



“Tips Industries Limited
Q3 FY '23 Earnings Conference Call”

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MODERATOR: **MR. FARAZ AHMED – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Tips Industries Limited Q3 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Faraz Ahmed from Orient Capital. Thank you and over to you, sir.

Faraz Ahmed: Thank you and welcome to the Q3 and 9 months FY '23 Earnings Conference Call of Tips Industries Limited. Today on this call, we have Mr. Kumar Taurani, Chairman and Managing Director along with Mr. Girish Taurani, Executive Director and Mr. Sushant Dalmia, CFO.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations as of today and actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbour statement is given on Page 2 of the company's Investor Presentation, which has been uploaded on your stock exchange and company's website as well.

With this, I hand over the call to Mr. Kumar Taurani for his opening remarks. Over to you, sir.

Kumar Taurani: Thank you, Faraz. Good evening friends and welcome to the Q3 FY '23 Earnings call of Tips Industries. Thank you, Faraz. Good evening, friends, and welcome to the Q3 FY '23 earnings call of Tips Industries. Our teamwork is paying off and we have been able to report a substantial increase in our revenue from operations.

From the nine months FY '23 ending December 31, 2022, our revenue was up by 33% for the quarter, revenues grew by 15%. We released 243 new songs, which is highest in any quarter so far. These include, 169 new film songs and 74 non-film songs. This quarter has seen a substantial increase in our content cost. For the nine months financial year '23, our content cost was at least INR 43.5 crores. On a year-on-year basis, it has increased by 81%. For the quarter, content cost was INR 18.7 crores, up by 49% year-on-year.

Our new releases have performed very well. To put in perspective, our two songs of release had crossed 55 million plus views. Our latest release by Yo Yo Honey Singh, Yai Re has crossed over 35 million views along with; which is, Tujhe Dekhe Meri Aankhen and Gal Ban Jaye, which has crossed over 20 million plus views.

Our subscriber numbers continue to grow on YouTube. We have now 78.6 million subscribers. And our YouTube views for Q3, financial year 2023 were about INR 31 billion, which is an increase of almost 105% in our views over the corresponding quarter last year. We will continue

to invest in quality in music to achieve our vision of becoming the number three player there in the industry. You may already know that we have hired, Mr. Sushant Dalmia as our CFO to strengthen our team.

Now, let me hand over the call to Mr. Sushant Dalmia to share the financial highlights of the quarter.

Sushant Dalmia:

Thank you, sir. First, I would like to wish everybody on the call, a very Happy and Prosperous New Year. As you know at Tips Industries, we charge-off the content cost to the P&L as and when it is incurred. Now, let me take you through our financial highlights. Our revenue from operations for Q3 FY '23, stood at INR 51.0 crores as compared to INR 44.2 crores in Q3 FY '22. That is an annual growth of 15%.

Operating EBITDA stood at INR 25.9 crores for Q3 FY '23 versus INR 27.7 crores in Q3 FY '22. The operating EBITDA margin was at 51% for this quarter. Our profit after tax for Q3 FY '23 stood at INR 20.2 crores versus INR 21.5 crores in Q3 FY22, with a PAT margin of 40%.

Now for nine months ended December '23, the revenues from operations stood at INR134.8 crores, an annual growth of 33%. Operating EBITDA stood at INR 75.5 crores for nine months ended December '23, INR 65.9 crores, that is an annual growth of 15%. Our profit-after-tax for nine months ended December '23 stood at INR 58.2 crores versus INR48.6 crores last year, with a PAT margin of 43%. The decline is due to substantial increase in content cost.

With this, I would like to hand over the call to the moderator for the Q&A session.

Moderator:

We take the first question from the line of Mr. Ravi Naredi from Naredi Investment.

Ravi Naredi:

Sir, almost results are good. Content costs rising continuously, how we may see this? A few words need from you or this is new norms for future? That is my question?

Kumar Taurani:

Actually, Mr. Ravi, we have already mentioned in our earlier meetings on music business, we need new content. And as I told you earlier as well, we have a fixed budget that, this year we have to invest so much money in the content. So, we have a revenue target. We have a bottom-line target and even content budget also is there. So, we are accordingly working towards that, and it's absolutely under control.

Ravi Naredi:

Definitely under control. So, what is the target for financial year '24 our content cost?

Kumar Taurani:

'24 will be the next year. I think our total content and marketing budget will be around INR 85 crores, you can say INR 90crore.

Ravi Naredi:

This content whatever we have booked in first year because that is our tradition, how much revenue we may generate in first year or second year, can you give some idea about that?

Kumar Taurani:

We don't have any calculation like that. But you can say, whatever investment we are doing, say if we buy a content worth INR 10 crores and maybe first year we are recovering INR 3 crores or

INR 3.5 crores. So, I expect the balance money I will recover in the next 4 to 5 years' time. So, you can accordingly make your calculations accordingly, how much we can recover the next three, four years.

Ravi Naredi: And sir, what about digital advertising grow, at same percentage our industry grow?

Kumar Taurani: Not the same, but it is substantial. Major thing for the industry is growing because the digital advertising and digital content is through films, web series and so many other products as well, apart from music. So, exactly don't know how much will be on the music and how much, but you can say music will be the crucial and big part of that.

Ravi Naredi: And the 5G will definitely help us, right?

Kumar Taurani: Absolutely, 100%, big way.

Moderator: We'll take the next question from the line of Mr. Akshay Sam from Sam Capital. Please go ahead, sir.

Akshay Sam: Hi, Mr. Taurani. So just a few questions. Thank you for the opportunity. So, sir in this quarter, we had almost invested in 243 songs, which is almost equal to -- for the total year of FY '22 what we are doing, right. So can we expect, as we have done so much investment per quarter, can we expect growth rates for pickup going ahead or you think would be advertising slowdown that we have seen in the industry that the growth rate will be moderate a bit as well?

Kumar Taurani: I think advertising slowing down for last two, three months is not actually affecting Tips. So, we are maintaining our — because of our releases and quality releases. So, I don't feel it will hurt Tips. And I think that two-three days back, I was reading one article where Hindustan Lever was telling people that businesses is back, economy is back and that they are increasing their advertising revenues this year.

So I think it will come back to normal situation. And I feel it will grow further to big heights. So I'm not actually worried about this.

Akshay Sam: Yeah. I mean such an increase in content cost, I mean you initially historically have given like 20%, 25% growth rate. So can we expect that to go up further because now you're investing for the whole year — for the quarter what you used to invest in the whole year, right?

Kumar Taurani: Yeah I always maintain that. Last two to three years, I am telling this that next another two to three years I don't see any problem. Our revenue will be up by 25% to 30% and even bottom line will be up by 15% to 20%. After deducting all the content cost same year -- huge content cost, we will maintain that.

Akshay Sam: So, second is more like a book-keeping question. So say, the movie releases six months from now and you've already paid advance now. So, would you put advance cost in this quarter or would you put the advance -- costs with the entire cost when the music releases?

- Kumar Taurani:** When musical releases, we write off our entire amount. I will keep this money whatever we paid as advance-only in books and we write-off all the amount when our first song gets released?
- Akshay Sam:** But advance cost you will write-off now, not when the music releases, right?
- Kumar Taurani:** No advanced cost we don't write-off. We write off all together.
- Akshay Sam:** Sir, also could you give us kind of a flavor of what we can expect in the coming year of new releases in Hindi, Telugu, some of the others. What is there publicly we know, but other than that, anything else, the kind of releases we can do in music?
- Kumar Taurani:** Yeah, we have quite a good releases this year. We have quite a big content in South India, Tamil and Telugu. Plus in Hindi also, we have three-four. Tips Films, making three films Merry Christmas, Ishq-Vishk and Just Like, the three films we are going to release. And there is another two or three big films we're talking with outside producers.
- And also there is a re-creation of our Tips songs, plus here are so many songs in regional languages, spiritual. So that, as usual going on.
- Moderator:** Mr. Devanshu, please go ahead with your question, sir.
- Devanshu:** Yeah, good evening, sir. I think the other two participants also, I could hear them. So there is some issue with the line over here. Anyways. I just have two questions, sir. So can you give me a sense of the concentration of revenues from the top three or five platforms in our licensing business?
- Kumar Taurani:** Top three, I think there is one from the YouTube. And then there is I think then should be Resso and, third one will be maybe Spotify or Facebook.
- Devanshu:** So, including Spotify and Facebook, maybe the top-five, what is the revenue contribution from them combined if you can share that?
- Kumar Taurani:** Yeah, I cannot give you this piece. But I can tell you as usual 70% to 75% comes from digital revenue and balance 25% from other streams like the public performance or publishing, TV station all that.
- Devanshu:** And just another question, since people have been asking about the slowdown in advertising and all those things. So is there a possibility of music licensing terms changing away from minimum guarantee and fixed fees, given the state of economy and all those kind of things.. If that is the case, what can be the impact because I am assuming that the 20% plus growth assumptions that you are taking would take into consideration some of the hike from these numbers, right , your MG and fixed fee rate as well. Can you give me a finite number?
- Kumar Taurani:** Actually, if you see, I don't have a major business like that. I'm actually Spotify or YouTube or many other parties. I say one or two parties, I have all the parties a profit sharing kind of a business. So my model is very clear. I don't want to get any extra monies like that the other

companies may be getting -- so I'm very safe that way. And I don't see any major impact will happen to us. On the contrary, the way our content, our music 90s music is performing, I think some of the platforms I see is still to be clear, I feel I'm now performing as number two player.

So this is way beyond our expectations. I think we will -- in the next two, three years, I'm committing 25%, 30%. But I feel we have really potential to do much more than that, which we are trying. So let's be positive, and I'm very confidently which better results will come.

Management: Of revenue-sharing border, then a lot depends on this slowdown, because we just heard Saregama call where they're saying that we are sort of in a different position because we have MGs and we have fixed fees. So they have nothing to worry about over here. But what you are saying is the opposite. So essentially...

Kumar Taurani: I don't know about them, but my business model YouTube — I don't think YouTube pays anyone any MG. The MG players are new players, more or less, Facebook and all those players which my deal is we are discussing our new deal with them we don't know where we will go about that so but other companies like YouTube or Spotify and major companies they are not profit sharing business at all not with me all the companies so I don't feel and my business is increasing and even YouTube I see a jump. It is doing well. So I don't think it is affecting my business.

Devanshu Sampat: Okay, say in this quarter, are there any contracts that are not included, but are up for negotiation, right now — that is not part of your revenues.

Kumar Taurani: Two, three parties, we are negotiating and I think soon, let's keep fingers crossed. I think it can be a game changer I feel.

Devanshu Sampat: So these parties are, they were never clients or they were just clients and they have.

Kumar Taurani: Yes, some of them are never clients. Some of them are clients, but renegotiations are happening. Both case is happening.

Devanshu Sampat: Very good, okay, understood. Thank you, and all the best. Thank you.

Kumar Taurani: Yes.

Moderator: We'll take the next question from the line of Mr. Ankush Agrawal from Surge Capital.

Ankush Agrawal: Yeah, Taurani Ji, first question is, if I see quarter two and quarter three, our revenues are flat. But typically our quarter three is the biggest quarter for us, right. And this quarter, the regional deal of Spotify amount was also going to come. So can you explain why business is flat quarter on quarter?

Kumar Taurani: What happens is that the deals that happen, if a deal gets finalised in Q2, and even if the money from the deal comes first, it keeps on going back and forth. I always request you to analyze us on a yearly basis. If you compare Q3 of last year with Q3 of this year, it is a very good jump. If

you see the total in the last 9 months, the figures of last year have already been achieved in the 3 quarters. I think the 25-30% that we always commit to you is on a yearly basis. If we do it on a yearly basis, then everything will be fine. One thing is that Q3 is always a very good quarter and it is good even today. But Q2 had some extra deals, Q2 was big for you, but Q3 is as much as it should be, as much as our expectations were. That was correct. In totality, we are achieving that and I think we are bang on target.

- Ankush Agrawal:** Taurani sir. The deal done in the Q2, the revenue must have come in Q3 as well.
- Kumar Taurani:** It came in Q3 as well. But what happens is that Q1 revenue came in Q2. In Q3, we have another practice that whatever deal we sign, we should try to take cash more upfront. If we do something like that, it can have an impact.
- Ankush Agrawal:** If you take cash upfront, you will have to pay quarterly basis?
- Kumar Taurani:** No, no. The business of India, we book in the same month because of GST and because of all those tax factors. So we book in the same quarter only. On cash basis.
- Ankush Agrawal:** If it is an annual deal, then you will get the full amount in one quarter?
- Kumar Taurani:** No, we don't get the full amount in the first year. You will get an advance of two quarters. If you have good terms and if you are negotiating it well, then you will get a little more. As soon as we raise GST invoice, we book in the same quarter.
- Ankush Agrawal:** But sir, how can you do this, if there is a sales for six months deal: You will get six months money upfront. So you ideally can't do this by not booking six months money in one quarter.
- Kumar Taurani:** No we can do this, because please understand, because if I do not do this then I will not have to take money from him in advance and because of that, there are major implications of GST. I have to give in the proforma invoice, there are lot of complications in GST we tried that but it's not happening. So, we will do this. We book the same month. So we always say please analyze our performance on a yearly basis.
- Ankush Agrawal:** And sir, the revenue of the Marilyn deal has started: in the quarter 3.
- Kumar Taurani:** Yes.
- Moderator:** We take the next question from the line of Anika Mittal from Nvest Research.
- Anika Mittal:** Okay, so sir, very good evening. And my question is on the basically layoff side. Actually, we are seeing the layoff and cost cutting from the organization and the cutting in the advertisement cost as well due to the rising inflation. And OTT spending by the players like Netflix, due to lower-than-expected subscription, those likely to impact our revenues as well. So, if that is the case, do we have any alternative revenue streams to compensate the advertisement from because advertisement YouTube has a major impact on revenue sir.

- Kumar Taurani:** So maybe what you're talking is for such a huge organizations where they have 100,000-200,000 employees. They are cutting down 1,200. We are not such a huge organization. We have only 60 people and very controlled organization.
- Anika Mittal:** No, no, I'm not talking about your organization. I'm talking about, basically on the digital ad spends and the capex by the end players, OTT players like Netflix. If they are cutting down their cost, what kind of impact do we see on our revenue?
- Kumar Taurani:** Yes, yes, I'm coming to that. So, Netflix is a film company and we don't have any dealings with them. Maybe occasionally, they — whatever series comes on their shows on their platform, they take some — if they want the music rights, so they take rights from us. They also pay us money. So, we don't have any major dealing with Netflix. But we do have a major dealing with YouTube. But YouTube, we are even growing month-on-month basis even on compared to last year, this year, we are on target.
- Whatever we budgeted that this much money will come from YouTube, we are achieving that target. So, I don't see any problem and this thing happened — every two-three years, there is some dull months come and but — and then again it picks up. So, I think it's a temporary phase and it's not even temporary basis, it is not effecting Tips. So, I'm actually not concerned very much. But and still there is so many other platforms and other deals are going in place. So I feel that this whatever I'm committing this 25%, 30% it's easy to achieve. So and we are touchwood achieving so-far. So there is no complaints about that.
- Anika Mittal:** It means you are confident about the 25%. 30% year-on-year growth, right.
- Kumar Taurani:** Absolutely.
- Moderator:** We'll take the next question is from the line of Mr. Dheeresh Pathak from White Oak Capital.
- Dheeresh Pathak:** Okay, in the presentation, you showed content cost, let's say, nine months, it is INR 45 crores, full year like INR 60, so just to get a sense, sir. On an average, how much new content is available for bidding in any year in terms of value in crores?
- Kumar Taurani:** See, actually, there is INR 800 crores, INR 900 crores of content all India is being produced. Maybe because of competition, the cost will be go another INR 100 crores, maybe say INR 1,000 crores. In INR 1,000 crores, INR 50 odd crores is not a big deal for us and we are not in this bidding game. Other players may be doing that. So we really pinpoint one off any film event, then we go to talk to that producer and don't bid for it. If you are interested and we are interested, that's it and across in first meeting, we will close the deal.
- Dheeresh Pathak:** Okay, you take both the right, you take master right, as well as publishing rights.
- Kumar Taurani:** Yes, absolutely, total rights.
- Dheeresh Pathak:** And video rights of that also.

- Kumar Taurani:** Yes, it's a common practice. Everybody takes that rights.
- Dheeresh Pathak:** Okay, the cost that you charge to the P&L, the content cost that shows up in other expense in the annual report, right.
- Kumar Taurani:** Yes.
- Dheeresh Pathak:** Where –there is this advertisement and promotion and then there is music acquisitions. So both combined together, is this INR 30 crores you've shown in last year include add expense also, right, in the presentation figure.
- Kumar Taurani:** Yes.
- Dheeresh Pathak:** There is no royalty item. Some companies have a royalty line item. We don't want have royalty item?
- Kumar Taurani:** Whatever content we buy, we buy all content outright basis. We don't that we pay you later royalty and charges less and we keep on paying royalty. We don't do those kind of things from beginning. This practice, we follow from 1988. Its lump sum deal. 100% ownership will be transferred Tips, and we pay one-time fee, that's it. And we charge that in our balance sheet same quarter.
- Dheeresh Pathak:** Okay, but if you take the publishing right, you're supposed to give the lyricists and the composers certain amount of money that you show in which line item?
- Kumar Taurani:** Yes, that is the law of the land and we monetize that right through IPRS. There is a society for that, and they collect all the moneys from various platforms and services and they give us 50% and they 50% directly distribute to the artist.
- Dheeresh Pathak:** So you recognize only your portion so you don't have to compensate. And this ability to acquire rights in perpetuity without any royalty, this is existing in Bollywood, I have the impression that Bollywood typically the deals are royalties.
- Kumar Taurani:** Yes.
- Dheeresh Pathak:** This ability to acquire rights in perpetuity without any royalty, this thing in Bollywood — I do not think present. Bollywood, typically deal our royalties.
- Kumar Taurani:** No, no, except one or two companies, everybody acquires music right lumpsum basis.
- Dheeresh Pathak:** It's not that the big banners, let's say, Karan Johar, and the people who are big shots, they want royalties. They will not do perpetual deals.
- Kumar Taurani:** Maybe they also have a different, different dealings with different companies. Maybe with one company, they are doing royalty, maybe another company, they do outright lumpsum deals. So all those things are negotiation and deal to deal basis.

- Dheeresh Pathak:** Okay. One customer would be what percentage of the revenue, if you can share?
- Kumar Taurani:** One customer, I didn't understand that.
- Dheeresh Pathak:** So largest customers just to get a sense of concentration, larger customer typically companies that could disclose a large customer is so much percentage of my revenue. So if you can share like the top
- Kumar Taurani:** Basically, it's for all the industry worldwide is YouTube. Our big customer is YouTube. And YouTube becomes around you can say from 40% to 55% YouTube contribution any music business, you can say today.
- Dheeresh Pathak:** So the monetization.
- Moderator:** Sorry to interrupt you, Mr. Pathak, may we request you to join the question queue, as we have participants waiting for their turn. Thank you.
- Dheeresh Pathak:** I will, thank you.
- Moderator:** We'll take the next question from the line of Mr. Maanvardhan Baid from Laurel Advisory Services Private Limited.
- Maanvardhan Baid:** Thank you for this opportunity. Most of my doubts have been clear. Just wanted to understand, it was our observation that given the volume of content that Tips puts up versus the hits that it manages especially on YouTube it does much better than most other competitors. So just wanted to understand the approach and how are we managing to do that and sort of is there a focus on particular languages? Just a sense of how we approach this.
- Kumar Taurani:** See, we have experienced people working for us. Plus, we also have our own experience for last -- we are doing this business --, I'm doing this business for last 44 years, 45 years. And even my son or Girish or there are other guys, Praveen Kaushal, Kavita, so many other people we have in artists and repertoire development business. So everybody is in this business for five years, 10 years, 20 years. So, they have a good experience of this music. That's why our ratio is good.
- So and we try to at least 70-80% of the major songs we scan we all listen to those songs. And actually if you see we don't have much work to do. We have only these 40-50 customers and if we do a deal for two years also, so we have to sign just 25-30 contracts a year. So, our major time goes into creation of content and that's the main game.
- Creation of content is the big thing in any music business. So, our focus is there. So, we try that whatever we can, we should have a very good quality content which can last long. If suppose it happens that my instant content doesn't work, but it can happen that after 2-3 years suddenly it will pick up. So these days, the new generation, the new streaming sites, we don't even know which music will work when. And suddenly if a music is played, it may get over in 3 months

but again it gets picked in 6 months so we are seeing these things also so it's really some new learnings also. So, this is actually basically you can say it's experience of that.

Manvardhan Datt: About the algorithms of YouTube and about that too, how do we ensure that we are ahead or what is that?

Kumar Taurani: I think our boys, the new youth, the system of monetization. We have eight people, 10, two are seniors and then CEO of the company Girish Taurani himself also spends 30%-40% of his time on it. So we are in complete control, YouTube is touchable, we are really doing well. So, the system is in complete control to check for piracy. And we have a second to second control on that.

Moderator: We take the next question from the line of Mr. V.P. Rajesh from Banyan Capital Advisors.

V.P. Rajesh: Two questions as most of my other questions have been answered. So first one, in terms of your content acquisition, you were saying that you also create content. So out of these 45 crores, how much was your own content versus the content you brought from third parties?

Kumar Taurani: I think in this 30 major will be acquired because this, this year in nine months we have released two big films Freddy and this one PS1 so you can say around 60% we acquired and 40% we have created in-house you can say that.

V.P. Rajesh: Out of this INR 45 crores figure, right.

Kumar Taurani: Yeah, approximately I am telling you. This will be the figure.

V.P. Rajesh: And out of that 40%, how much is coming from Tips films or the films...

Kumar Taurani: Tips films have not given us any films till now, their films will come in this year. Maybe one film we release in February, music wise, February or March, and then two to three more films will come next year.

V.P. Rajesh: Sir, if you look at your entire libraries, what would you say you, percentage homegrown created by yourself versus acquired in a period of time, like how would you bifurcate that?

Kumar Taurani: You're asking for this year or for long, long-term you are asking?

V.P. Rajesh: Long-time because I'm just trying to as you said like lot of the content of this quarter was acquired. So I'm just trying to understand over a longer period of time, I think that's what it looks like?

Kumar Taurani: I think we have 500 film music right in totality and I think among that, we have our own production movies, 35 or 38 films original and rest another 10, 12 movies dubbed in -- Punjabi film dubbed into Hindi or Hindi film dubbed into Tamil and Telugu. So, you can estimate around 8% around 7%, 8% created by own and balance acquired outside I would say. Overall, I'm telling you my catalogues are what we have done so far.

- V.P. Rajesh:** So now are you seeing that your own content creation percentage is increasing from this long-term 8% to 10%, is that the way to understand metric?
- Kumar Taurani:** Earlier it used to be a huge film market music and that time music cost was not the way what we are paying now, content costs and earlier it was whatever we invested in music rights, we used to recover all the money. So, whatever invested in three to six month's time or maybe one year-one year. But now recovery is really far. So we have to mix that properly -- that if we are creating non-film, our own content, that costs us less.
- And films, whatever we are acquiring, it's really expensive to acquire. So because of that, we do a mixed non-film music, re-creation of our old songs and then some film music, we have. We do have a proper mix. So it cannot be really expensive. It shouldn't be, that's why we do that.
- V.P. Rajesh:** Right. So, what you are, if I heard you right, that non-film content that is proprietary to you, that percentage is increasing over time. So that you don't have to pay third parties, right? That's what you're saying?
- Kumar Taurani:** Proprietary -- once what we have paid and bought, we are proprietor for that.
- V.P. Rajesh:** Yeah. True. Sorry, yes, you're right. You are proprietary for all of it. But what I mean is that what you have produced yourself and you have the direct control over, you know, introduction itself. And then the last question, so what is your arrangement with Tips Films now that you are two separate companies?
- Kumar Taurani:** We have appointed a separate valuer, you tell us how we do business at arm's length between Tips Films and Tips Music. We don't want to pay more, we don't want to pay less. And they also won't sell us less or they won't otherwise we will not allow them to get more money from us. So we have appointed a valuer. They will tell us how we can decide.
- And each film, the three films we are making now, he will give us the valuation. And then that valuation, whenever he is ready, he will talk to our auditors. And auditors will finalize it and then we will take them to board. And board will give us green signal and then we will finalize.
- V.P. Rajesh:** But you have the exclusivity on all the music that is being produced with respect to their movie?
- Kumar Taurani:** Yes. Our shareholders are the same. So why should we have -- first of all, we are ready to pay market price. And actually, it's a good thing that we -- Because it's a sister concern, you can say or a group company. So, we will have better control over quality compared to other people. So, we shouldn't tell them to go and sell it in the market. We will acquire that at a very fair price.
- Moderator:** Thank you sir. We'll take the next question from the line of Mr. Mayur from Wealth Managers Private Limited.
- Mayur:** Sir, there was a small suggestion, because at an industry level also, we don't disclose subscription revenue, advertisement revenue and we don't do it separately bifurcate. So, in your

case, can we index it? Let say, in FY'22, whatever base revenue comes in, not proportionate, but if that was 100. How much the subscription revenue has grown in this period related to the overall revenue?

So, sir, in the minds of investors, there are many doubts regarding subscription versus advertisement and there is no understanding, because of the lack of information. So, if we can index it, then understanding and confidence will increase that subscription revenue in general is improving, not improving, in certain quarter or a year. If we can index it, then it was just a suggestion?

Kumar Taurani: We will try, Mr. Mayur. But I will tell you briefly that subscription is not sufficient. And it will take one or two years. It is less than 5% subscription. 95% is still ad revenue based and usage. So, I think that any platform that uses my content, if it doesn't have a subscription model, if it doesn't have an ad model, then it has a valuation model.

So, it will have to be paid. Nothing is free in this world. Even if you give a gift to someone, the person who got the gift is free. But you paid for it. So, nothing is free. And we don't allow that our stuff is free. If you don't pay, then our content is not available. We are not here to do free content. So we charge money from any company...

Mayur: Sir, that is clear. But just for the overall trend I was telling.

Kumar Taurani: I am not committing but let us see. I will explore with my team. We will see this.

Mayur: Sir, second thing is that in our strategy for the content acquisition also as well as public -- we say that the must have hits are important. And obviously value of catalogs comes from all songs, I understand this. But hits also play an important role. So, sir, let's say just as an example, in the last six months, not this quarter I am saying, but let's say March to April to September quarter, we released almost 400 songs in the last two quarters.

So, how much of the 400 songs will be hit? Because it has been a long time since they released. So, I know that hit can happen later. But I don't know what percentage it will be as of today. Will you say that 2%, 3%, 4%, 5%? How do we understand that? How do we understand this portion? How many of the last 400 songs will be hit?

Kumar Taurani: You have to calculate the ratio of hit. The reasoning of hit is that if we get money then it is a hit. But it is not like that. If I get 25% of my money, which is new mathematics in music business, if I get 25-30% of my money then my song is a hit. So according to that my understanding is this. So, if I get money in 4-5 years, I think it is very good and hit. Sometimes it happens that if I release 500 songs in a year, my five songs become super hits that will take out the cost of my 500 songs in two years. I am not afraid to do it individually. Because it is like, whatever song you like, you should do it.

You don't know which song the public is not going to like it. And the public, the 200 crores people who listen to our music worldwide, I don't know who they are. It has spread in pockets.

Earlier, if a song from a movie came out, everyone would listen to it. Now, what is happening in Mumbai, I think in Patna, Lucknow, Pune, Bangalore, different music is being sold.

So we have to pay attention to everywhere. There may be some songs that will become universal hit. So, my point is, I think if my cost goes down by 30%-35% in the first year, I should be happy. And I think that 70%-80% of the songs that are being made in Tips are of that range.

Mayur: Sir, what do you think of the definition of hits from our point of view? It is based on the revenue which we earn and not based on the views?

Kumar Taurani: If there are views, then there will be money.

Mayur: Agreed, but total, overall. So number one -- the number of songs which are already hit, according to us previous six months, among 400?

Kumar Taurani: I don't have individual mathematics. But what I made you understand broadly, it's going to be like that accordingly.

Mayur: Sir, last question. According to my point of view, normally quarter is not important, I am trying to read what you have given in the guidance, just trying to clarify. Sir, we are saying 25% to 30% growth. So, if we look at FY'23, which is only one quarter left, if we want to grow that at 30%, then next quarter Q4 will either be flat or can be negative. Is this the right reading or we are saying FY'23 should be actually much more than 30? Because only one quarter is left, so I am reading in between the lines. Just trying to understand and clarify?

Kumar Taurani: So again depending upon the deals, which are pending, like our last year's top line was Rs 135 crores, if we take 30% then it is 40 crores and 175 should be my target this year. I have done 135 and I want to do 40, so I don't feel the pain of doing that much. It is possible that it could be more. I told you that depending on the deal, sometimes it takes 2-3 months extra time. But if you see 30%, we are very safe this year. We are very closer to that.

Mayur: Sir, the total INR 85 crores content cost we are broadly planning to spend. So, the INR 85 crores will come in the P&L as a spend, because there can be a difference between both?

Kumar Taurani: Mr. Mayur, that is for next year, not this year. That is for next year, in 2024. It will be completely written off in the same year. So, don't do the P&L cost, those 85 crores.

Mayur: So, we are talking about P&L cost, those 85 crores?

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Kumar Taurani for closing comments. Thank you and over to you sir.

Kumar Taurani: Thank you so much. Please keep faith in us. We are really working very hard and we promise to achieve the 25%-30% or 15%-20% bottom line and we will keep the content costs under control. We are not in favor of any ambitious deal. If we feel that this is profitable for the company, we



Tips Industries Limited
January 24, 2023

will take that kind of steps. We are very careful of our business. And as I have said before, maybe this year or maybe in the next 2-3 years, there will be a year where you will see that the 30% it will be a jump of 60%-70% and there is a big jump left.

So for those who have 3-4 factors, subscription, short content, we are not getting proper valuation for that. For our public performance, parties, events, valuation is not happening there either. For that too, we have a body called ISRA, the singer association, we have a contract with them for all the companies. We will see one big jump will be there.

I don't know whether it will be this year or next year or third year. But one year there will be a big jump and this music business will grow. That is my hope, and we are all working towards that. Thank you. Thank you so much.

Moderator: Thank you. On behalf of Tips Industries Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Kumar Taurani: Thank you.

Moderator: Thank you, sir.