Twitter Thread by Value Educator

Value Educator
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Unique Business Model
#Tipsindustries

CMP- Rs 1296

A Thread ■

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@NeilBahal

Topis covered:
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1. Tips Industries Overview
It was founded by Kumar S. Taurani and Ramesh S. Taurani in 1975.
In 1975, the Taurani brothers used to trade



in LP’s (Long Playing Phonograph Records) for three of the biggest companies in India – HMV, Music India & CBS. By 1977, they had become the biggest dealers for these companies in Western India.
Driven by the ambition of both the brothers started their own record label.



TIPS Industries Limited is a leading Indian music label which creates and monetises music. Apart from music segment it is also into Film Production,Film Distribution & Film Promotion

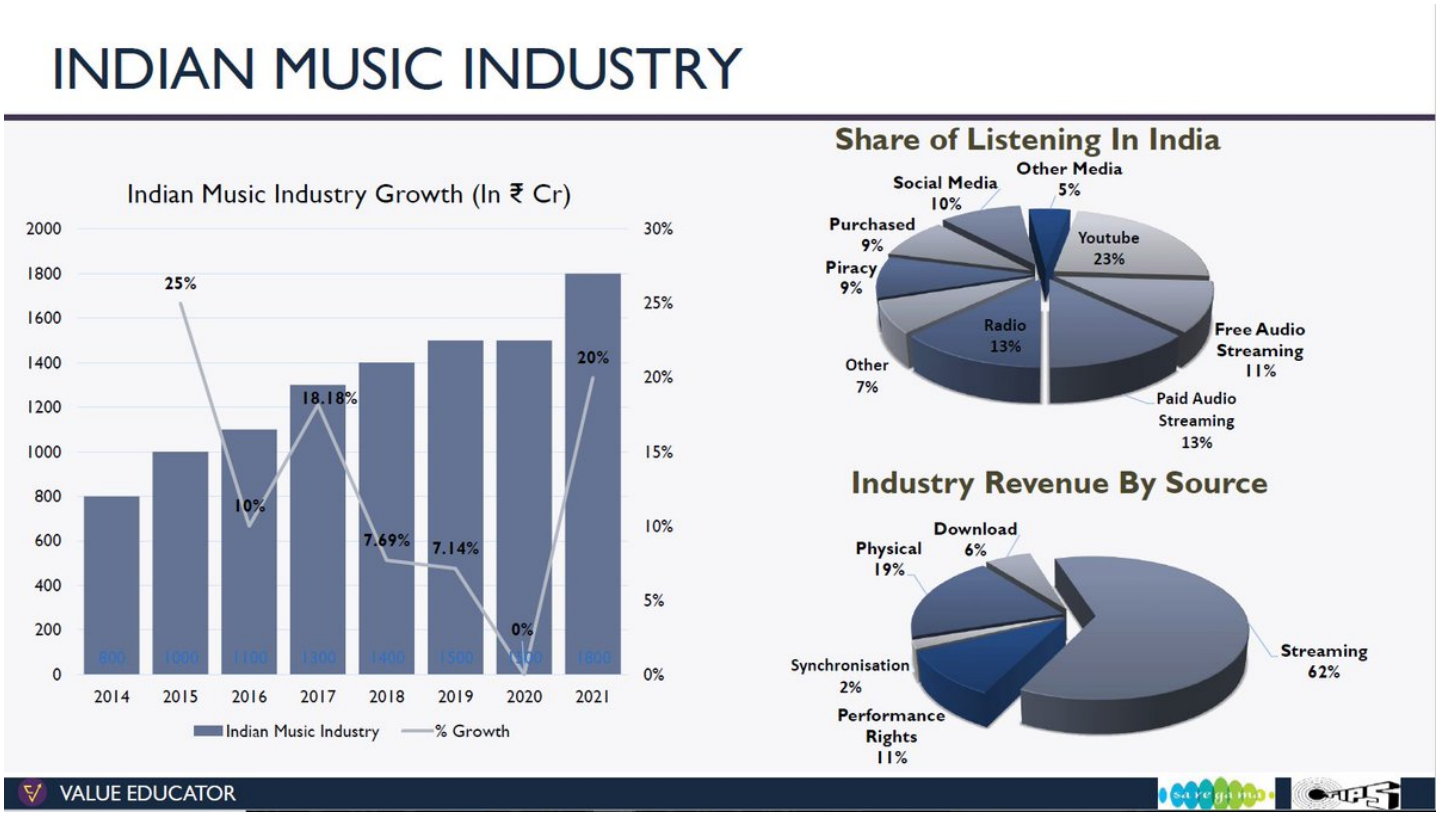
2. Music Segment
Tips has an extensive catalog of film, non-film, devotional, pop & remixes

Tips has a library with more than 29,000 songs, Tips has a very fresh catalog with songs released in 2000 and most major hits of the 90s. Tips has a major Atif Aslam Library.

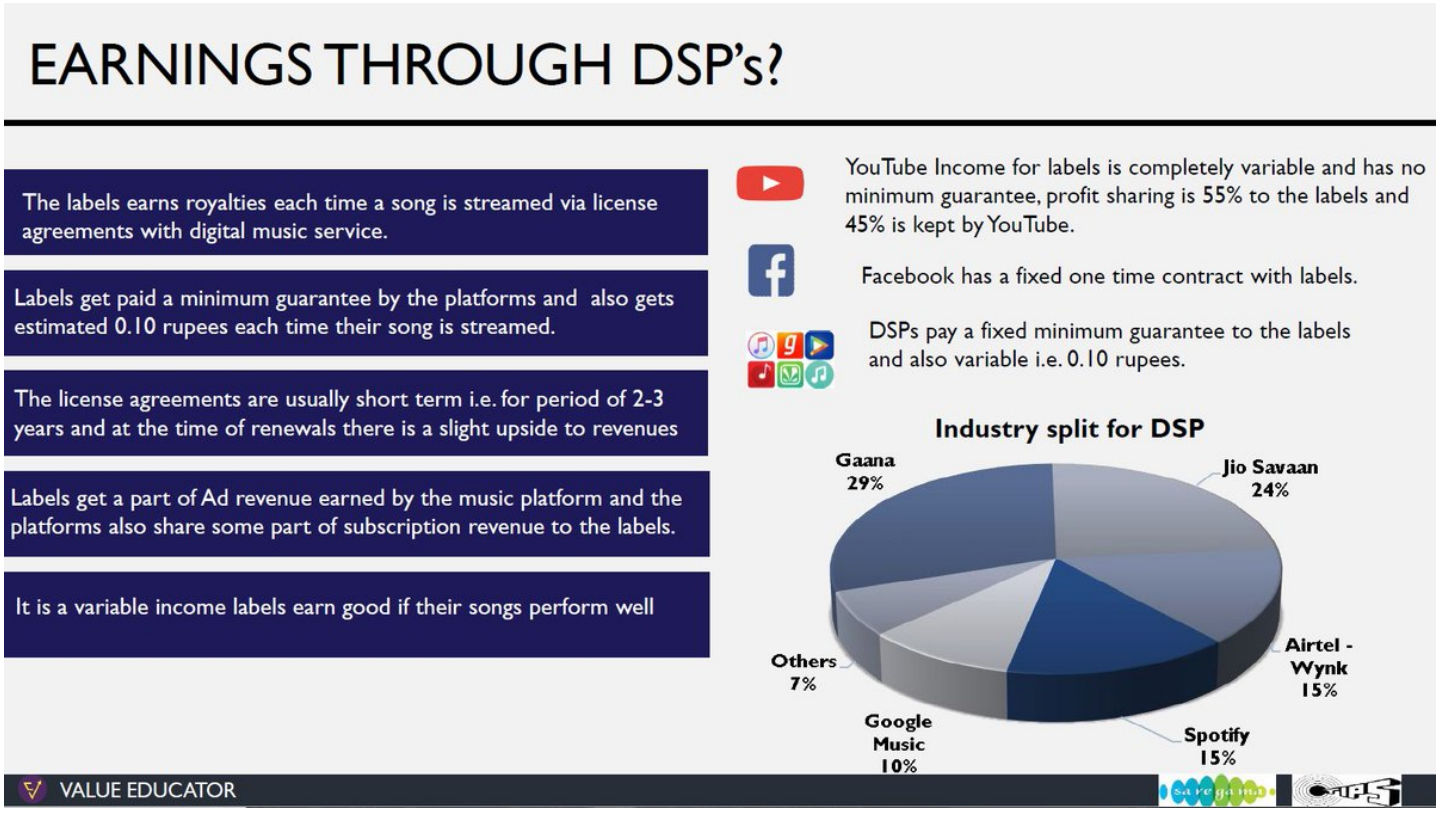
3. Monetization
Tips monetizes its songs just like other music labels i.e through distribution deals

with digital service providers like Spotify, Hungama, YouTube, Jio Saavn etc and OTT platforms like Netflix and Hotstar.

Tips does not license its music to Gaana and Wynk due to some conflicts in contract renewals.



Gaana has the highest market share in music platforms which is about 30% , Wynk has around 15% market share in India.Not licensing music to these platforms Tips is losing upon major revenue but management is in talk with both the companies official for settlement of the deal.

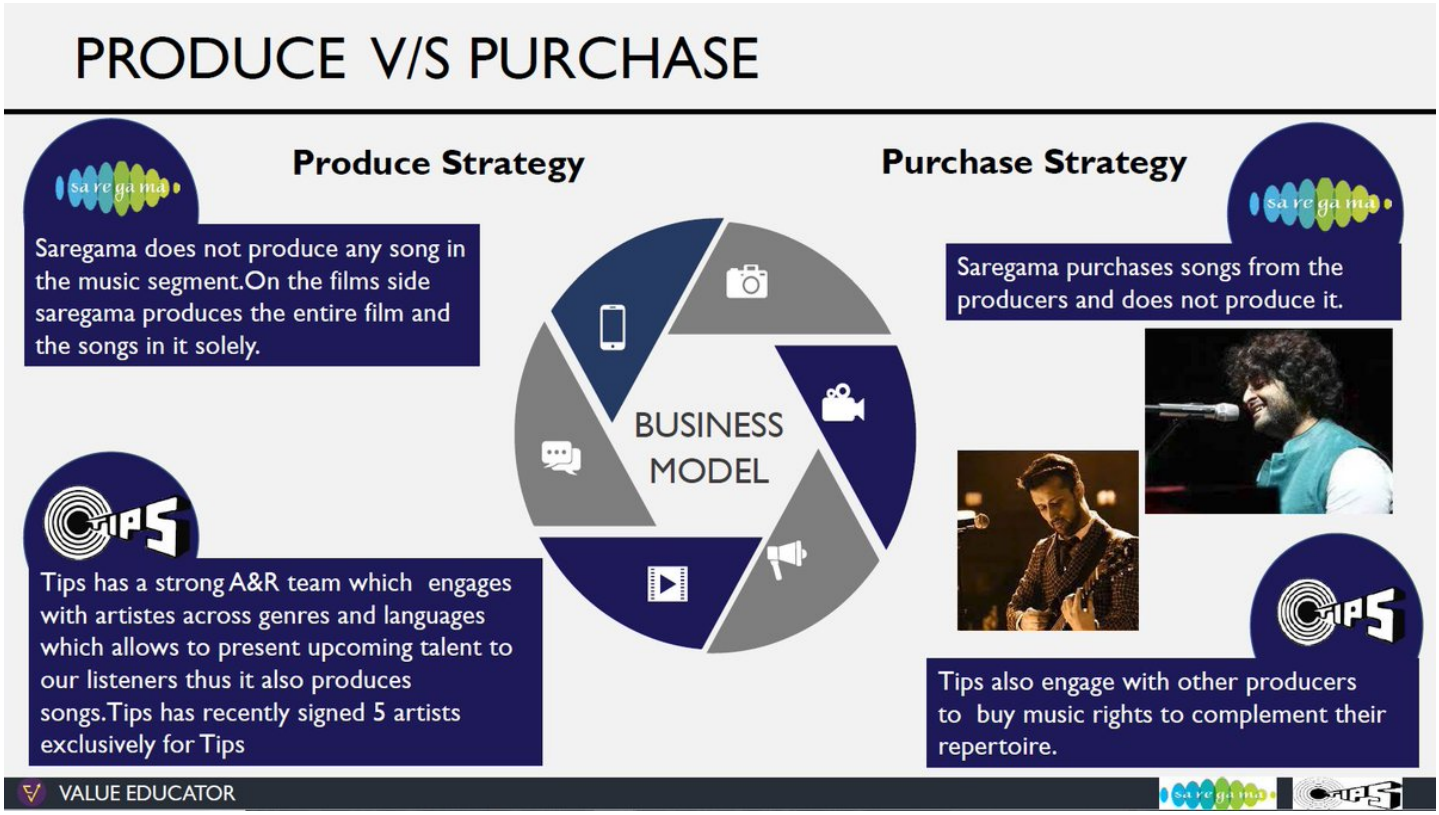


4. Tips Business Model

Produce Strategy- Tips has a A&R team which works only on researching and hiring upcoming artists. Tips has also recently signed five artists exclusive deals.

Purchase Strategy- Tips have cost conscious approach while acquiring the content and does not invest in something that won't drive value to the company.

Tips engages in buying the music as well as producing music for themselves. It also indulges in one time and medium to



long term contracts with artists.

This results in a lower payback period of less than 2 years which is relatively lower than the listed competitors.

PAYBACK PERIOD OF SONG

Kumar Taurani: Once upon a time when we did our IPO that time we had a record that we used to recover monies within 3 to 6 months when we launched the cassette selling. But now I feel that the money should be earned in one year. One year we should recover our money. If it doesn't happen in one year then maximum two years. It should not go beyond that as far as I have experienced. The market has lot of khicha-taani but everybody and all music companies have their thoughts that kind of music they should take or not. Every company has its preference like few years back if you remember Subhash Ghai was our regular banner Mukta Arts, Rajiv Rai, Indra Kumar, even now like Zee TV has their own or other companies also have their own labels so that when you take music you also have your own artists and you have your own producers then you fall in place. Business takes place automatically.

Total acquisition cost spent by TIPS for acquisition is recovered within 2 years.



The total amount of money Saregama spends on the content acquisition and marketing of it in a financial year on new content is recovered within 5 years.

Vikram Mehra

You're not seriously thinking. I won't share these specifics on a song by song. I think it's unfair, right? That's competitive advantage, these issues. But your bigger thought is that -- and I've shared this in the past, any -- when we do content investment in any financial year, our internal policy is very, very clear about it. The total amount of money we people have spent on the content acquisition and marketing of it in a financial year on new content we should be able to recover that entire thing within 5 years.

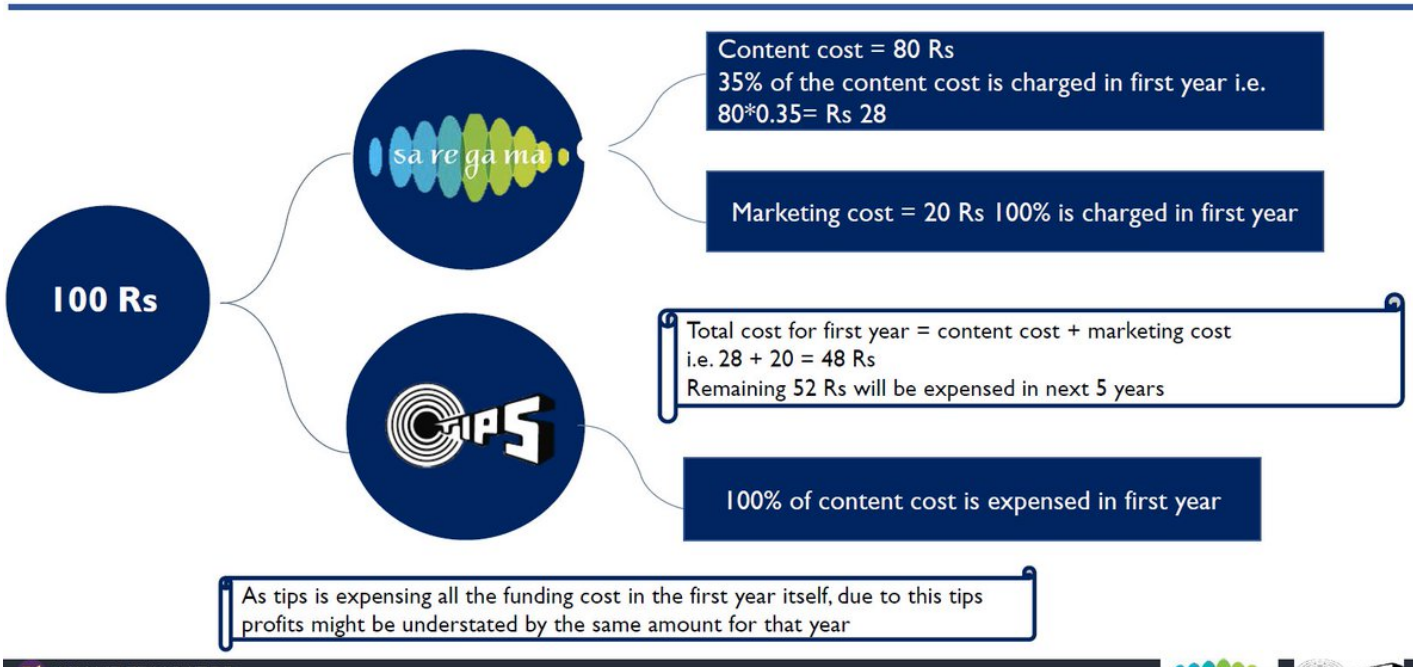
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5. Acquisition Cost

100% of the content cost is being paid of in the same year the content is acquired and usually does not keep anything to write off in the future.

Tips is expensing its cost from the P&L A/c

CONTENT ACQUISITION STRATEGY



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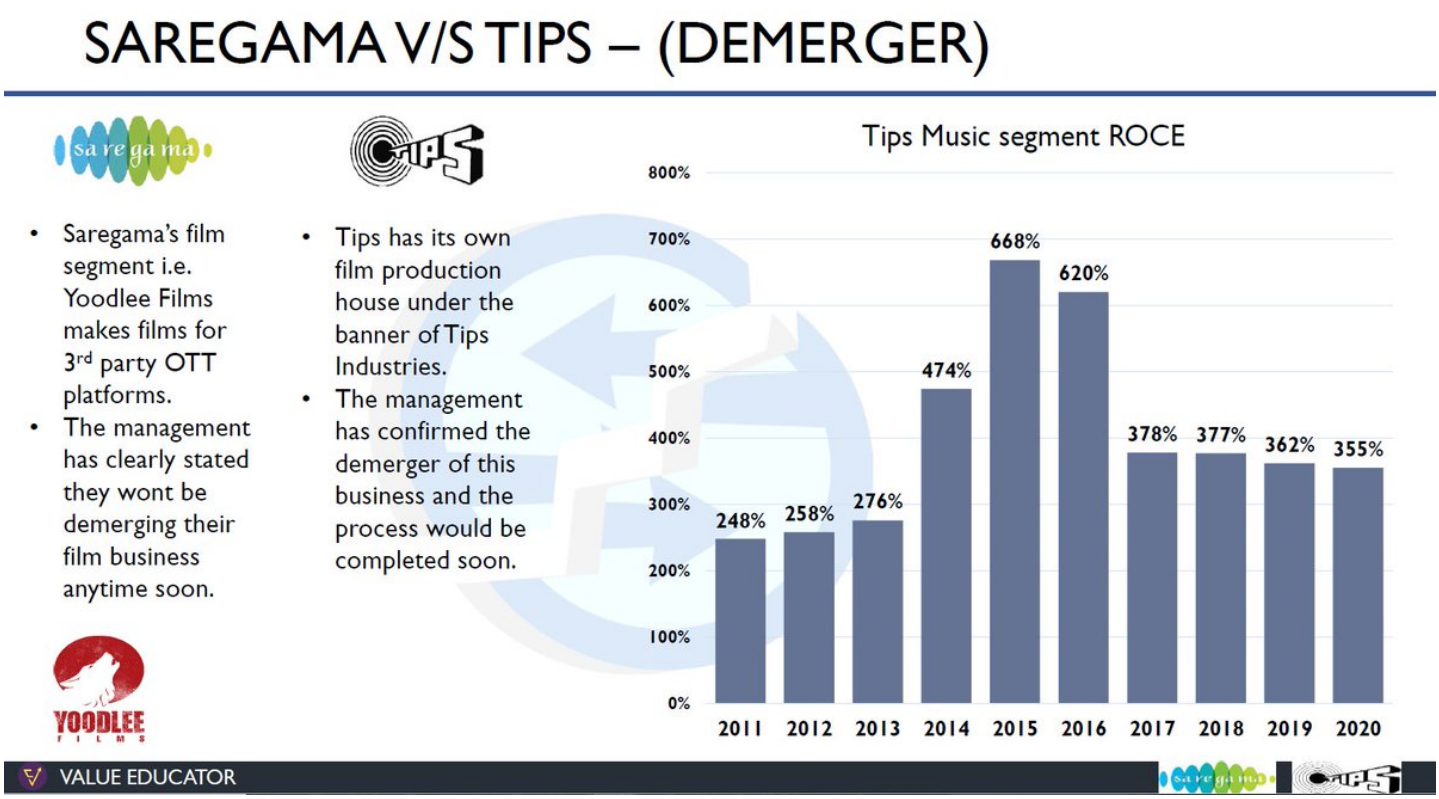
All the content acquisition is done through internal accruals of the business.

Tips will be doubling the content acquisition in the future.

6. Tips Film Business

Tips has its own production house and has delivered movies like Race complete series.

The management has announced the demerger of the film business and a separate stock would be listed. Demerger is expected to be completed before December 21.

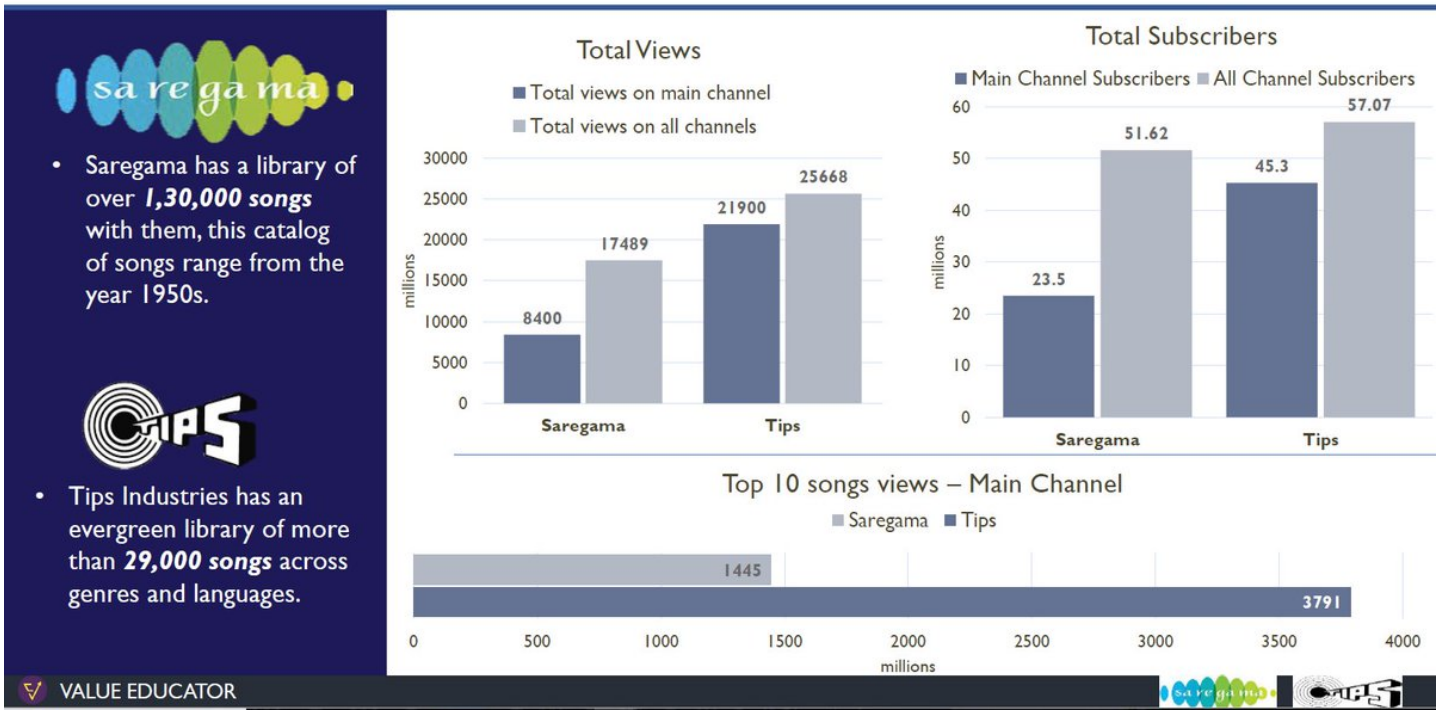


As music is high margin and ROCE business, it is expected to unlock significant value after the demerger.

7. Tips YouTube

Tips has a YouTube channel with over 45M subscribers on the main channel and 22B views.

Top 10 songs of Tips comprises more than 17% of total channel views



It has 11 other channels for regional and devotional content.

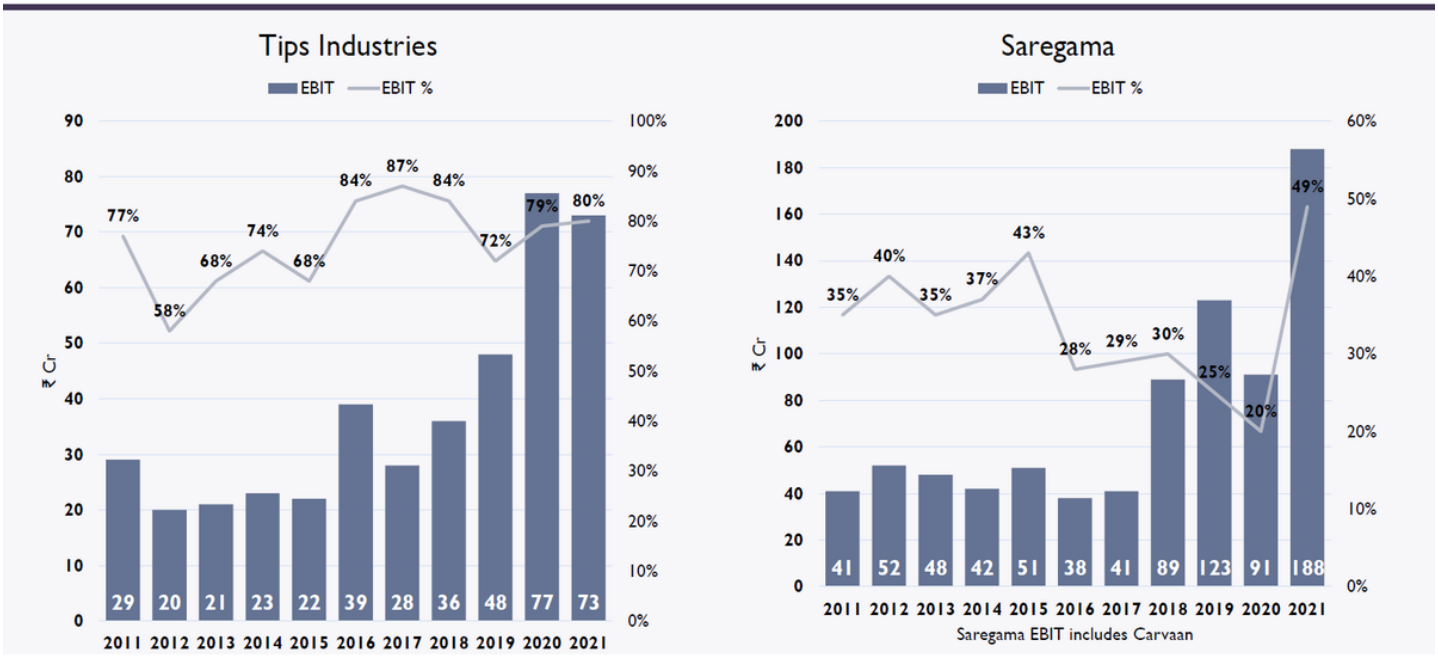
8. Why should artists choose Tips over other labels?

Onkar Ghugardare: My question is a simple basic one. I mean why would an artist choose Tips Industries over Saregamma or T-series?

Kumar Taurani: I think everybody has their specialty and we do not have any shortage of artists . India is a population of 135 crores and if you count artists on your fingers it will be how many artists are there, how many are top selling artists today 40, 50, 60, 70. So, finding artists is not the big deal, if you will search 1 you will get 1,000 so there is no problem with finding them but it is all about who you choose and what you are selecting and making, how you are creating these artists and I think we have 35 years, 40 years of experience in managing artists be it new or old, so I do not think we will make mistakes there. If you see any of my content of the 90s, we have 60%- 65% of recordings of the top selling artists and touchwood all is good. During that time, Tips was the number one company but due to mp3 piracy we have lost that position . So we do not have any problem finding new artists as we have them in abundance. As I said earlier, we have 61 releases which is only possible because of the talent present around us otherwise it would be impossible.

9. Financials :

TIPS V/S SAREGAMA EBIT COMPARISION



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10. Future Growth:

Tips is watching the global players monetizing IPs through NFTs and collaborations with gaming platforms and company is exploring opportunities in it.

The company expects growth at 25% to 30% CAGR.

NFT'S MONETIZATION

- What Is NFT?
- A non-fungible token is a unit of data stored on a digital ledger, called a blockchain, that certifies a digital asset to be unique and therefore not interchangeable. NFTs can be used to represent items such as photos, videos, audio, and other types of digital files.





How are global music labels monetizing through it?

- Warner Music Group is helping to grow artists revenues by live performance in Metaverse and by selling digital NFT collectibles (a contract signed with Genies)
- Genies has agreed to produce work with Warner Music Group, developing avatars and NFTs for signed artists. Celebrities can sell limited edition content such as articles of clothing, accessories. The pieces may represent a particular point in an artist's career, such as an album release, or iconic music video.
- Also collaborating with Dapper Labs to release 2 NFT CryptoKitties, inspired by Warner Records rock band, Muse.

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11. Capital allocation

The company is focused on only acquisition of music and not diversified in any B2C product which eventually generated higher margins and ROCE for shareholders.

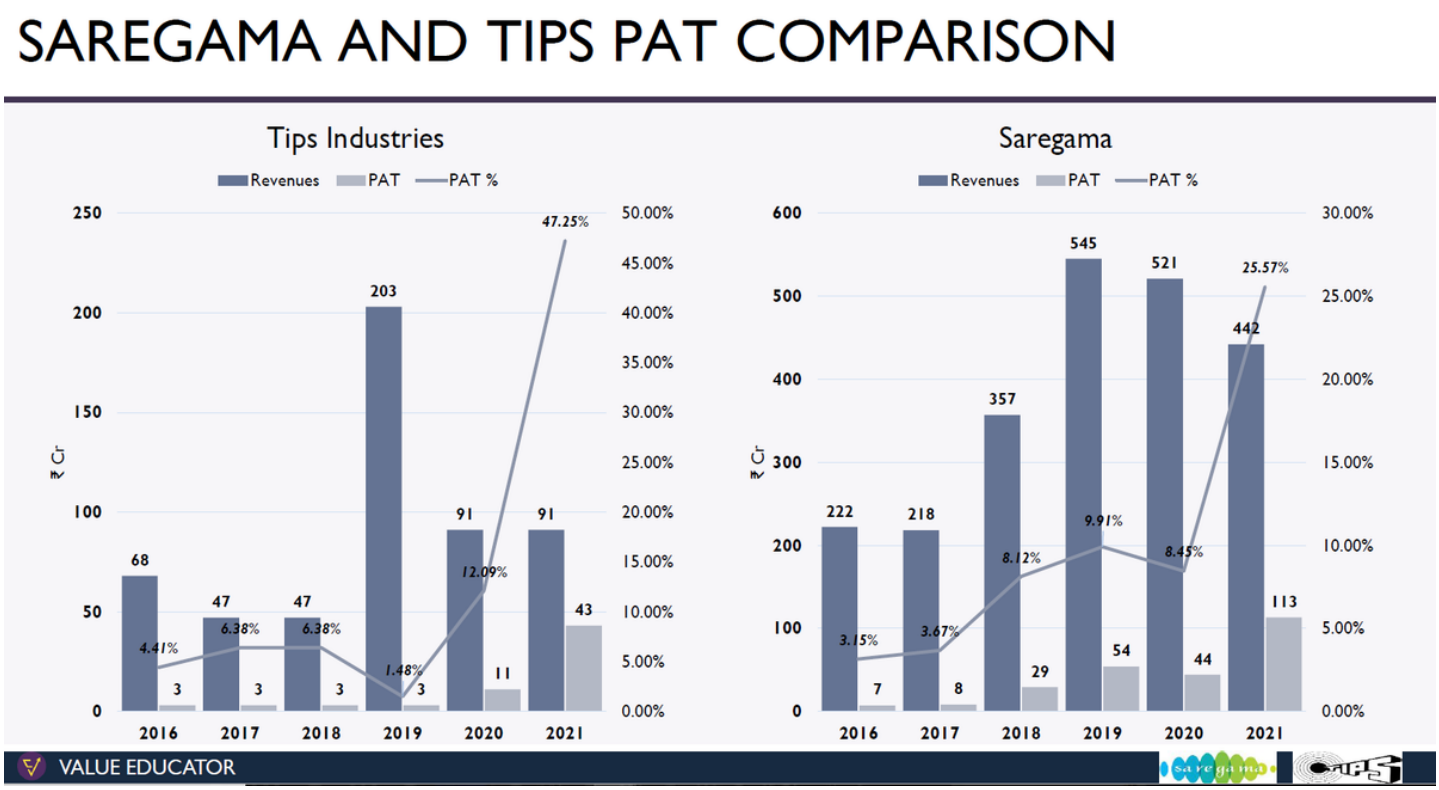
Management has historically done buybacks when the shares were trading at cheaper prices.

12. Conclusion

Pros : Tips has a small yet a strong songs portfolio with many hits so the company can capitalise on it to monetize in each possible manner.

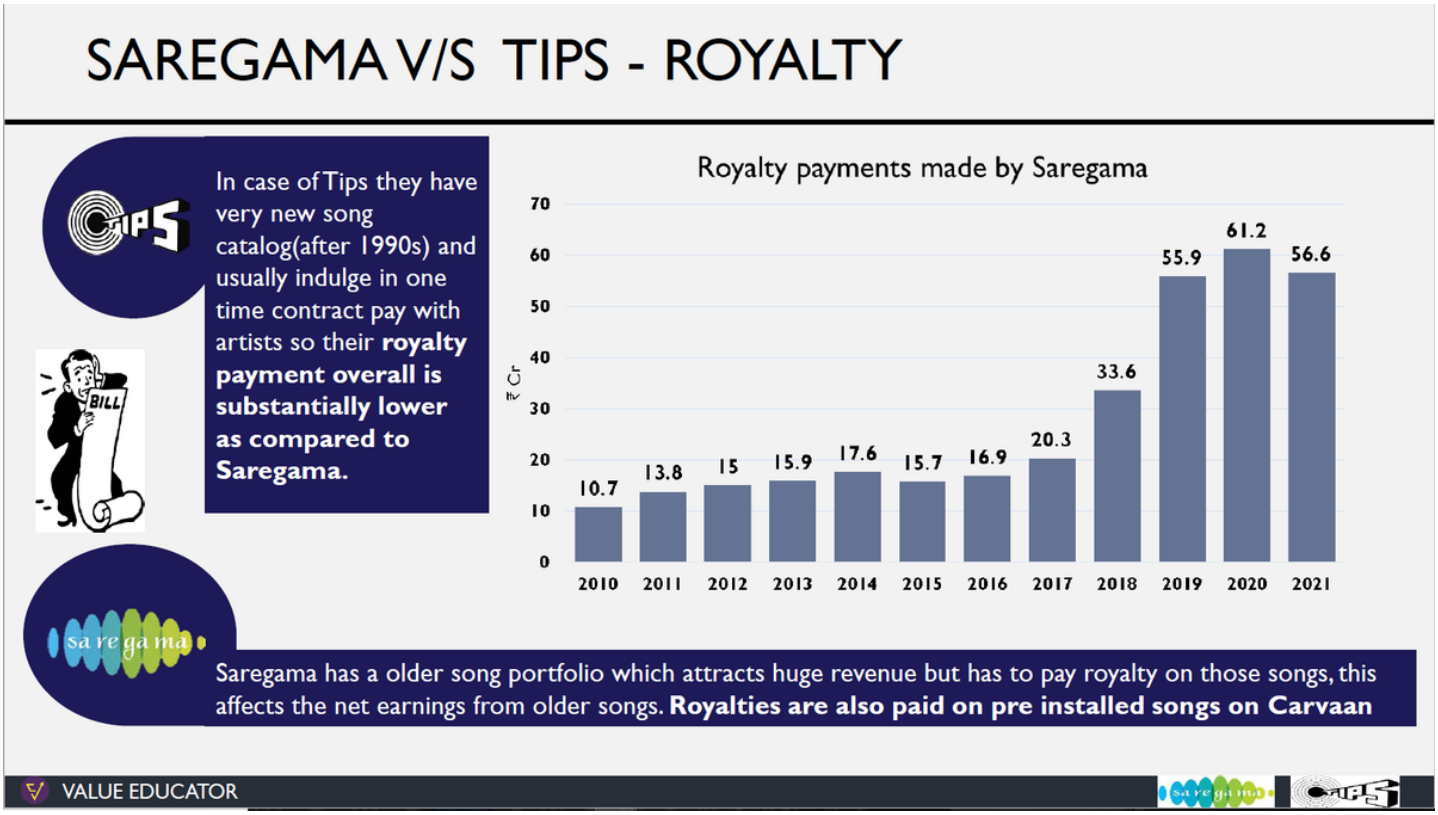
Tips has a conservative approach while acquiring content.

100% of content cost is paid off in the first year itself.



The business is somewhat growth immune as digitization will hamper the growth in the business.

The demerger of the film business is beneficial as there would be two separate balance sheets for the business.



Cons :

Tips has no licensing deal with Gaana and Wynk music hence losing the opportunity on earnings.