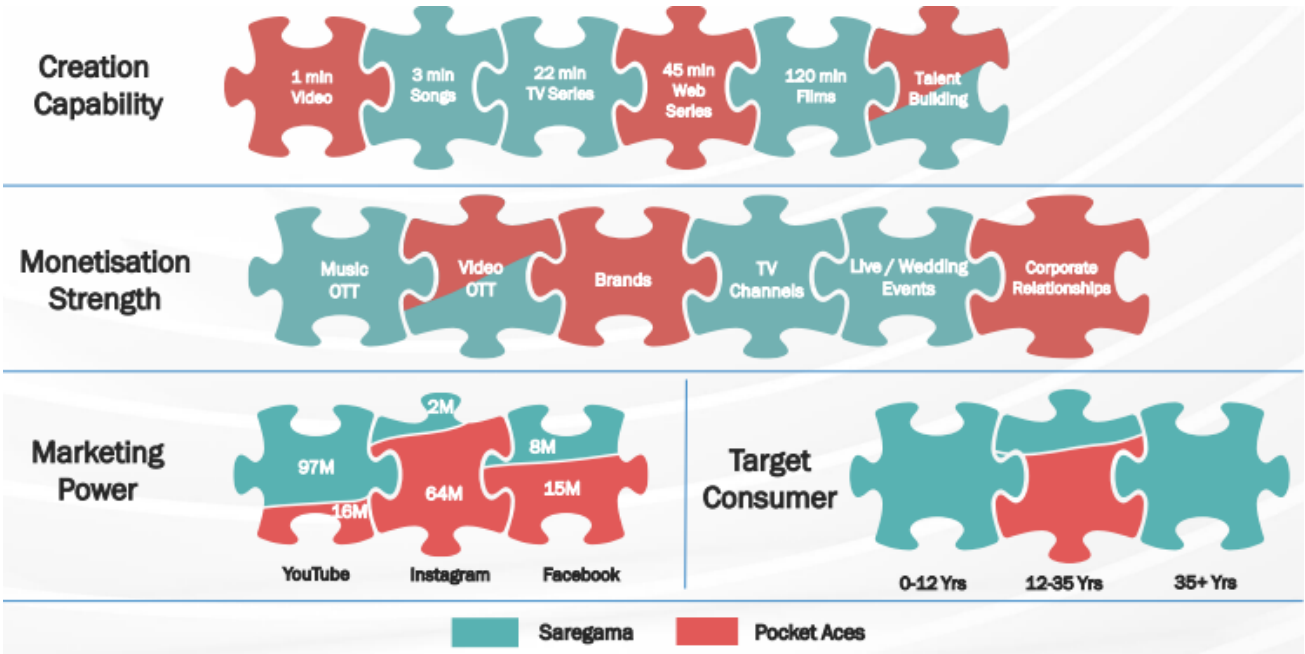
Beyond the music licensing segment, the company is gradually scaling up the **video segment** which has grown at a CAGR of 13% since FY20 highlighting the company's effort to create a comprehensive ecosystem around content consumption. *With the acquisition of Pocket Aces, the company would be focusing on scaling up the digital content through its D2C channels which will be monetised on various platforms.* The overall focus of the segment remains on creating and then retaining the IP so that it can be monetised across platforms over time. *The management is confident of achieving a ~25% CAGR for the next 4-5 years.*

- The live events vertical, while not yet making a significant impact on the bottom line as it is still in the process of establishing its business model and gaining traction, has the potential for substantial growth in the medium to long term, as observed in global trends.

### ➤ Pocket Aces Acquisition adds a completely new avenue for Saregama

Saregama's acquisition of Pocket Aces marks a significant shift in its strategy, enhancing its intellectual property and distribution capabilities. This move allows Saregama to engage with younger audiences and capitalize on social media trends. Pocket Aces, recognized for its youth-focused digital content, provides Saregama with access to a growing digital advertising market. The partnership is expected to create synergies in content distribution and brand integration across various platforms, leveraging Pocket Aces' extensive reach and diverse content offerings. *The acquisition is in line with the company's vision of being a content powerhouse and being relevant to all age groups.*

Synergies between Saregama India and Pocket Aces



Source: Saregama Investor PPT, Dalal & Broacha Research

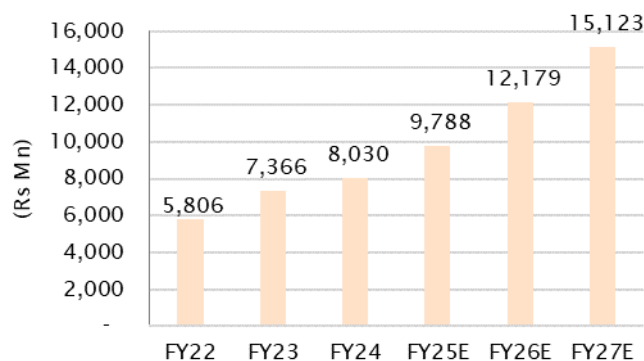
Financial Summary of Pocket Aces

(Rs Mn)	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	323	478	581	973	1,027	885
EBITDA	(177)	(298)	(521)	(244)	(131)	(104)
PAT	(181)	(282)	(511)	(60)	(182)	(140)

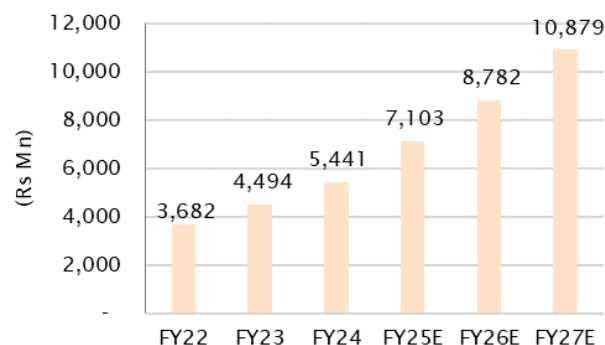
Pocket Aces is a relatively young company with a differentiated offering, it is yet to achieve EBITDA breakeven as on FY24 but the management remains confident of achieving PBT breakeven in FY25 as the synergies will kick in.

## Financial Analysis

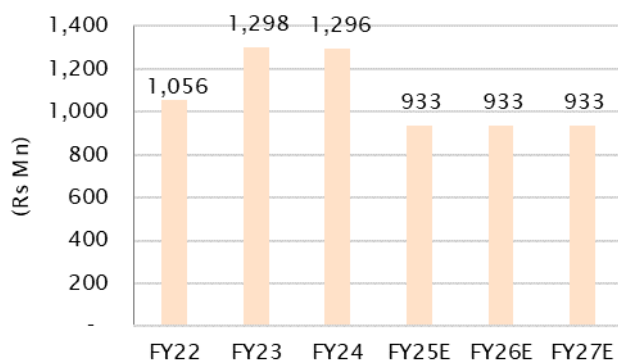
## Overall Revenue to grow at a CAGR of 24%



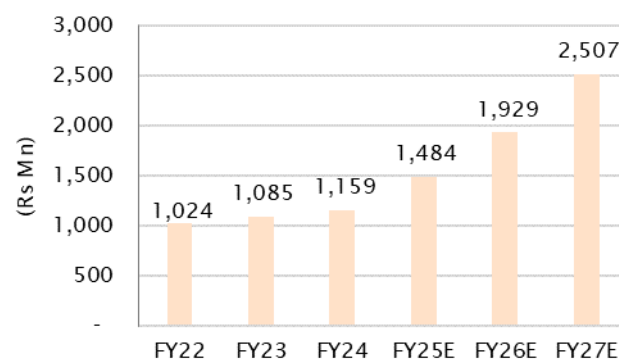
## Music Licensing +Artist management to grow at a CAGR of 26%



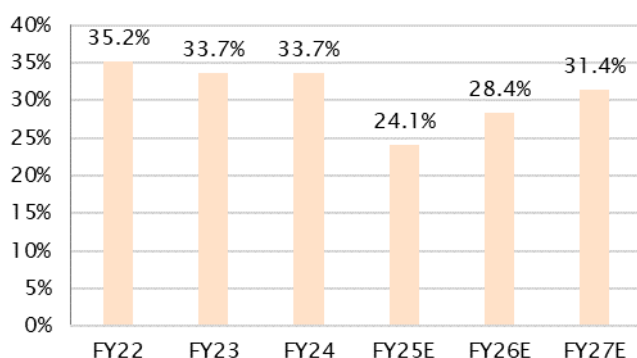
## Music Retailing vertical to see subdued growth



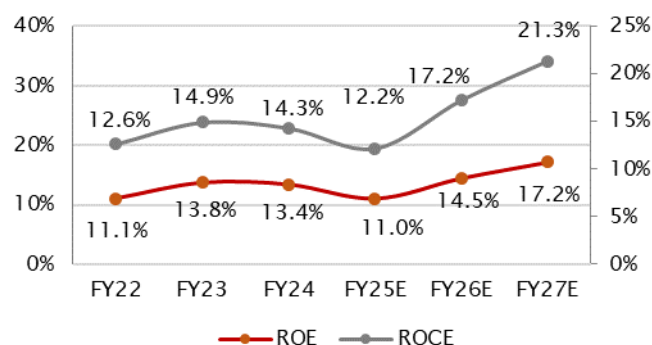
## Video segment to grow at a CAGR of ~30%



## EBITDA margins to see recovery from FY26



## Return ratios to see an improvement from FY26



As Saregama India ramps up its investment in new content from FY25 (with a ~65% YoY increase), the amortization of content costs will rise significantly compared to FY24, likely resulting in flat or reduced PBT for the current year. However, from FY26 onwards, as the base effect stabilizes, PBT growth is expected to outpace revenue growth, with margins improving due to operating leverage. **The management has guided for doubling the PBT in next 3/3.5 years. The company remains confident of achieving at least 32-33% Adjusted EBITDA margins for FY25. We believe the growth potential ahead is immense, and Saregama is taking the right steps to secure its future. The near-term pressure on profitability should be overlooked in favour of the long-term vision.**

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**Key Risks:**

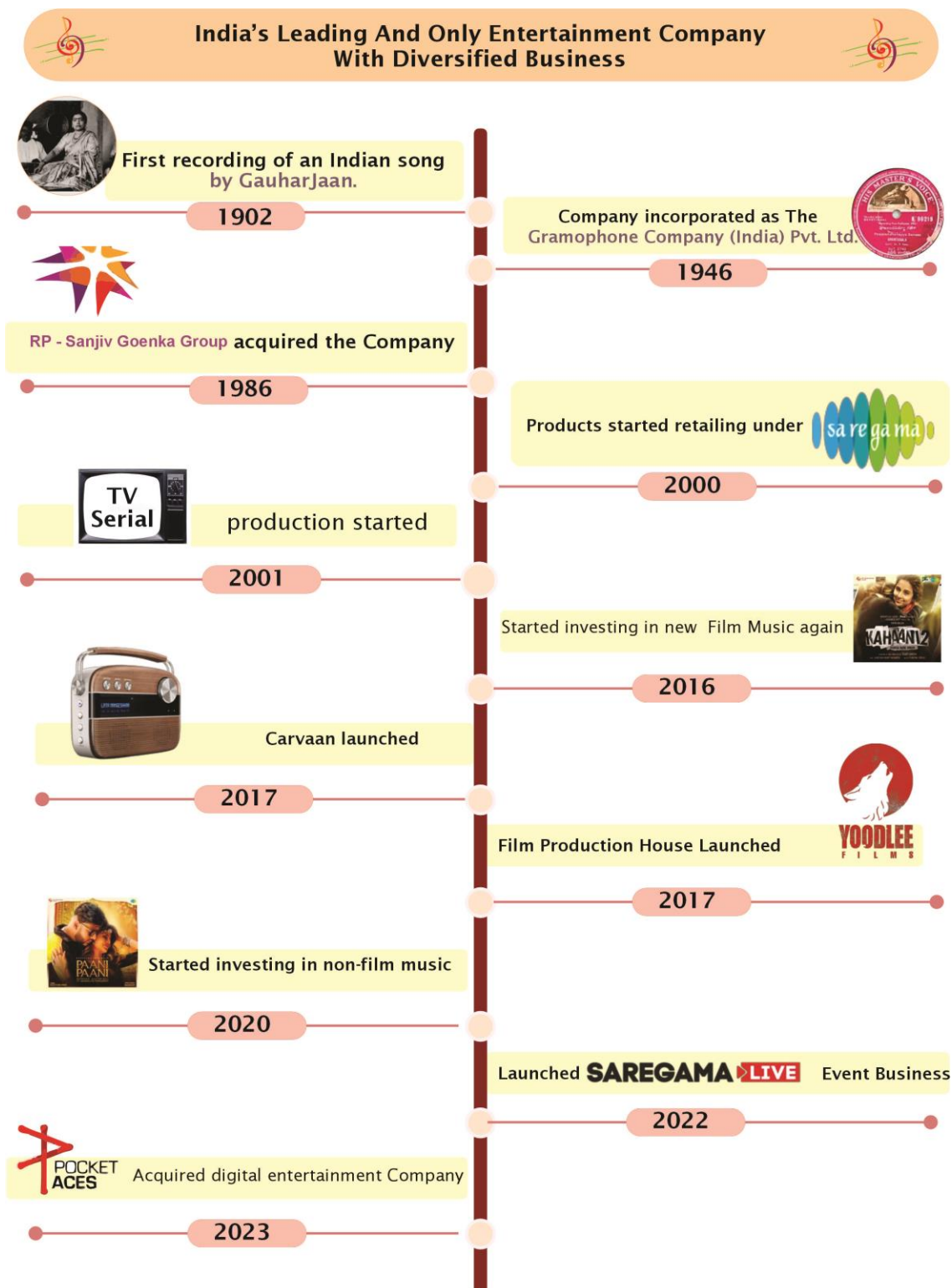
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- Limited conversion from free to paid users impacting the incremental revenue growth
- Piracy could surge as streaming platforms increase paywalls leading to loss of revenue for music labels
- High competition can drive up the content acquisition cost leading to lower ROI
- Music labels must regularly renegotiate deals with various media platforms; failure to do so could lead to revenue losses.



## ABOUT THE COMPANY

Saregama India, part of the RP Sanjiv Goenka Group, is the oldest music label in India and also operates as a film studio and multi-language TV content producer. Originally established as The Gramophone Company of India Ltd, and commonly known as 'HMV' (His Master's Voice), Saregama was the first overseas branch of EMI, London. In 1902, it released India's first studio-recorded song. Over the years, Saregama has built the largest global catalog of sound recordings and publishing rights for Indian music in 20 languages. Acquired by the RPG Group in 1986, it began retailing under the 'Saregama' brand in 2000.



## Management Overview

Name	Particulars
<b>Vikram Mehra</b>	Vikram Mehra is the Managing Director of Saregama, and has been with the company since October 2014. Prior to joining Saregama, he served as Chief Marketing Officer and Chief Commercial Officer at Tata Sky. He has also had stints with Star TV, Tata Motors and TCS. Vikram Mehra is a TAS (Tata Administrative Services) alumni and holds an MBA degree from IIM Lucknow and a BTech in Computer Science from IIT Roorkee. He has been instrumental in driving the company growth, kick-starting the content-acquisition activity and transforming the company into a professionally-run entity.
<b>Pankaj Chaturvedi</b>	Pankaj Chaturvedi is the Chief Financial Officer of the company and has over two decades of experience in various industries, including Telecom, Aviation and Consumer Electronics. He has handled areas such as Accounting, Planning & Strategy, Business Finance, Risk Assurance and Analytics across organizations such as Go Airlines, Vodafone, Reliance Jio and Hitachi. His last assignment was with Go Airlines (India) as its Chief Financial Officer.
<b>Kumar Ajit</b>	Kumar Ajit As the Executive Vice President - Music and Retail, Kumar Ajit is responsible for developing and evolving the strategic direction of the overall retail music business vertical. His earlier experience is with companies such as Tata Sky, LG and Onida. He is a Post Graduate in Business Management in Marketing & Finance from ICFAI Business School, Hyderabad.
<b>BR Vijayalakshmi</b>	BR Vijayalakshmi is the Executive Vice President - South TV and heads the Tamil TV serial business. Ms Vijayalakshmi started her career as Director of Photography and has the distinction of being mentioned in the Limca Book of Records as Asia's First Woman Cinematographer producing approximately 4,000 hours of TV content from 2001, in all genres and all South-Indian languages.
<b>Siddharth Anand Kumar</b>	Siddharth Anand Kumar has completed his Post-graduation from Hampshire College (MA, USA) and has been a cinematographer, editor, writer, director and producer in the Indian Film and TV industry since the last 19 years. He has also directed multiple TV series across channels, including Saregama in the past. Siddharth has been spearheading Yoodlee from Day-1
<b>Kartik Kalla</b>	Kartik has over 2 decades of experience in media and entertainment. He started his career with advertising where he worked with esteemed agencies like Leo Burnett, McCann, Publicis and handled brands like Coca-Cola, Sprite, Nestle, Reckitt Benckiser to name a few. After a successful stint in advertising, he moved to the Radio industry where he held positions as head of programming, marketing and branded content. The last assignment was as Chief Creative Officer at Radio City
<b>Aditi Shrivastava CEO, Pocket Aces Pictures Private Limited</b>	Aditi is a graduate from Princeton University majoring in Electrical Engineering and Computer Science. She is a CFA (USA) Charter Holder. Prior to Pocket Aces, Aditi set up the Intellectap Impact Investment Network, the world's largest angel network investing in businesses dedicated to creating a positive social impact across India and East Africa. Aditi spent over 5 years at Goldman Sachs in New York, specialising in quantitative equity research, trading and portfolio management.

## Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	5,806	7,366	8,030	9,788	12,179	15,123
Total Operating Expenses	1,431	2,250	2,320	3,396	4,165	5,096
Employee Cost	735	750	932	1,126	1,340	1,664
Other Expenses	1,770	2,156	2,313	2,737	3,010	3,369
<b>Operating Profit</b>	<b>1,871</b>	<b>2,210</b>	<b>2,466</b>	<b>2,529</b>	<b>3,664</b>	<b>4,994</b>
Depreciation	131	208	362	622	661	703
PBIT	1,740	2,002	2,104	1,908	3,004	4,291
Other income	349	536	637	488	488	488
Interest	45	57	32	32	32	32
PBT ( Before exceptional	2,044	2,481	2,708	2,364	3,460	4,747
PBT (post exceptional)	2,044	2,481	2,708	2,364	3,460	4,747
Provision for tax	518	630	732	638	934	1,282
Reported PAT	1,527	1,851	1,976	1,726	2,525	3,466
Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	193	193	193	193	193	193
Reserves	13,617	13,262	14,533	15,487	17,242	19,936
<b>Net worth</b>	<b>13,809</b>	<b>13,455</b>	<b>14,726</b>	<b>15,680</b>	<b>17,434</b>	<b>20,129</b>
<b>Non Current Liabilites</b>	<b>611</b>	<b>507</b>	<b>2,644</b>	<b>2,649</b>	<b>566</b>	<b>573</b>
<b>Current Liabilites</b>	<b>2,459</b>	<b>3,080</b>	<b>2,969</b>	<b>3,263</b>	<b>3,677</b>	<b>4,176</b>
<b>TOTAL LIABILITIES</b>	<b>16,879</b>	<b>17,041</b>	<b>20,338</b>	<b>21,593</b>	<b>21,677</b>	<b>24,877</b>
<b>Non Current Assets</b>	<b>4,559</b>	<b>4,521</b>	<b>8,117</b>	<b>8,861</b>	<b>9,794</b>	<b>10,763</b>
Fixed Assets	2,795	3,418	7,478	8,303	9,155	10,031
Goodwill	-	-	-	-	-	-
Non Current Investments	1,453	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Other Financial Assets	20	530	172	21	21	21
Other Non Current Assets	292	574	468	538	618	711
<b>Current Assets</b>	<b>12,320</b>	<b>12,520</b>	<b>12,221</b>	<b>12,732</b>	<b>11,882</b>	<b>14,114</b>
Current investments	5,308	2,388	1,177	824	577	404
Inventories	1,054	1,643	2,393	2,805	3,082	3,426
Trade Receivables	1,078	1,480	1,587	1,931	2,403	2,983
Cash and Bank Balances	3,237	5,083	5,421	5,418	3,944	5,289
Short Term Loans and Ad	228	262	221	221	221	221
Other Current Assets	1,414	1,666	1,422	1,533	1,656	1,791
<b>TOTAL ASSETS</b>	<b>16,879</b>	<b>17,041</b>	<b>20,338</b>	<b>21,593</b>	<b>21,677</b>	<b>24,877</b>

Cash flow statement ( Rs in mn )	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Cash flow from operating activities</b>						
Profit before tax	2,044	2,481	2,708	2,364	3,460	4,747
Depreciation & Amortization	131	208	362	622	661	703
Interest expenses	45	57	32	32	32	32
<b>Operating profit before working capital change</b>	<b>2,220</b>	<b>2,746</b>	<b>3,102</b>	<b>3,017</b>	<b>4,152</b>	<b>5,482</b>
Working capital adjustment	(485)	(932)	(627)	(563)	(474)	(586)
<b>Gross cash generated from operations</b>	<b>1,736</b>	<b>1,814</b>	<b>2,475</b>	<b>2,455</b>	<b>3,678</b>	<b>4,897</b>
Direct taxes paid	572	669	514	638	934	1,282
Others	220	211	1,029	93	(59)	(61)
<b>Cash generated from operations</b>	<b>944</b>	<b>934</b>	<b>932</b>	<b>1,723</b>	<b>2,803</b>	<b>3,676</b>
<b>Cash flow from investing activities</b>						
Capex	(727)	(1,031)	(923)	(1,446)	(1,513)	(1,579)
Paid for purchase of Pocket Aces	-	-	(1,662)	-	(2,090)	-
Investment	(5,713)	(589)	2,183	353	247	173
Others	137	139	568	188	(117)	(121)
<b>Cash generated from investment activities</b>	<b>(6,303)</b>	<b>(1,481)</b>	<b>166</b>	<b>(905)</b>	<b>(3,473)</b>	<b>(1,527)</b>
<b>Cash flow from financing activities</b>						
Proceeds from issue of share	19	-	-	-	-	-
Share premium received on issue of shares	7,314	-	-	-	-	-
Borrowings/ (Repayments)	(4)	(6)	(25)	(17)	-	-
Interest paid	(11)	(7)	(30)	(32)	(32)	(32)
Dividend paid	(578)	(578)	(771)	(772)	(772)	(772)
Others	33	(161)	(22)	-	(2,090)	-
<b>Cash generated from financing activities</b>	<b>6,772</b>	<b>(752)</b>	<b>(849)</b>	<b>(821)</b>	<b>(804)</b>	<b>(804)</b>
<b>Net cash increase/(decrease)</b>	<b>1,415</b>	<b>(1,361)</b>	<b>402</b>	<b>(2)</b>	<b>(1,474)</b>	<b>1,345</b>

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	32.2%	30.0%	30.7%	25.8%	30.1%	33.0%
NPM	24.8%	23.4%	22.8%	16.8%	19.9%	22.2%
Tax Rate	25.3%	25.4%	27.0%	27.0%	27.0%	27.0%
<b>Growth Ratios (%)</b>						
Net Sales	31.4%	26.9%	9.0%	21.9%	24.4%	24.2%
Operating Profit	43.8%	18.1%	11.6%	2.6%	44.9%	36.3%
PBIT	39.8%	15.0%	5.1%	-9.3%	57.4%	42.9%
PAT	34.5%	21.2%	6.8%	-12.7%	46.4%	37.2%
<b>Per Share (Rs.)</b>						
Net Earnings (EPS)	8.4	9.6	10.3	8.9	13.1	18.0
Cash Earnings (CPS)	8.6	10.7	12.1	12.2	16.5	21.6
Dividend	3.0	3.0	4.0	4.0	4.0	4.0
Book Value	71.6	69.8	76.4	81.3	90.4	104.4
Free Cash Flow	1.1	-0.5	0.0	1.4	6.7	10.9
<b>Valuation Ratios</b>						
P/E(x)	61.6	53.9	50.5	58.0	39.6	28.9
P/B(x)	7.2	7.4	6.8	6.4	5.7	5.0
EV/EBIDTA(x)	52.7	43.8	38.5	37.4	25.8	19.2
Div. Yield(%)	0.6	0.6	0.8	0.8	0.8	0.8
FCFF Yield(%)	0.2	-0.1	0.0	0.3	1.3	2.1
<b>Return Ratios (%)</b>						
ROE	11.1%	13.8%	13.4%	11.0%	14.5%	17.2%
ROCE	12.6%	14.9%	14.3%	12.2%	17.3%	21.4%
ROIC	12.3%	17.9%	16.5%	13.6%	16.3%	21.2%

Source: Dalal &amp; Broacha Research, Company

We Initiate Coverage on TIPS Music Ltd, one of India's leading Music Label companies, has been engaged in the business of creation, acquisition and exploitation of audio-visual content of music library digitally in India and overseas through licensing on various platforms. One of the strongest assets of TIPS is its rich and evergreen music collection. Its large and diversified music library has a collection of over 30,000 songs across all genres and major languages. The Company has a widespread presence across leading global digital platforms such as YouTube, Spotify, Jio Saavn, Resso, Apple Music etc. As of March, 2024 on YouTube, Tips Music has more than 97 million subscribers across its channels and received 194 billion views.

**We expect robust Revenue/EBITDA/PAT 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.**

### 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)	729	816	1,414	1,732	2,257	2,925
<b>Growth (%)</b>	<b>30%</b>	<b>12%</b>	<b>73%</b>	<b>22%</b>	<b>30%</b>	<b>30%</b>
EPS	4.98	5.96	9.90	12.65	16.34	21.17
P/E (x)	138	115	69	54	42	32
P/B (x)	85	63	48	36	27	20
EV/EBITDA (x)	102	85	55	43	33	25
RoE (%)	71	60	79	73	71	68
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

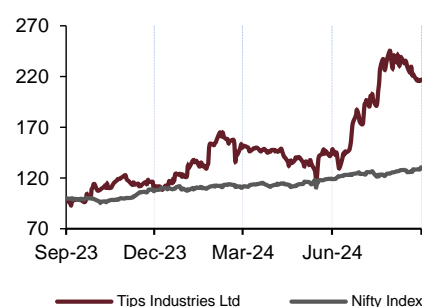
Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>847</b>	<b>24</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>683</b>
Market Cap (Rs.Bn)	(Rs Bn)	87
Market Cap (US\$ Mn)	(US\$ Mn)	1,042
Face Value	Rs	1
52 Weeks High/Low	Rs	785.15 / 284.9
Average Daily Volume	('000)	283
BSE Code		532375
Bloomberg		TPS.IN

Source: Bloomberg

#### One Year Performance



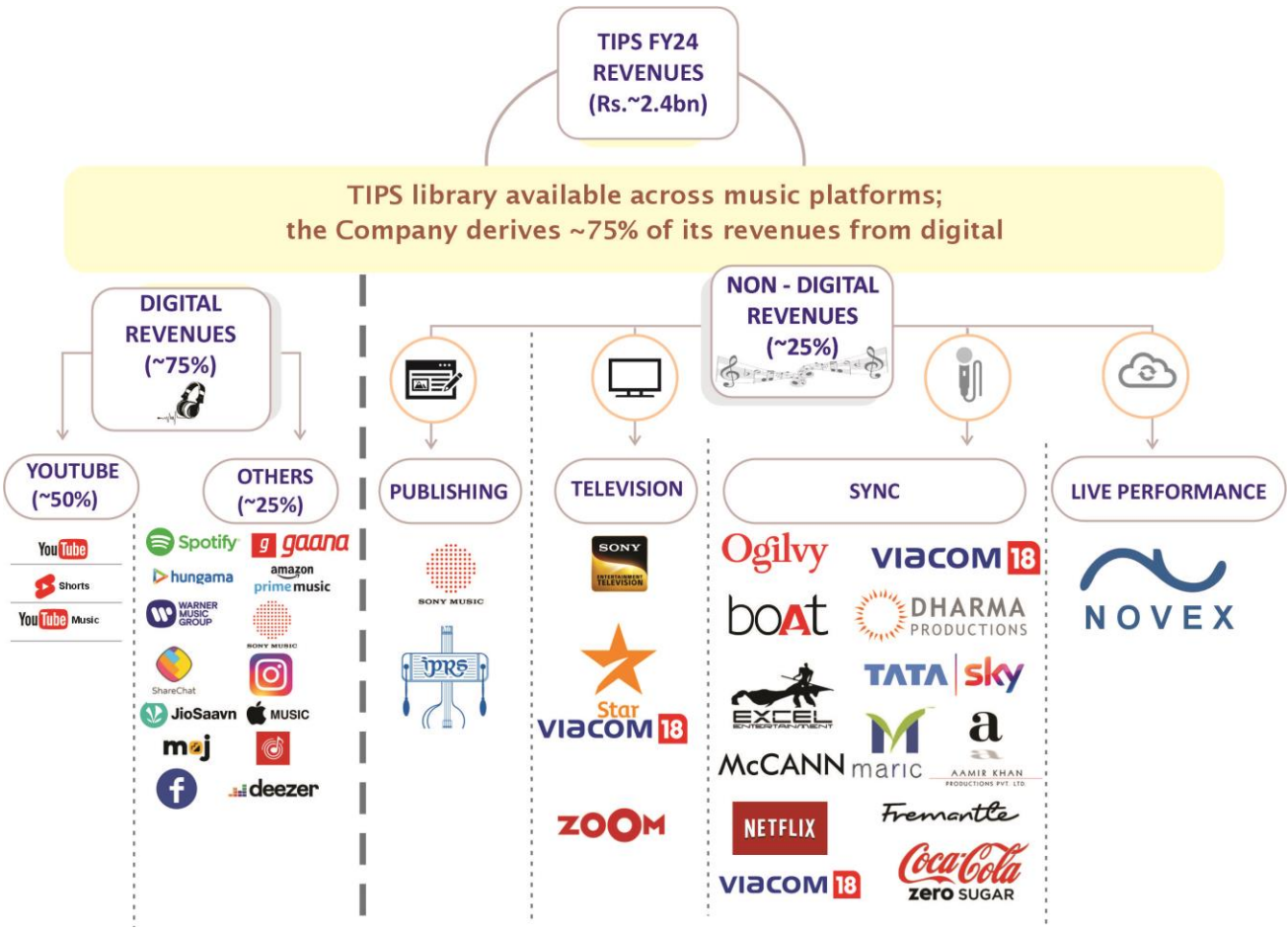
Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	64	64
Public	36	36
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

BUSINESS MODEL UNDERSTANDING

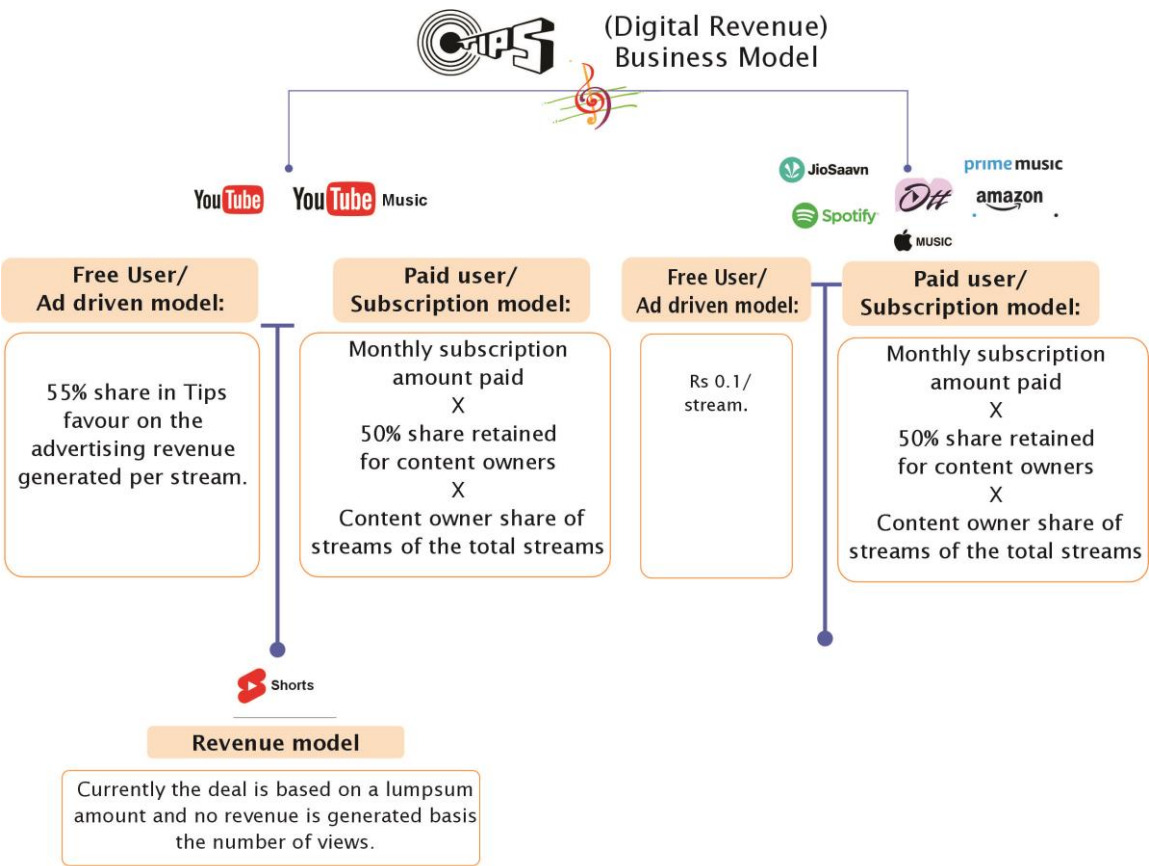
Revenue Mix



Source: Company, Dalal & Broacha Research

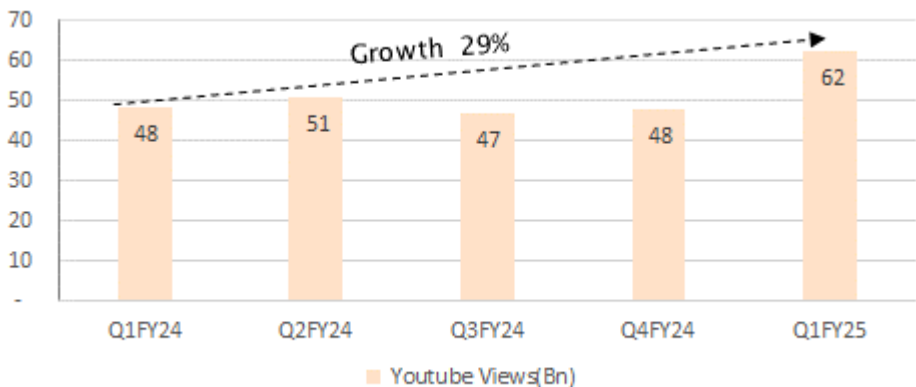
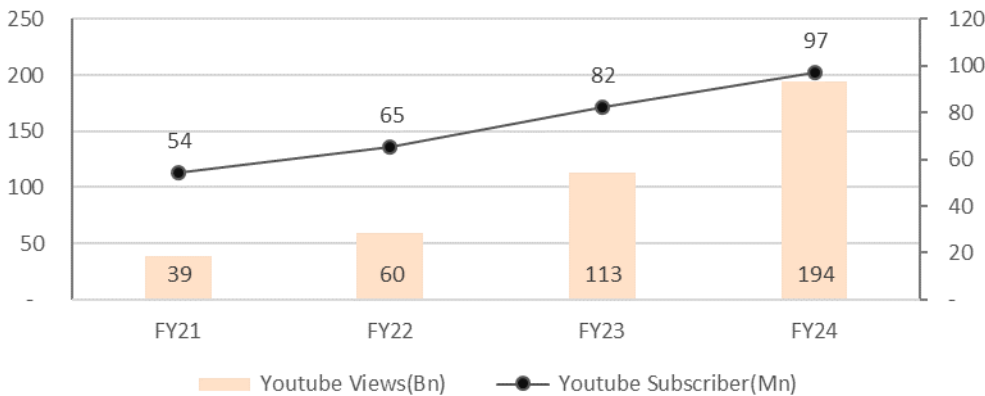


Tips Digital Business Model



Source: Company, Dalal & Broacha Research

**TIPS YouTube subscribers base have grown ~2x while views have increased ~5x over the past 5 years.**



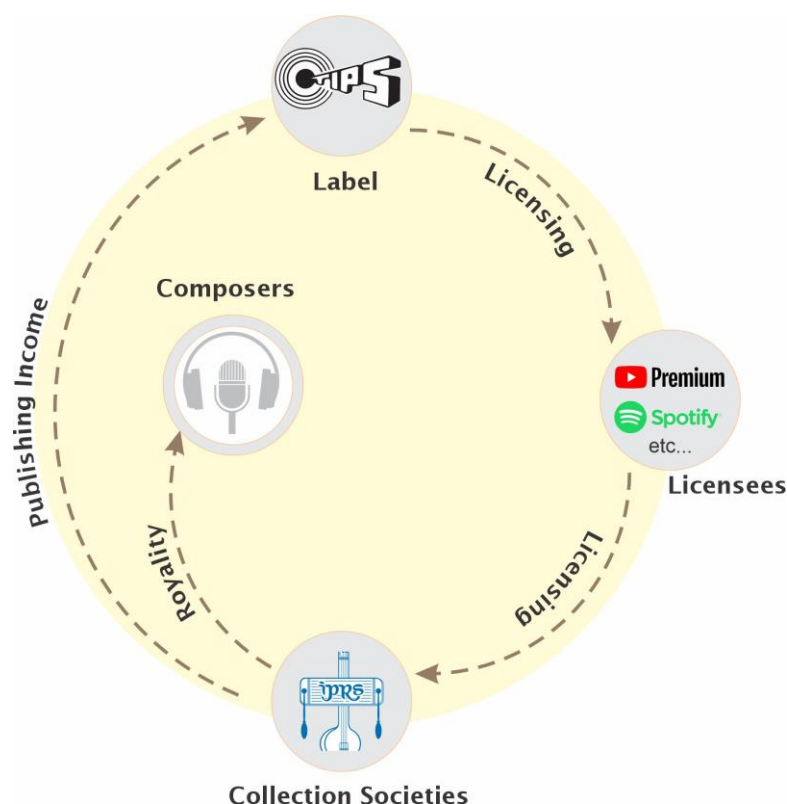
Source: Company, Dalal & Broacha Research

### Tips Non-Digital Business Model: -

#### ➤ Publishing Revenue: -

Publishing revenue for a music label primarily comes from royalties earned on song usage, including streaming, radio play, and licensing for films or commercials. Additional income can be generated through synchronization fees and performance rights.

### Publishing Revenue Business Model



#### Sony Music and Tips Music Publishing Agreement

Tips Music has entered into a comprehensive publishing agreement with Sony Music Publishing, enhancing its global reach and operational capabilities. This deal allows Tips Music to leverage Sony's extensive distribution network and industry connections, providing increased opportunities for their catalog and artists, while benefiting from Sony's robust marketing, licensing, and royalty collection services.

### ➤ **Television:**

Tips Music Licenses its music to Television Channels for use in various TV serials, reality shows.

**Revenue stream:** Fixed license fee for specific period

#### Broadcast Partners



### ➤ **Live Performance:**

All music that is played at events like weddings, concerts, and parties generates revenue for the music label and is also shared with the respective music composers/singers of such songs. It is mostly done through Third-party distributors and Tips Music mostly does with **NOVEX Communications**.

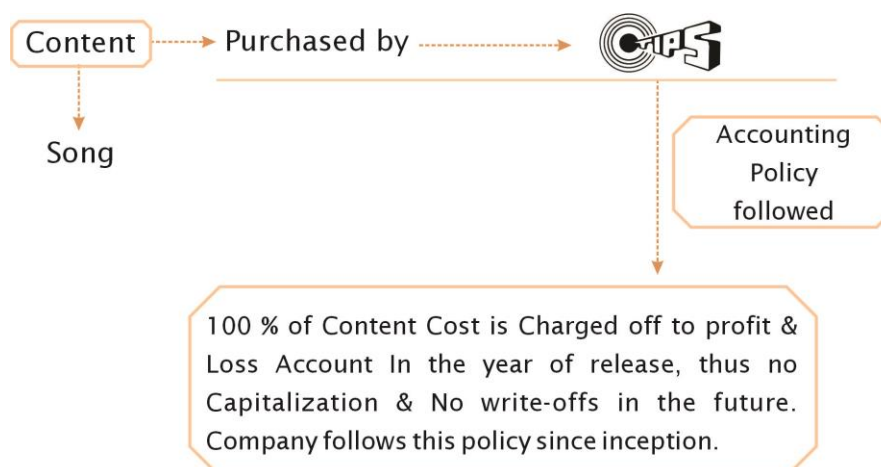
### ➤ **Sync & Brand deal: -**

Licenses its music to Brands for use of songs in their ad jingles. In Sync Deals, TIPS licenses its older version of song into new version.

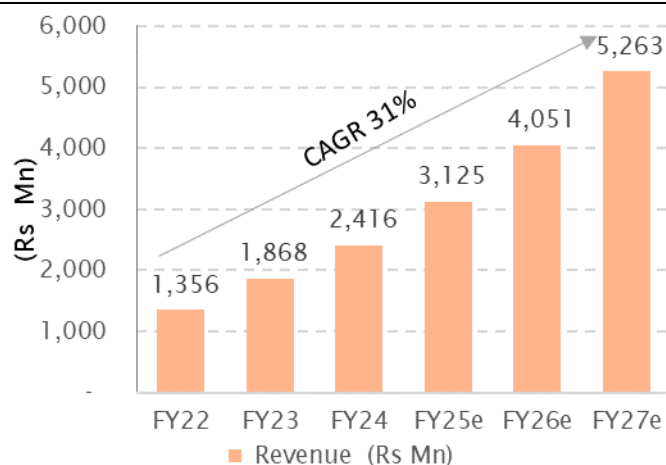
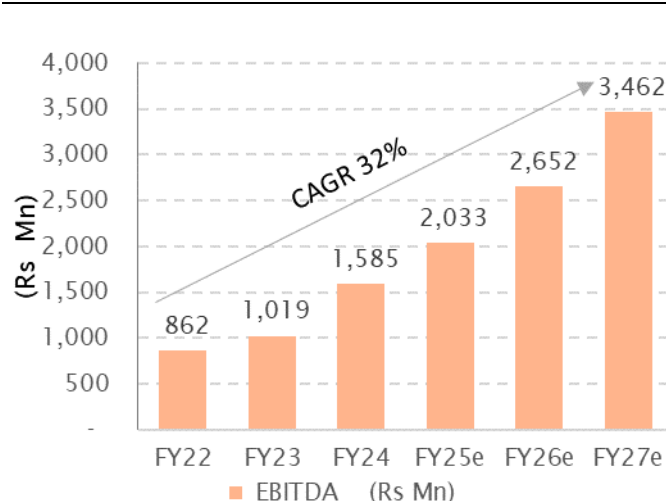
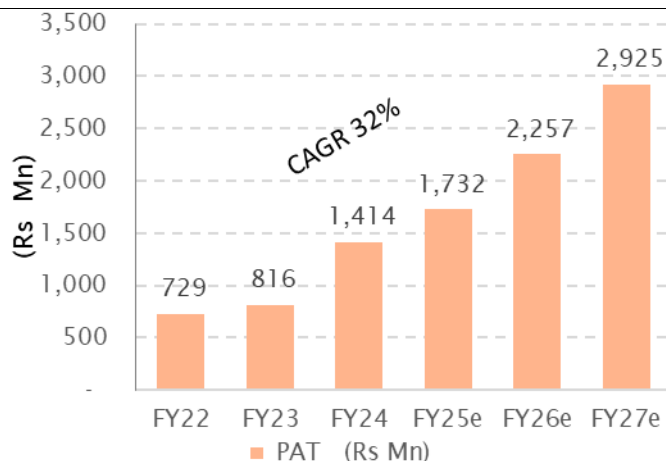
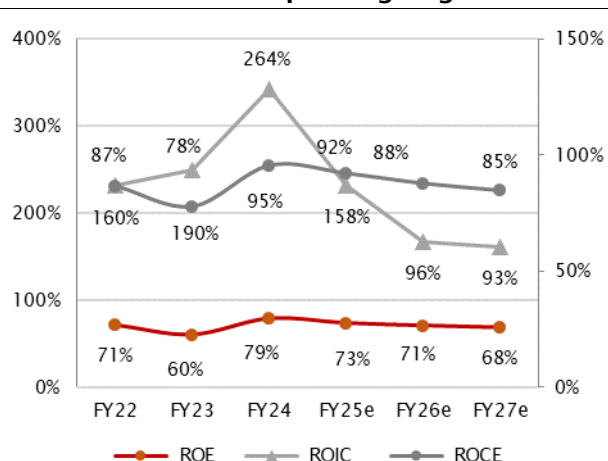
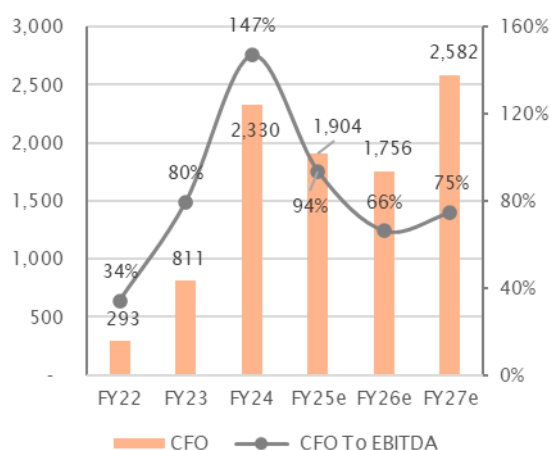
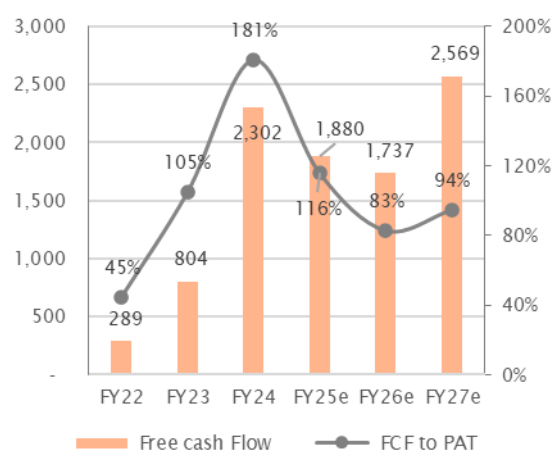
**Revenue stream:** Fixed license fee for specific period



### Accounting treatment for content cost



Source: - TIPS Investor PPT, Dalal & Broacha Research

**Story In Charts**
**Revenue to grow at a CAGR of 31%.....**

**.....with EBITDA CAGR of 32%....**

**.....with PAT CAGR of 32%.**

**Return Ratio to be superior going forward.**

**CFO to EBITDA ratio to be in the range of 70-80%...**

**...& FCF to PAT ratio to be in the range of 90-100%..**


## Investment Rationale

## ➤ Audio digital advertisement CAGR of 22% led by rise in listeners and increase in time spent:

- Content that can be monetized multiple times naturally holds greater economic value, and music, being highly effective in repeated monetization, ranks at the top of the content pyramid. Digital advertisements are expected to continue outpacing traditional media, with audio's share within digital advertising projected to rise.
- This growth is driven by a 22% CAGR in audio-based digital advertisements, fueled by the increasing number of online music consumers and the rising average time spent on music platforms. **In India, audio listeners spend 24-26 hours per week on music, with three-quarters of this time spent online, and over 50% on advertisement-supported platforms.**
- Enhancements in digital infrastructure and robust e-commerce activities have positioned digital media as the largest media platform, significantly contributing to the overall growth of India's advertising industry. **In 2023, digital ad spending accounts for 55% of total advertising expenditures, with this share expected to increase to 60% by 2026.**
- According to a study conducted by visual capitalist in May 2021, 6 of the top 10 influencers across all social media were musicians. As per the Recording Industry Association of America (RIAA), 9 out of 10 social media users do music related social media activity. **IMI reports that 19% of time spent on listening to music is on short form video apps, a close second to YouTube which accounts for 22% of such time.**
- Additionally, short-form videos, such as Instagram Reels and YouTube Shorts, are emerging as new sources of audio consumption and have the potential to drive substantial advertisement revenue, which is still not monetized, however has huge potential going forward considering volumes much higher than normal video/audio content.**

Advertisements (Rs Bn)	2019	2020	2021	2022	2023	FY19-23 CAGR	2024E	2026E	FY23-28 CAGR
Traditional	604	405	509	561	559	-2%	542	561	2%
+									
Digital	279	282	383	499	576	20%	662	842	13%
1. Search and Social	203	203	276	364	403	19%	457	581	13%
2. E-commerce	42	42	57	75	86	20%	93	126	17%
3. Entertainment & Sports	17	17	23	30	52	33%	66	84	13%
4. News	8	8	11	15	17	20%	20	25	13%
5. Audio	10	11	15	17	18	16%	21	30	22%
=Total	883	687	892	1060	1135	6%	1204	1403	8%
Digital Advertisement As %	32%	41%	43%	47%	51%		55%	60%	

Source:- FICCI REPORT 2024, Investor PPT, Dalal &amp; Broacha Research

➤ **Audio Digital Subscription Industry to Grow at a CAGR 22% led by increase in Paid subscribers.**

- **The global music market derives 48.9% of revenues from paid subscriptions. In India**, we expect to see advertisement-supported and subscription models co-exist. The evolution of Chinese markets over the past 8 years provides a firm basis for our belief that subscriptions will contribute substantial revenues in the near future.
- India is second globally in the digital consumption of services, following China. **As per the FICCI EY M&E Report 2024, Audio streamers will double from 185 to over 360 million. The paid subscriber base will grow from 7.5 million to over 15 million. The market has the potential to grow the number of paid subscribers to 2-2.5x their current volume in three years (15 million) and four to five times in five years (35 to 40 million)**

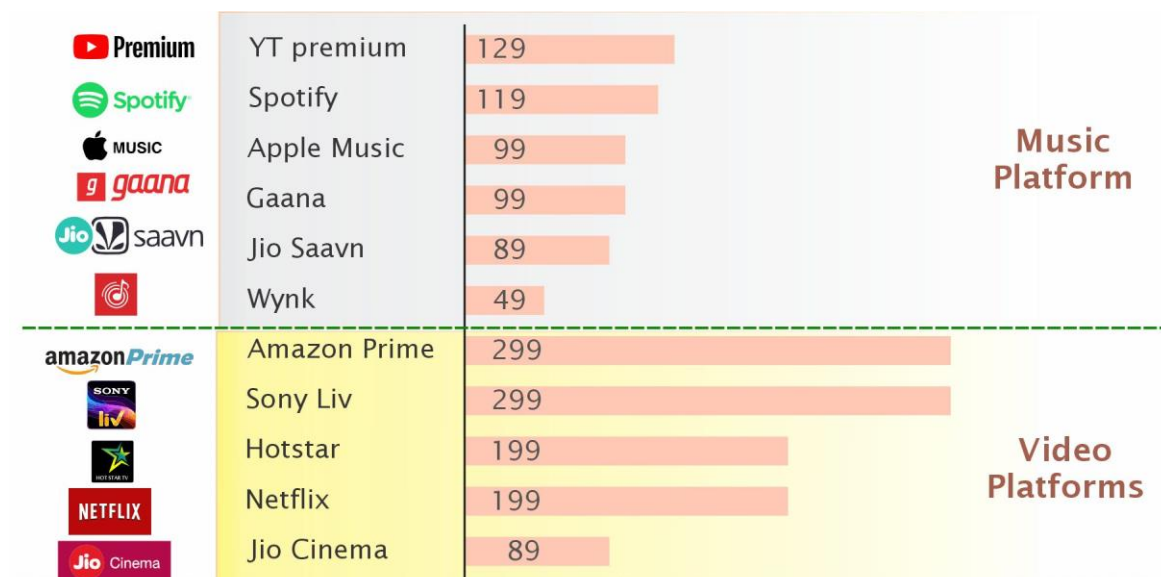
	2019	2020	2021	2022	2023	CAGR CY19-23	2024E	2025E	2026E	CAGR CY24-26
Traditional	741	573	692	809	878	4%	920	953	922	0.11%
+										
Digital	29	44	56	72	78	28%	91	100	114	12%
Video	28	42	54	68	73	27%	85	90	105	11%
Audio	1	1	2	2	3	32%	4	5	6	22%
News	0	0	1	1	2	41%	2	5	3	22%
=Total	770	617	748	881	956	13%	1,011	1,053	1,036	1%
Digital (% of total)	4%	7%	7%	8%	8%		9%	10%	11%	

Source: - FICCI REPORT 2024, Investor PPT, Dalal & Broacha Research

### Restrictions/Features and pricing across platforms

	Free Access	Ad free Music	Download to listen offline	High Quality Audio	Background Play	Unlimited Play
Spot ify	✓	✓	✓	✓	✓	✓
YT premium	✗	✓	✓	NA	✓	NA
Jio Saavn	✓	✓	✓	✓	✓	✓
Gaana	✗	✓	✗	✓	✓	✓
Apple Music	✗	✓	✗	NA	✓	NA





Source:- Dalal & Broacha Research

- **TIPS Music Ltd is the sole publicly traded company in India that utilizes an asset-light business model.**

Tips Music adopts an asset-light business model where 100% of content costs are expensed immediately in the quarter they are incurred, with no capitalization or future write-offs. This approach has been consistently applied since the company's inception. As a result, financial metrics such as Return on Equity (ROE), Return on Capital Employed (ROCE), Return on Invested Capital (ROIC), and profit margins appear higher compared to industry peers.

- **Higher Content Outlay to ensure that TIPS improves its near-term content as well as Catalogue songs to get more response from the viewership: -**

- According to management guidance, content costs are expected to be in the range of 25-30%. Over the past two years, Tips has invested across regional and non-film music to increase its presence across various platforms
- Moving forward, TIPS MUSIC plans to focus on mainstream content, which will increase the acquisition cost per song. As a result, the number of new songs released annually is projected to decrease from 800 to 170. The content mix will include up to 35% from TIPS Films and 35% from other movie producers.
- Looking ahead, TIPS MUSIC has been expanding its library over the past five years, and its growing catalogue of songs is contributing to an increase in market share. We anticipate a substantial increase in cumulative content spending in the coming years.
- TIPS MUSIC's catalogue primarily features Bollywood songs from the 1980s to the 2000s. Over the past years, TIPS MUSIC's YouTube subscriber base has doubled, while views have increased fivefold, resulting in a revenue growth rate of approximately 43% CAGR over the last five years.

Cost Per song in Millions



(Rs Mn)	FY20	FY21	FY22	FY23	FY24
Content Cost	110	86	237	485	442
Marketing Cost	84	46	84	100	82
Total Content Cost	194	132	321	585	524
New Song Addition	100	215	273	896	733
(Nos.) Cost Per Song	1.9	0.6	1.2	0.7	0.7

(Rs Mn)	FY25e	FY26e	FY27e
Content Cost	781	1,013	1,316
Marketing Cost*	62	81	105
Total Content Cost	844	1094	1421
New Song Addition (Nos.)	150	150	150
Cost Per Song	5.6	7.3	9.5

Going Forward Cost Per song to increase Significantly

\* Basis our Calculation

Source:- Quarterly Conference Call, Investor PPT, Dalal & Broacha Research

Blockbuster Catalogue Songs



## Most Trending Album-Crew



## Back-to-Back Musical Blockbusters- Ishq Vishk Rebound

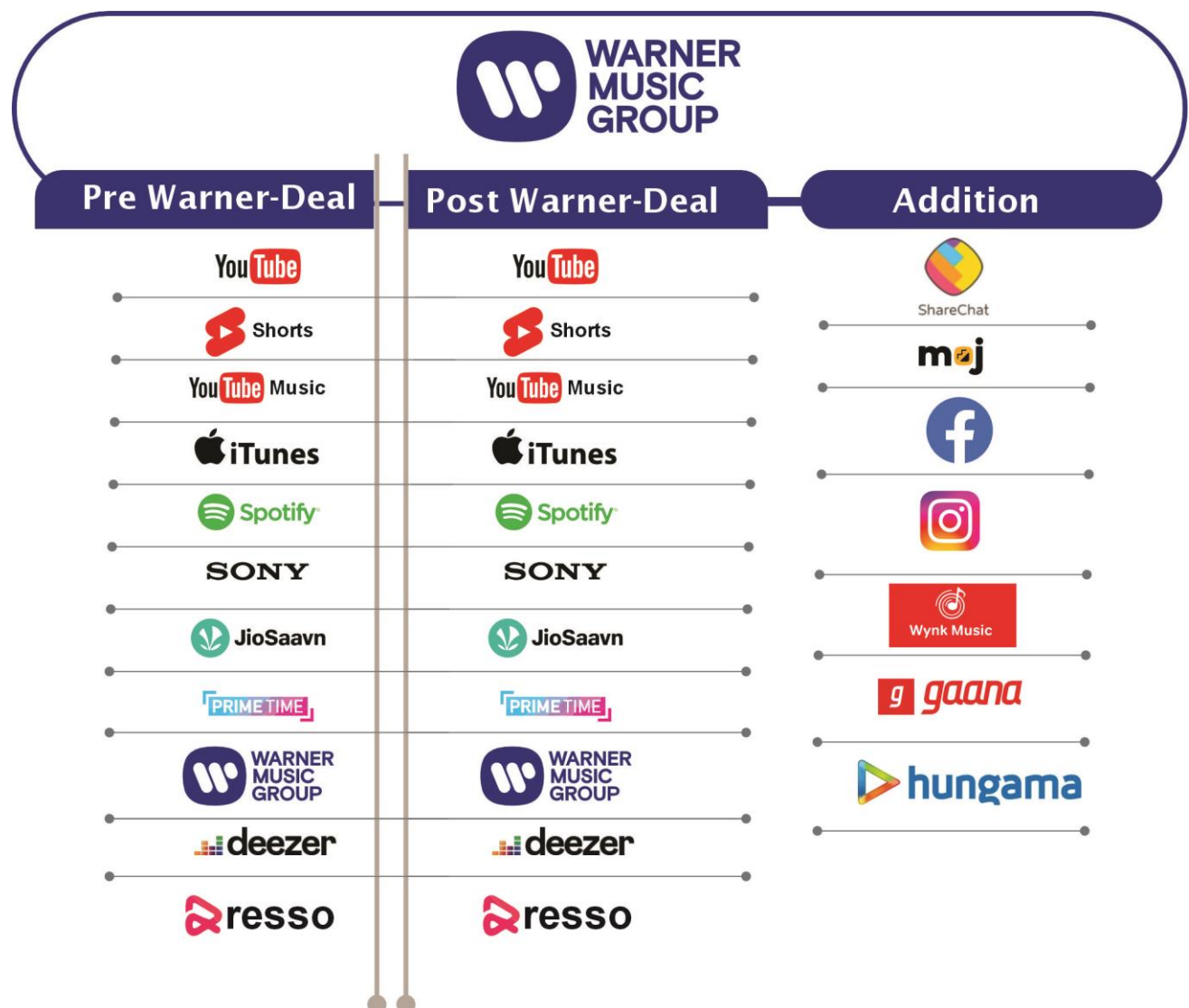


Source:-, Investor PPT, Dalal & Broacha Research



➤ **Deal With Warner Music to ensure better Monetization from International music companies**

The new deal between TIPS MUSIC and Warner Music marks a significant upgrade from their previous agreement. Under the old deal, which lasted 3.5 years, Warner Music guaranteed \$5 million for access to Hindi content and global DSPs like Apple, Spotify, and Amazon. In contrast, the renewed agreement extends for 4 years and includes a much larger minimum guarantee. This new deal not only maintains access to Hindi content but also expands it to include regional content and access to global DSPs. TIPS MUSIC will retain approximately 85% of the Minimum Guarantee, with Warner Music receiving the remaining 15%. Surpassing the minimum guarantee, the overflow will be split in the same 85/15 ratio. Additionally, TIPS MUSIC benefits from improved negotiating power with short music form platforms such as Share Chat, Moj, and Meta, thanks to Warner Music's involvement. For Warner Music, this deal represents a strategic entry into the Indian market, a major player in global music streaming where film songs dominate, thus allowing Warner to leverage TIPS MUSIC's expertise and regional market access.

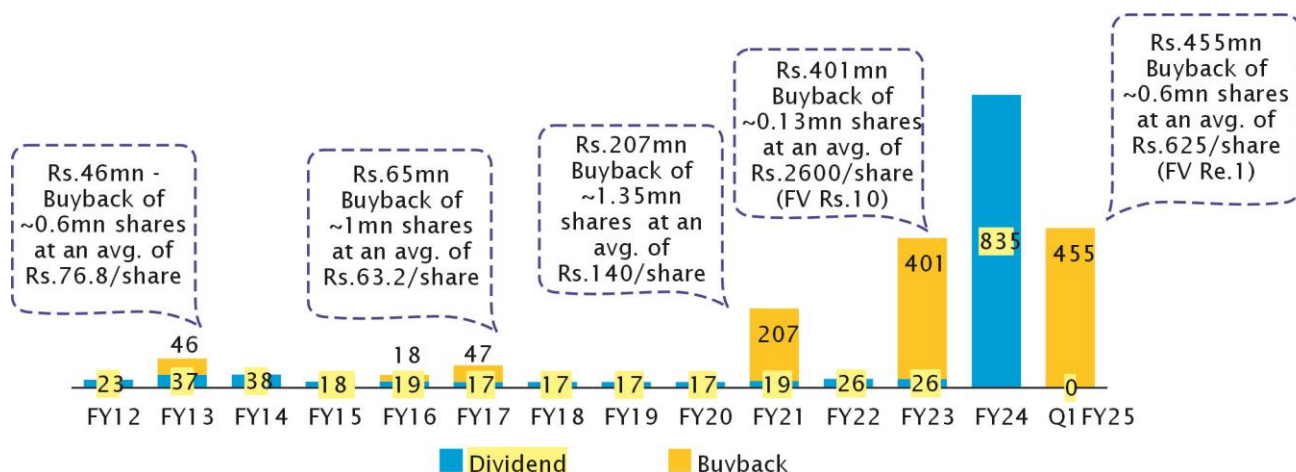


Source: -, Investor PPT, Dalal & Broacha Research

➤ **Optimising Capital Allocation: Consistently rewarding shareholders through Buybacks & Dividends:**

From FY14 to Q1FY25, the company has distributed a total of Rs 127 crore in dividends and Rs 115 crore in share buybacks. Looking ahead, we project that the company will distribute Rs 438 crore in dividends, maintaining a 60% dividend payout ratio. Additionally, it is assumed that approximately 63% of incremental free cash flow will be allocated for dividends.

**Shareholders rewarded with dividend / buyback worth Rs.~2bn in the last 5 years**



Source: Investor PPT, Dalal & Broacha Research

**On average more than 50% would be distributed as dividends from Free Cash Flow**

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Cash Flow From Operations(Pre-tax)	284	343	561	512	1,121	2,769	2,446	2,455	3,488
Cash Flow From Operations(post-tax)	250	305	433	293	811	2,330	1,904	1,756	2,582
Capex	(13)	(6)	(8)	(5)	(7)	(28)	(25)	(19)	(13)
Free Cash Flow	263	299	425	289	804	2,302	1,880	1,737	2,569
Dividends	(17)	(17)	(19)	(26)	(26)	(835)	(974)	(1,259)	(1,631)
% of Free Cash Flow	7%	6%	5%	9%	3%	36%	52%	73%	64%

**Assuming 60% Dividend Payout Ratio**

**On average more than 50% would be distributed as dividends from free Cash Flow**

Source: Investor PPT, Dalal & Broacha Research

## Valuation & Outlook

India's "Recorded Music Industry", often seen as a 'sleeping giant,' has grown rapidly and transformed in 2023, largely due to the rise of online streaming platforms. With the focus shifting to regional and independent music, and the adoption of new technologies like blockchain, AR, and VR, the industry is evolving quickly. Music streaming has significantly impacted the market, contributing to a 10% growth and reaching INR 24 billion in revenue. However, with only 185 million users and 8 million paying subscribers, there's substantial potential for further growth. This positions India as a key market that global music companies will focus on in the coming decade.

TIPS is confident that its music business will continue to deliver consistent growth and revenue. The Company has always been at the forefront of leveraging the latest technology and innovation in the industry. The music library of the Company is one of the most exhaustive in the industry comprising a collection of evergreen and rich content of over 30,000 songs, which are available for streaming and download across leading digital marketplaces like iTunes and Google Play, as well as popular streaming platforms like YouTube, Spotify, Jio Saavn, Resso, Apple Music. Etc

**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



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## Risk

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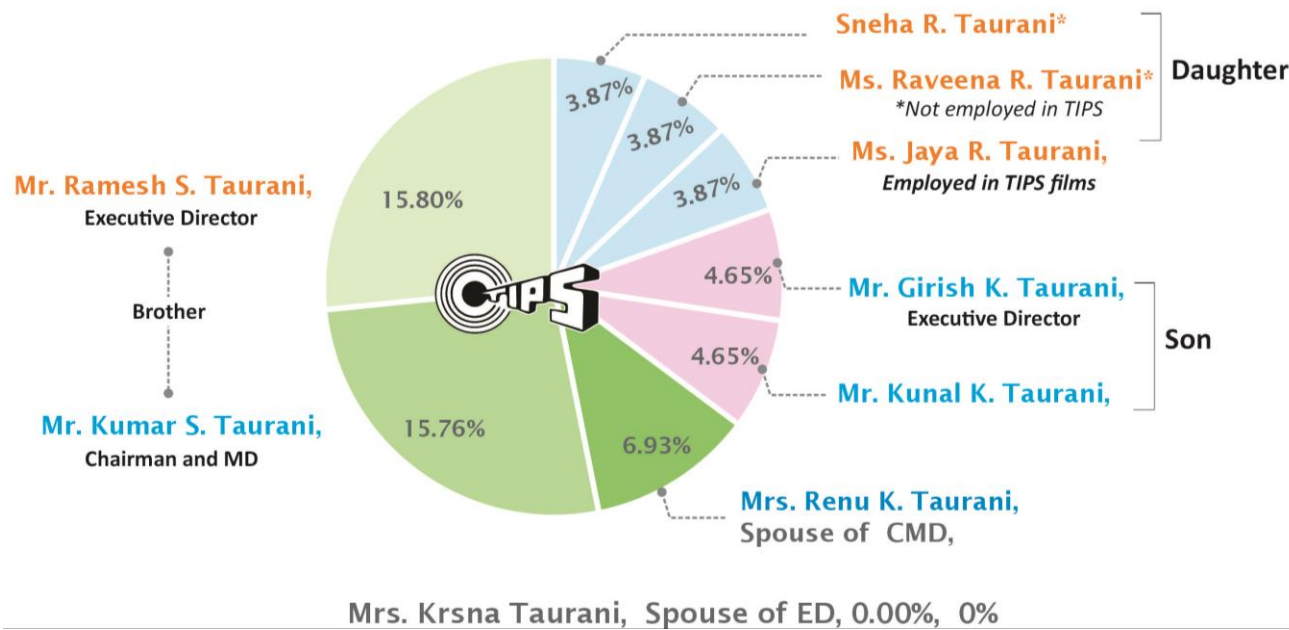
- The escalating cost of content in the music industry is driven by its oligopsony structure, where intense competition among well-funded players for limited new content increases prices. As acquiring the latest content is crucial for growth, top players with strong marketing power can drive up costs, shifting bargaining leverage towards content creators and away from music labels.
- The growth of paid subscribers on OTTA (Over-The-Top Audio) platforms has been slow in the country due to users' reluctance to pay when free options are available. With the top three out of six platforms now requiring payment for access and imposing various restrictions, there is hope that paid subscriptions will increase. However, if users choose alternative options instead, OTTA platforms might face revenue losses, which could negatively affect companies like TIPS MUSIC that depend on these platforms for their success.
- Piracy significantly impacted the music industry between 2000 and 2015, leading to a decline in market size and discouraging music labels like Saregama from investing in new content. Although piracy has decreased in major cities, it remains a problem in smaller towns and villages, with digital piracy rising from 68% in 2021 to 73% in 2022. If streaming platforms require payment for access, piracy could surge again, causing revenue losses for music labels.
- Music labels, including TIPS, must regularly renegotiate deals with various media platforms—such as music streaming, video OTT, social media, and brands. Failure to secure these agreements could lead to revenue losses. Although TIPS extensive content library provides it with strong bargaining power and mitigates concentration risk, occasional disruptions in deal closures remain a possibility.

About the company

Timeline of Tips Music Ltd

Established in 1988 and TIPS has a music library of 32000+ songs in its repertoire						
1975	1980	1988	1990	1992	1995	1996
Trading in phonograph started by the Taurani brothers for HMV, Music India & CBS	TIPS label founded	Established as a partnership firm - M/s Tips Cassettes & Records Co.	First Cassette manufacturing facility at Palghar	Merger of M/s RK Electronics with M/s Tips Cassettes & Records Co.	Forayed into film production	Converted to Private Ltd. Company; renamed as <b>M/s Tips Industries</b>
1997	1999	2000	2002	2003	2005	2007
2nd Blank / recorded cassette manufacturing facility at Silvassa	Acquired the audio rights of Video Master, Time Magnetics and Weston Components	Publicly listed at NSE, BSE; Entered South Indian film music market	3-year exclusive deal with the Warner Electra Atlantic International Inc.	Acquired 100% stake in Tips Films Ltd.	Tips Films Merged with Tips Industries	Digitalization of music content in YouTube
2011	2015	2020	2020	2021	2023	2024
A repository of 27 films and 25000 song tracks	~90% of Tips library digitized	Exclusive distribution rights of Bollywood music to Warner Music	Licensing deal with Meta for Facebook / Instagram platforms	Demerger of Tips Films	Global publishing agreement with Sony Music Publishing	Exclusive distribution rights of all digital (except YouTube) content with Warner Music.

Promoter's Holding



Source;- Investor PPT,Dalal & Broacha Research

## A Strong Management Team Comprising experienced promoters & hands-on-professional

	Name	Designation	Shareholding
	<b>Mr. Kumar Taurani</b>	<b>Chairman &amp; MD (Since May'96)</b>	<b>17.64%</b>
<b>Experience</b>	<ul style="list-style-type: none"> <li>* With 43+ years of experience in the Media &amp; Entertainment industry, Mr. Kumar has been instrumental in managing the overall affairs of the company.</li> <li>* He has been a part of the industry bodies and societies and has been instrumental in crafting various agreements between music labels, artistes and consumers which enabled implementation of the various provisions of the Copyright (Amendment) Act 2012.</li> <li>* He has been associated with Tips since its inception and has been instrumental in managing the cassette manufacturing, music curation and marketing pillars of Tips.</li> </ul>		
	<b>Mr. Ramesh Taurani</b>	<b>Executive Director (Since Sep'05)</b>	<b>17.59%</b>
<b>Experience</b>	<ul style="list-style-type: none"> <li>* Being one among the promoters of Tips, Mr. Ramesh has a rich experience of 43+ years in the Media &amp; Entertainment Industry. And has been associated with Tips since its inception.</li> <li>* Over the years he has developed a sharp skill for music curation and film visualization. As Tips Industries branched out into film and music production, he has shouldered the responsibility for creative aspects of the business.</li> <li>* He is widely credited for delivering several blockbuster films and bringing together several leading artistes for film projects and his deep network in the film fraternity is a source of strength for the Company</li> </ul>		
	<b>Mr. Girish Taurani</b>	<b>COO - Executive Director (Since Feb'20)</b>	<b>4.63%</b>
<b>Experience</b>	<ul style="list-style-type: none"> <li>* A part of the next-gen of promoter family, he has rich experience in the business of Media and Entertainment with expertise in the field of Music</li> <li>* He is currently responsible for operating the Music and Digital Business of Tips.</li> <li>* He has also successfully transformed the organization structure to meet the current and future needs of the business and has been responsible for creating a separate vertical for digital business and scaling up revenues of that vertical</li> </ul>		

Cont....

	Name	Designation	Shareholding
	<b>Mr. Hari Nair</b>	<b>Chief Executive Officer</b> (Associated since Sep'23)	
<b>Experience</b>	<ul style="list-style-type: none"> <li>* Mr. Hari Nair has 25 years of experience with 2+ decades in the music ecosystem starting from music distribution companies like Soundbuzz &amp; Mauj Mobile, to leading digital business for a global music company like Sony Music. He has worked as Head –SoundOn aka Artist Services (Middle East, Africa, Turkey and South Asia) in ByteDance Ltd, from January 2023 to until he joined Tips. He was responsible for P&amp;L of SoundOn, a distribution platform by ByteDance for Musicians in the region.</li> <li>* He led new business development and digital transformation at PPL (India). His last global multi-regional exposure was in ByteDance while launching their music streaming service Resso first in India.</li> </ul>		
	<b>Mr. Sushant Dalmia</b>	<b>Chief Financial Officer</b> (Associated since Dec'22)	
<b>Experience</b>	<ul style="list-style-type: none"> <li>* Mr. Sushant Dalmia has 18 years of experience in finance, strategy, M&amp;A, fund raising and operations across tech platform, consumer electronics, healthcare, and education sectors.</li> <li>* He played a pivotal role in revenue growth and margin expansion at his previous organisations. A Chartered Accountant by qualification, he has hands-on experience in domestic and international acquisitions.</li> <li>* He was previously associated with renowned companies such as PwC, Citigroup, Angel One, IHH healthcare, boAt and MakeO (Toothsi and Skinnsi).</li> </ul>		

## 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
<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	-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
<b>Adjusted Profit</b>	<b>729</b>	<b>816</b>	<b>1,414</b>	<b>1,732</b>	<b>2,257</b>	<b>2,925</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>

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
<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 Liabilities</b>	<b>334</b>	<b>32</b>	<b>760</b>	<b>536</b>	<b>536</b>	<b>536</b>
<b>Current Liabilities</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
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 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
<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	-	-	-	-	-	-
Div. & Div Tax & Buyback	-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</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>1,155</b>
<b>Other Bank Balances (b)</b>	<b>399</b>	<b>843</b>	<b>827</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total(a+b)</b>	<b>619</b>	<b>957</b>	<b>1,312</b>	<b>1,329</b>	<b>1,014</b>	<b>1,155</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

**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**

<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 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
<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>

**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 &amp; Broacha Research, Company



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