



February 23, 2021

To,
Listing Department
BSE Limited
P.J Towers, Dalal Street,
Fort, Mumbai – 400 001

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E), Mumbai – 400 050

Scrip Code: **532375**

Symbol: **TIPSINDLTD**

Subject: Transcript of Q3 FY-2021 Earnings Conference Call

Dear Sir/Madam,

Please find enclosed the transcript of Earnings Conference Call conducted by the Company for Q3 FY-2021 on Thursday, February 18, 2021.

This is for your information and records.

Thanking you,

For **Tips Industries Limited**

Bijal R. Patel
Company Secretary

TIPS INDUSTRIES LTD.

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“Tips Industries Limited Q3 FY-21 Earnings Conference
Call”

February 18, 2021



**MANAGEMENT: MR. KUMAR TAURANI – CHAIRMAN & MANAGING
DIRECTOR, TIPS INDUSTRIES LIMITED
MR. GIRISH TAURANI – EXECUTIVE DIRECTOR, TIPS
INDUSTRIES LIMITED
MR. SUNIL CHELLANI – CHIEF FINANCIAL OFFICER,
TIPS INDUSTRIES LIMITED**



Tips Industries Limited

February 18, 2021

Moderator: Ladies and gentlemen good day and welcome to the Tips Industries Q3 FY21 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kumar Taurani – Chairman and Managing Director, Tips Industries Limited. Thank you and over to you sir.

Kumar Taurani: Hello and good evening everyone. First and foremost, I hope you all are keeping safe and healthy. Today on the call I am joined by Mr. Girish Taurani – our Executive Director and Mr. Sunil Chellani – Chief Financial Officer for Tips Industries Limited and Oriental Capital, our Investor Relation Partners. We have uploaded our investor deck and results highlights on the stock exchanges and company's website. I hope everybody has had an opportunity to go through the same.

Since this is our maiden earnings call, I would like to share a brief overview about the industry, our journey at Tips and future outlook. This would be followed by operational and financial performance for the quarter and nine months ended FY21, post that we will open the floor for Q&A.

Technological advancements and consumer preferences have reshaped the music industry and it has evolved over a period of time and I believe it is still evolving. Music was the first industry to face the wrath of digital disruption. It emerged with a new business model as a completely digitized industry. It's now one of the most profitable internet businesses. Recording delivery and consumption of music is now completely digital. There's no need for record cassettes or CDs. We at Tips Industries were one of the earliest players in the music industry to adapt to these technological changes and digitize our content and business model. We have a collection of over 29,000 songs across all genres and major languages available on many global and local platforms, including YouTube, Resso, Amazon Prime, JioSaavn, Facebook etc. Our catalogue comprises film, non-film, pop, remixes, devotional songs and bhajans created by some of the leading artists and musicians of this country. We have licensing agreements with the host of streaming applications, TV channels, social media platforms, Telecom and radio companies.

Our YouTube channel has over 37 billion subscribers. The emergence of new social media platforms, such as Resso which are centred around music are bringing new growth opportunities for player like us. Our vision is to grow and maintain a 'Must Have Hits' catalogue by creating, acquiring, and delivering quality music to a wide range of audiences.

About the music industry, let me also take this opportunity to share with you a few salient features and thoughts about the evolution of the music industry. IPR protection; the Copyright Act 2012 protects music IPR for 60 years. This allows the content owner to monetize his rights for over half a century. This also provides longevity to the repertoire.



Let's talk about monetizing IPR and the consumer; that the consumer is unwilling to pay for content is no longer true. According to the Indian Music Industry's (IMI), Digital Music Study 2019 paid streaming subscription revenue accounts for 27% of all recorded music industry revenues in India. Subscription streaming revenues grew 33% while Ad supported streaming revenues grew 43.6%, clearly paid streaming has already started contributing to the industry. Also, with digital advertising, some consumers' unwillingness to pay is no longer a growth constraint. At Tips we are focused at, creating and acquiring content that can be monetized over a long period of time, generating annuity like revenue streams from multiple sources.

Our robust cashflow enables us to create and add new content to refresh and replenish our catalogue for creating sustainable value. These cashflows will also allow us to return excess cash to our shareholders through buybacks and dividends. We are also witnessing entry of new partners, introduction of new formats and newer ways of using music, which provide us visibility of growth for the medium term.

During the course of COVID-19 pandemic, we have seen a surge in consumption of music, which acts as a stress buster and provides entertainment while being indoors for long period of time. This has led to increasing music consumption in the last 6-8 months, and we believe this will continue to grow.

Lastly, I would like to highlight that the Board of Directors via Board Meeting held on 5th January 2021 has in principle agreed to explore the demerger of the Film business at Tips into a separate entity. It is still in the initial stages and the Board, on receipt of the valuation report will study, discuss and initiate the next steps of the said demerger keeping in mind the overall benefits of our stakeholders. I will now handover to Mr. Sunil Chellani – our CFO to take you through the financial and operational highlights for the quarter and nine months ended financial year '21.

Sunil Chellani:

Thank you, sir. Good evening everyone and welcome to our maiden earnings call. I will take you through the financial highlights, post which we will open floor for question and answer.

The quarter and nine months gone by has been a challenging period for the entire world due to outbreak of COVID-19 pandemic. However, our business is strong enough and has overcome challenges to emerge as a growing company. Our consolidated revenue for Q3 FY21 reported growth of 30.5% on year-to-year basis. Revenue growth as compared to Q2 FY21 was 91%. EBITDA including other income saw phenomenal growth of 179% on a year-to-year basis. EBITDA was 101% compared to sequential quarter, that is Q2 FY21. Profit after tax reported growth of 147% on year-to-year basis.

On quarter-to-quarter basis, PAT grew by 84%. As on 30th September 2020 we had zero debt. Cash and bank balances stood at Rs.34.19 crores and investments were Rs.18.38 crores. With this I open the floor for discussion thank you very much..



Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swechha Jain from ANS Wealth.

Swechha Jain: I have two questions, basically. One is if you could share with us, the contours of the deal with Warner and Facebook in terms of the deal size and what kind of revenue sharing model have we entered with each of them? And what is the number of years over which the deal is spanned like it's a renewable agreement or it's like a perpetual thing? The second question as we have passed the board resolution of demerging our film business into a separate entity, if you could just share with us as to know what kind of strategy, we are looking at in the film business and by when do you think, we can break even on the film business and what kind of ROE that's the film business has a potential over 4 to 5 years, kind of a time frame?

Kumar Taurani: See what I suggest, let us talk about music business today and maybe film we can have a separate call after demerging we have some plans there. Let us go through this demerging process. We will do a separate meeting for that and we will address all the questions. Now as far as Warner and Facebook are concerned, we can't actually share all the details, but let me tell you it's a short-term deal. It's not a long-term or a perpetual or we sold any pie. This is just a distribution deal and with Warner there is an arrangement, this is an advance minimum guaranteed kind of thing. So whatever reports we get we keep on booking revenues in accordance, every quarter. That arrangement will be continue spread over that period of time till when our agreement is lasting. And Facebook is a normal deal, the way we do with other parties, like JioSaavn or maybe other people ShareChat, YouTube, that's a routine deal, kind of a thing. They will use our content they pay us money.

Moderator: The next question is from the line of Keshav Garg from CCIPL.

Keshav Garg: In the last AGM you mentioned that around 16-17 films' satellite rights of which you were in talks and they were up renewal, so any progress on that?

Kumar Taurani: Yes, we are discussing that deal is a under negotiation. I think by next quarter or maybe by June, it will be done. I hope so.

Keshav Garg: And, also you mentioned that our contract with Gaana had expired and you were working for renewal, so any progress on that?

Kumar Taurani: We always keep on talking to our partners, but there is a difference between the negotiations and whenever we feel that our price is correct so, we definitely do a deal. We feel we are reasonable and the price we should get and on the contrary 90% of people, partners really respect us. But sometimes it happens that people feel they have their own problems, because of COVID their focus is not on music or maybe like TikTok has in between stopped, so their focus was shifted. There's a lot of confusion. That time, it will take little longer but ultimately, I am owning content and they are a platform, so we have to do business together.



Keshav Garg: Also, in the nine months of this financial year, the management has drastically reduced other expenses by 50% from 41 to 21 crores. Is this sustainable going forward, our other expenses?

Kumar Taurani: There was inventory write off (non-cash expenses) last year. And actually, basically it's a content cost. We have not, bought music rights so aggressively and because of this COVID, we have not recorded many new songs as well. But next year you will see the content costs will go up. We will have a similar kind of a situation.

Moderator: The next question is from the line of how Hardik Jain from Whitestone Financial Advisors Private Limited.

Hardik Jain: I just wanted to ask, you mentioned in your opening remarks that whatever rights we purchased that they last for 60 years. Most of our libraries is from '90's, so we still have a long way to go. But just wanted to understand, for any song that you have got, what happens after the 60 years. Then you will not be able to charge once those 60 years are over or there is a way where you can still monetize even after 60 years?

Kumar Taurani: Actually, we can monetize even after 60 years. In music business, there is many-many rights. It's a bouquet of rights and the major two rights are sound recording and publishing rights. So, in India mostly music company takes both the rights and in sound recording, it will expire after 60 years as per copyright act and the publishing rights. So there's two people who make that music, music composer and lyricist. Whoever died last from his death till 60 years we'll get that publishing rights. Let me give you one small example also, if you want. There's a song called 'Sar jo tera chakaraye ya dil duba jaye' it's a Saregama song. One company, I think some oil company Tel Malish company wanted to buy that song. So they approached, this agency told me, so they said, we want to use this song. The company quoted some money. They say but now I can use the song in the public domain, you can't charge me so they said, we can't charge you for song recording, but we can charge you for publishing. You have to take publishing because writer died 20 years back or maybe 15 years back, so still rights are for 35 years. They have to pay similar amount. Basically our rights are more than 100 years plus.

Hardik Jain: You mean to say, even for the original song although the 60 years have expired but since the lyricist has just died 15 years back even for the original song, they can charge for another 50 years or 45 years.

Kumar Taurani: Absolutely it's publishing rights. That's all-publishing rights, for which owner are music companies, but they have right to royalty. That 50% money goes to those artists, but still, we are owners of it. We can demand money we want.

Moderator: The next question is from the line of Basavraj Shakti, an Individual Investor.

Basavraj Shakti: My question is about Spotify whether it's a separate account or it is through Warner and what is the revenue stream coming like monthly, quarterly or yearly?



Kumar Taurani: Spotify is through Warner. We have some music repertoire we uploaded there through Warner and some languages we have retained. Maybe we soon to start that also on Spotify. There is a double way and it started very recently, so by next quarter we will tell you the revenue or whatever it is.

Basavraj Shakti: What is the frequency of revenue realization, quarterly or half yearly?

Kumar Taurani: That Warner will get, and we can't reveal individual company's revenue. We will give you quarterly, our results are coming anyways. You can see that. These are very confidential things. There's a lot of competition in the market. So how we can tell you only Spotify earnings?

Basavraj Shakti: Same for Facebook, like Facebook revenue, are we realising it quarterly or half yearly?

Kumar Taurani: Our accounting policy is on cash basis or whatever we invoice them as per terms of agreement we book in that quarter.

Moderator: The next question is from the line of Chetan Shah from Jeet Capital.

Chetan Shah: One broad question about the industry, which I wanted to understand from you. If we see the recent couple of years, the content is more focused on the OTT platform and some of these OTT platform related movies doesn't have a good quality music what we use to have 4-5 years back and such cycle in the movie industry keep coming in last 20-30 years where suddenly romantic movies are not very in thing and maar-dhaad wala movies are in, so the quality of music goes down. How do we see and survive in such time frame and how do we improve or increase our content library if you can give us some sense of that will be very helpful?

Kumar Taurani: I understand, at Tips we really care for our music. Whatever movies we buy from producers, we make sure the music is good for all those movies. That is not actual problem with Tips, but whenever these things happen, see in 80s also similar situation happened Pankaj Udhas, Anup Jalota, Jagjit Singh all those singers were there. Even now, if you go on YouTube, you will see lots of singers, non-film singers will come. So music always fills the place. If you don't have good music in films then private music comes and you get satisfaction. So that happens. Whatever demand is there in the market then by some way or other music comes in market.

Chetan Shah: If you see last 10 or 20 years of time horizon, the number of players who wanted to enter and buy the music rights have gone up and due to which and a limited quality of content availability there is some kind of as what in our film parlance is called khicha-taani to get a better-quality music and that kind of increases the price of the music. So when you as Tips when you go to the market, what are the 2 or 3 parameters apart from the quality and definitely the content which you being in a business understand far better than us as just a mere listener or a consumer? In terms of a financial metrics, what are the 2 or 3 things which you see before you go and conclude the deal? I mean to say in what timeframe we should get our money back, the payback period is what we call it in our financial world, how do you work those numbers?



- 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.
- Moderator:** The next question is from the line of Yogesh Kirve from B&K Securities.
- Yogesh Kirve:** Can you tell us about the growth and expansion plans in terms of how much we plan to spend in terms of acquiring new music going ahead and second is related to that, obviously we are making a very good margin on the legacy music price that we have but on new music acquisitions what sort of margins one can achieve going ahead?
- Kumar Taurani:** Our larger plan is to grow 25% to 30% a year and in that scheme of things, whatever fits we will take, we will do all the things, whether it is content, whether it is distribution, whether it is partnerships whether it is sharing profits, promotion, everything. So that is our broader thing.
- Yogesh Kirve:** But anything you can call out in terms of the amount we plan to spend to the new music acquisitions or any targeted share of market in terms of new music, anything along those lines?
- Kumar Taurani:** See till now our company, used to spend around between 10 to 15 crores. Now we want to increase that by say around 18-20 crores, i.e. we are doubling.
- Yogesh Kirve:** The second question is regarding, the demerger that film business that you want to demerge. So, whether the Tips Industry is being groomed as a pure music play, is that you want to plan?
- Kumar Taurnai:** Sorry, I didn't to get that.
- Yogesh Kirve:** Since you're planning to demerge our film business. So going ahead we should look at Tips Industries as a pure music label going ahead?
- Kumar Taurani:** Yes. We have already announced that in the last board meeting and in next 15-20 days with convenience of our directors, we will have another meeting where we will get a plan from our experts and we will decide and finalize the plan.
- Moderator:** The next question is from the line of Aman Vij from Astute Investment Management.



- Aman Vij:** I have two questions. My first question is on our library. Out of the 29,000 odd songs we have how many of our songs are post the year 2000 and what percentage of revenue contribution comes from say relatively 20th century songs?
- Kumar Taurani:** I don't have that bifurcation as of now, but we can give it to you later. But as of now, let me tell you, we have a very good library, and we have a major market share in the 90's. And we will try to address your question in annual report. Maybe we have some information about this you can find from the last annual report, but we will take care of your question in next annual report also. But our major library repertoire wise, we have 90's major share. After that 90's whatever films we have produced we have really given a very good music in that. So all the time we have something or the other every year happening in Tips. There's a major artist also we promoted Atif Aslam from I think, 2004-2005 till 2015 he was our artist for 7-8 years. So, we have many hit songs of his. So there was constantly good music coming from Tips.
- Aman Vij:** My second question is out of music revenue roughly what is the breakup in terms of the OTT platforms and publishing combinations, I am not asking each and individual customer but combination of say OTT platforms and publishing and which has been the growth driver for us.
- Kumar Taurani:** I think around 68-70% is from OTT and all that internet related things and rest balance from TV, public performance, all that other areas.
- Aman Vij:** YouTube will be how much roughly?
- Kumar Taurani:** We will not be able to disclose the same because that is confidential. So we can't disclose that.
- Amar Vij:** In terms of OTT and others which you said 60% to 70%, what has been the growth in the last 2-3 years in this segment?
- Kumar Taurani:** I think as I said around 25% to 30%.
- Amar Vij:** Isn't it growing faster then that, we have been growing at that rate, but even this segment growing faster than our growth rate or even the balance is growing fast?
- Kumar Taurani:** I think platform is also growing, we are also growing with them. If they grow, we will also grow. It's not that if they only grow, we don't grow. It won't happen anytime.
- Moderator:** The next question is from the line of Swechha Jain from ANS Wealth.
- Swechha Jain:** I have two follow up questions which few of the participants asked. One was, when you were explaining how we monetized our revenue even after 60 years because it has two part, one is sound recording and one is the publishing. So my understanding and correct me if I am wrong, I believe the proportion of the revenue or the percentage of monetization would be higher from sound recording as compared to publishing? Am I correct Sir or it is split 50:50?



- Kumar Taurani:** Yes, you're right.
- Swechha Jain:** Okay. Other follow up was like you said we do 60% to 70% in OTT and the balance is from TV and live performance. Could you share those segment wise EBITDA margins in both these? Like what kind of margins, we do in OTT versus live performance in TV and everything else?
- Kumar Taurani:** No Swechha, we can't share that.
- Moderator:** The next question is from the line of Mayur Gathani from OHM Group.
- Mayur Gathani:** You mentioned about increasing the content and hence capital expense like doubling it from 10-15 crs to maybe 25-30 crs. How are we looking to use this money? I mean are we going to take more content, or we are going to look at acquisitions in the regional side or maybe on the Bollywood side, any thoughts on that?
- Kumar Taurani:** Yes of course we will invest more in content creation, content acquiring and we will also keep money for reserve in case needed some big deal or something is happening, so we keep some money for reserve and we will also give dividend. Our company, I think last 10-12 or maybe 13-14 years we are constantly giving dividends. We believe in all that. And also we did last year big buyback also and maybe in future also we will do those things.
- Mayur Gathani:** My question was the new acquisitions, are you looking at for acquisitions on the regional side?
- Kumar Taurani:** In the past we have done many acquisitions. We are the only company done acquisitions but if there's an opportunity we will consider. At present there's nothing but let's see how it goes in future.
- Moderator:** The next question is from the line of Hardik Jain from Whitestone Financial Advisors Pvt Ltd.
- Hardik Jain:** Just a follow-up question. When you do a deal with say Facebook or YouTube or Warner, I am not asking for the pricing, but how is it decided whatever pricing that we decide is, it's kind of fixed pricing that happens for 2-3 years or the pricing is reviewed and renewed every year, every six months. So, if you can give some picture. I am not asking the detail of it, but broadly how is the deal decided?
- Kumar Taurani:** It depends upon the market numbers and they really, sometimes it is how much streaming is growing, how much markets are growing. We charge our MG's accordingly and size of the platform, then size of the how much the pie is increasing of streaming, all those things matter and all those things and plus our numbers, how much growth Tips has on the particular platform. So accordingly, we decide and we do the business and finalize the deal with them.
- Hardik Jain:** And whatever the deal is decided then it is reviewed every year is it? The prices whatever.



Kumar Taurani: also It will also depend upon when, sometimes we do a deal for one year, sometimes two years, but I think more or less between one and two years..

Moderator: The next question is from the line of Keshav Garg from CCIPL.

Keshav Garg: Our royalty income from music in FY17 it was around 32 crore which almost tripled in three years and in FY21 it was 98 crores. So now going forward, same kind of tripling in three years. I mean it's too high so we might not be able to sustain this. But do you think that we have by and large already monetized our music whatever we could have done, we have done or is there still room left for us to monetize it further that maybe some OTT player we might not have dealt with till now, so in future we can do it and get additional income, so can you give us some idea?

Kumar Taurani: See, music listening is like eating food. If we have to eat food every day, so we have to listen to music every day. We can't say that today I have heard the song of Taal and tomorrow I won't hear, it doesn't happen like that. So the music never dies. I think music will carry on and we will get our monies every year and we will keep on growing. And the way players are coming many and actually you can see if you can go on my presentation, we have released today on the page eight of that presentation you will get all the material what you are looking for. But I think music never dies. Music the old songs today also are heard, everybody wants to listen to that, Kishore, Lata, Mukesh evergreen people, similarly Kumar Sanu, Alka Yagnik, Udit Narayan, so music will go on.

Keshav Garg: What I wanted to understand was imagine that in FY17 the royalty income was 32 crores, may be at that time we were only with YouTube, then we would have added Spotify and Gaana, so our revenues increased. On those lines is any OTT platform left whom we have not approached till now where further possibility of monetization can be there?

Kumar Taurani: According to me there maybe one or two. But there are still 10-12 sites outside India which are not there in India and which can come. but you can't think about them. At present those who listen to music through internet, is only 20% only even now. It is still very far. And there was a time when you used to buy cassettes and CDs and you were able to listen only through a player. Now the record player is in your hands, whenever you want you can listen to music, the growth is unlimited. The OTT started 3-4 years back and did we know 3-4 years back that through OTT we could listen to music like this. Did we imagine 7-8 years back that we will listen to music like this? So all these things are new now. And say you are fond of music and only 200 millions Indians are listening to music on internet and all the rest are there who desire to listen a Hindi song, how many people sing and upload their videos, everybody wants to sing and everybody wants to act, so there is a huge-huge-huge scope.

Keshav Garg: Also, as you are saying the music acquisition budget you want to double it going forward. Is it fair to assume that our other expenses will also double? So in that case, if the top line does not grow proportionately then we might get hit. Basically, our profitability might get hit temporarily?



- Kumar Taurani:** No, I don't think so. Because other expenses will not increase, maximum we have to employ 2-3 people that is all. Expenses will not increase. The expenses will only be on music rights and please also remember that these are long term rights. So year-on-year the income will also keep increasing.
- Keshav Garg:** Lastly, since you are doing regularly buybacks, so please continue doing buybacks because it's the most tax efficient way of distributing shares.
- Kumar Taurani:** Yes, absolutely. We will try that we do it every year.
- Moderator:** The next question is from the line of from Tarbir Shahpuri from Nidara Capital,
- Tarbir Shahpuri:** I have two questions. One is, a lot of people have lots of concerns regarding the YouTube's algorithm. What people say is if YouTube changes the pricing then revenue will go down, if you can comment on that? Lots of people say that YouTube sometimes changes the pricing, so the people who are providing content end up getting less revenue. I don't know what's your thought on that. That's one. Secondly, you mentioned OTT has just begun in India right now. So can you just share it with us in general your thought process on the subscription revenue for. In India the subscription is almost zero, so how will that impact your business over the next few years?
- Kumar Taurani:** First I will answer your second question, I think subscription is increasing much and all the OTT players who are there and if you are using any apps, they are showing so many ads nowadays so one gets irritated. So what you do is that paying Rs 50-100 is not a problem, so you pay that. So subscription is really increasing too much and going ahead it will increase much more than the estimate. And subscription numbers are going to increase big time. You can see the 2020 reports by FICCI that subscription generated is 9.1% and by 2024 it will become 31%. So I think it's going to be big. According to me, please think like this, Netflix, Amazon, Disney, all these video apps, every single app charge you money and you are paying them happily. Once upon a time in TV industry, we used to take cable connection but then we had to take Tata Sky and in Tata Sky how the numbers were shooting up. Even in this business also within 2-3 years it will see a very-very huge jump. Everybody will pay and in India 20 crores to 30 crores people have the capacity to pay Rs. 90 to 100 in a month. Once upon a time like Raaz was my last hit film I sold 1 crore 25 lakh tapes and at that time the cassette price was Rs. 40 and as far as I remember every customer used to buy 5 to 6 cassettes of superhit films even if he was very poor, he also wanted to listen music. You think like this that previously even if a poor person could spend Rs. 200-300, I am talking this 20 years back so Rs. 200-300 at that time is today's Rs. 1000. According to me subscription will be very big, you please think and try to put some rough numbers, 10 crores people will spend Rs. 1000 so how big will be the money.
- Tarbir Shahpuri:** If suppose subscription revenue obviously it goes to Spotify, or the Gaana whatever it is but how will be our economics?



- Kumar Taurani:** We will have a share in that, we will get a two-side share. One share will be of the sound recording and another of publishing. We will get two shares so if you see worldwide, in India we are 2-3 years behind, but we will understand in the coming 1-2 years. You see Warner, Universal, Sony Music, Spotify these are music labels and Apple Music, Spotify Music, and Amazon Music they have lot of subscription share, they are billion-dollar companies. That will also reflect in India if not today after 1 or 2 years.
- Tarbir Shahpuri:** Going ahead if we have any revenue streams, at least with OTT players minimum subscription per stream and some part of subscription of the customer also? Minimum guarantee plus revenue stream plus subscription, will it be like that?
- Kumar Taurani:** Yes, 100%.
- Tarbir Shahpuri:** From OTT we will have three streams over time?
- Kumar Taurani:** Yes, one we will get money from subscription so we will have related money from there and secondly the ad model AVOD, we will get money from there too.
- Tarbir Shahpuri:** Over time OTT can have four different models, ad-models for the free customers, subscription model for the people paying.
- Kumar Taurani:** No, there will be two models. One will be subscription, and one will be listen for free but see the ad. Both of it will give money
- Tarbir Shahpuri:** And out of that OTT will give you minimum guarantee and give you per stream separately ?
- Kumar Taurani:** It will give minimum guarantee, per stream, subscription revenue. There will be per stream and the subscription share that these two in total will be adjusted in MG and if there's overflow it will give more money.
- Tarbir Shahpuri:** What answer you have for the YouTube? Sometimes people say that YouTube changes the pricing, so the content revenue gets cut?
- Kumar Taurani:** YouTube is a very big animal in the room so we can't ignore it, we have to convince it, we have to keep on pursuing it with our thinking like they have also made their music app. The earning is very-very good from there and secondly the digital spacing; you think till 2025 the digital advertising is going to be doubled.
- Tarbir Shahpuri:** If you are saying that industry is growing at 30%-40% so why are hoping that we grow 25%?
- Kumar Taurani:** According to me it's good to make 25 to 30. If I say you 40 and then make 25 then you will say what is this.



- Tarbir Shahpuri:** My point is not that, my point is not to put you on a rate of growth. The industry is growing at a certain rate. They would not think that we should at least grow with the industry.
- Kumar Taurani:** Please rest assured whatever industry is growing we will grow 1% more, I promise you.
- Tarbir Shahpuri:** Will you be doing this call every quarter?
- Kumar Taurani:** Yes, we will do this call every quarter.
- Moderator:** The next question is from the line of Chetan Shah from Jeet Capital.
- Chetan Shah:** Just one follow-up question about what Tarbir was trying to understand. You broadly give answer in terms of the size of the opportunity and size of the market also which can be potentially become over a period of next 3 to 5 years and beyond that. My whole question is that in India right now we have only four to five major players who commands or who control the 70%-80% on the music rights. Do you foresee any new player emerging who can come from outside India or somebody of the existing player in India will taken over by some global guy and then that can disrupt the whole industry? I am just trying to wild guess what can happen in this industry because as we have seen in the content, TV industry, movie industry; music industry is the only industry where only Sony came. Apart from that nobody has come in the Indian music industry. What is the age which we have like Tips, T-Series, Yash Raj Music, Zee Music so what is the age which you guys have, there is Saregama so that foreigners are still not coming to India?
- Kumar Taurani:** So all three foreigners Sony, Universal and Warner they all three are in India. These three are big people who handle the music in the world and in India I think there are not five but if you will take some regional labels so I think there will be 10 players so somebody is big in Tamil, some in Telgu...
- Chetan Shah:** In total there are 12 people. If I see All India level there are 12 people who commence for 80%-85% total music in India but ours is focusing more on a Hindi music because that's what our core domain is.
- Kumar Taurani:** There are five, I think new entry of any player is very difficult because today music rights prices are sky high so I don't think any Indian player will come and if somebody is of deep pocket but he will try that to acquire any one level or do a partnership with somebody or he will do something or the other, he will think about it. Very difficult for new player to enter this market.
- Chetan Shah:** Media is an industry where personal relationship play a very-very important role rather than the business negotiations. So do you think that is one of the very big strength for the player like say you or T-Series or Zee or Yash Raj Music. What if somebody who is a professionally managed organization? Does this make a very-very important part of our strength vis-à-vis any competition?



Kumar Taurani: In the business, please understand we don't have competition actually if you see. My titles are exclusively for me. What Yash Raj holds, or any other company holds they have exclusive right for their titles so titles very different so there is actually no competition. We have competition only when we acquire the rights, then there will be no competition.

Chetan Shah: I am referring to that acquisition part only not the one which, not talking about our existing liability. I am talking about when you acquire the music rights. You explained me in my first question your relationship with Mukta Arts like you have a very personal different relationship so most of those music comes to you like that so does that sale makes any difference?

Kumar Taurani: Actually, that makes a difference and ultimately Rupaya bolta hai.

Chetan Shah: Very rightly said.

Kumar Taurani: Plus, please understand everybody has their own budget. If somebody has a budget of 100, some have budget of 25 so he will play according to that and as there are 11 players in cricket match, somebody is a batsman, bowler, fielder, wicketkeeper so it's okay, every person has its own strategy, they do business according to them like today. Javed, Asif like before 10 to 12 years we were not able to buy music so we did #1 artist of this country Atif Aslam we booked him exclusively. So our one song was equivalent to 10 songs of competition. You can check the numbers so every company has their own thinking thoughts about what we can do, what we cannot do, my present situation is like this and how should I survive. Everybody survives in a jungle.

Moderator: The next question is from the line of Suhrid Deorah from Paladin Capital.

Suhrid Deorah: I have a basic question. We don't understand the industry very well, in the 90s I understand that your edge would have been, your distribution network and you were converting music into tapes and CDs and distributing it. In today's day when it's easier to access the audience directly and the fact that the film producers are retaining music rights in house. How will you continue to grow your library successfully? So I know you've given examples of Atif Aslam in the last 15 years, but is that a valid example even today or it's going to get harder for you to become to remain a relevant player going forward?

Kumar Taurani: See, I think it's a really a good question, but let me tell you we are becoming a new retro. Nineties music is becoming the new retro and I think we have many-many songs maybe I think 800 to 1000 songs, which we can really recreate and that will be a today's blockbuster, can be today's blockbusters. So we have many things like that. We have those plans. See, recently you must have seen in "Coolie Number 1", we have given two songs and we taken the new creation rights back to us. We don't sell our song to anyone. We say okay, you use my song in the film, but you have to give me new song back to me. I taken those songs, then earlier there was in January there was a film called "Jawani Janeman", they also used our two songs "Ole-Ole and Jinne Mera Dil Lutiya". Last year there was a one film that "Chamma Chamma" they used on that my one song



he sold entire film for 7 crores. He got 7 crores and his movie was stuck for 6-8 months. It was not selling, but he taken my, so I have many such songs I can keep on recreating. What we are saying here, we want 20-25 hit songs a year and touchwood I think TIPS knows how to create those songs. So a 20-25 songs is not a big deal for me and with my catalogue strength, catalogue support if I create 10 new songs and 10 old creation, I'm not saying I'm banking on 20 songs. I'm banking on 300 songs, I want to create 300 songs. I am saying a top 20 if we create you are through you are very big. Numbers can change dramatically. So I think we have our plans, just please give us some time we will prove ourselves once again.

Suhrid Deorah: Just a related question again, very-very basic fundamental question. Your revenue from music will be a combination of two things. One is number of songs played and two is the revenue that you make per song. Now because your library is mostly 90's centred, the number of times any of your songs plays will not go up substantially unless you are adding many more platforms. Is that understanding correct?

Kumar Taurani: No. Please understand the music business, it's a long-term game of catalogue. Sometimes new releases might have minimum shelf life, so I don't agree to that. Of the majority of people, how many new songs you will listen and how many new hit songs are coming in the market. So you take example and think of yourself, if I listened to a hundred songs, how many new songs I'm listening and how many old songs I'm listening. You will be shocked to see and if you calculate last one year what I have listened, you will understand you have listened the same old songs again and again, so that is the music business.

Suhrid Deorah: The revenue that you would charge, have you been able to observe that the amount you're able to earn on every replay of your song, is that number trending upwards or does it tend to remain flat?

Kumar Taurani: Yes. It's really doing well.

Suhrid Deorah: So that number that you receive, your revenue that you receive per song played by each of these platforms over a period of time, that number does not go down?

Kumar Taurani: No, it's not going down, it's going up.

Suhrid Deorah: And on the cash flow side, you mentioned that your new spend will double from 15 crores to 30 crores and this 30 crores will go to acquire as well as create new content.

Kumar Taurani: Yes.

Moderator: The next question is from the line of Dhiraj Sachdev from Roha Asset Managers.

Dhiraj Sachdev: Just wanted to know, globally platform companies in the last few years are getting more valued than content library guys or companies, first is it fair?



Kumar Taurani: I think content platforms getting huge valuations, I agree with you. But I think slowly in India that feeling is coming, maybe little unfair happening and internationally if you see Universal or Warner or Sony their valuation is going up day-by-day, I think Warner came with an IPO last year, they launched at \$24 or \$25 something like that and I don't know exactly but now it is on \$37 or \$38, it's around 60 PE. So I think that realization is coming to India from overseas and we will see its ultimately happening in India also. I think, we music companies has not projected ourself well, which is now happening. So I think this will be rectified and corrected soon.

Dhiraj Sachdev: My second question is, are the content guys getting a fair share of the total revenue with this per streaming or per listening? As you can't disclose the revenue model and terms of sharing, but are they giving a fair share, or they get 90% and they give you 10% to the platform companies?

Kumar Taurani: No. It's not like that, they are paying us fair share. There's no problem, we get fair share.

Moderator: Thank you. That was the last question; I would now like to hand the conference over to the management for closing comments.

Kumar Taurani: Thank you everyone for joining us. I hope we have been able to answer all your queries in case you require any further details, you may please contact us or Orient Capital our investor relations partners. Thank you so much.

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