

# Tips Music | ADD

## Growth softness likely to sustain; downgrade to ADD

We downgrade Tips Music to ADD from BUY as absence of meaningful new music content releases in 3Q and 4QFY26 may keep revenue growth muted in low-to-mid teens. Also, our earlier expectation that it will meaningfully outperform industry growth led by its strategic partnership with Warner Music and aggressive content investments does not seem to be playing out as envisaged. At the industry level too, while OTTs continue to push their consumers towards paid subscriptions, the pace of transition remains slow and insufficient to accelerate revenue growth. Hence, we revise down our revenue estimate by ~10-15% over FY27-28. On the other hand, while EBIT margin may remain high at 70%+ in the near term due to absence of any major content costs, such levels are unsustainable given the nature of the business, which requires constant investment in new content. Amidst these concerns, we downgrade Tips Music with a revised Dec'26 TP of INR 560 (implied NTM PER of 30x).

- Content gap to weigh on monetisation:** We expect Tips' revenue growth to moderate to ~12-13% YoY in 3QFY26 and 4QFY26, driven by lack of major new music content releases during this period. In the music label business, regularly releasing new content is crucial, as ~70% of annual music consumption is under 18 months old. As Tips Music has no major releases on hand over the next few months, revenue growth is likely to remain muted over the next 2-3 quarters.
- We revise down our FY27-28 revenue forecasts:** At the time of our initiation ([refer our note](#)), we expected Tips Music to meaningfully outperform industry growth led by its strategic partnership with Warner Music and aggressive content investments. But recent trends suggest the outperformance has not been as much as envisaged owing to some shift in consumption of music from music OTTs to YouTube (where per stream realisation is meaningfully lower) and no big content release indicated by the company in the foreseeable future. So, we build Tips Music to deliver revenue growth of only ~13% over FY27/28, broadly in line with industry growth.
- Elevated margins not sustainable:** In the absence of limited spends on new music content, we expect Tips Music to report a disproportionately high EBIT margin of 70%+ in 2HFY26 (like it did in 2QFY26). While this margin improvement may provide near-term earnings support, we note that such levels are not sustainable given the nature of the business, which requires constant investment in new content. Accordingly, we build in EBIT margin of 66-67% over FY27/28.
- Shift to paid subscription still gradual:** Industry consolidation amongst music OTT platforms has accelerated the push towards paid subscriptions, which is structurally positive for content owners over the long term. But the pace of this transition remains measured, and we do not observe any meaningful acceleration in paid music consumption trends at this stage. Hence, the near-term uplift to streaming revenue is unlikely to compensate for the slowdown arising from consumers shifting to alternate streaming avenues like YouTube (where realisation is lower at 2-3 paise per stream).
- Downgrade Tips Music to ADD with a revised TP of INR 560:** We revise down our revenue forecast for Tips Music over FY26-28 by ~5-15% basis our aforementioned concerns on revenue growth. We, however, raise our EBIT margin by 90-520bps for FY26 and FY27 as we factor in slower-than-expected new content releases. Overall, our earnings for FY26/27/28 are adjusted by +1.4%/-9.0%/-14.6%, respectively. While Tips Music continues to benefit from a strong catalogue and longstanding industry relationships, we think lower earnings growth visibility warrants a cautious stance. Accordingly, we downgrade the stock to ADD from BUY with a rolled-forward DCF-based Dec'26 TP of INR 560.

Financial Summary						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	2,416	3,107	3,526	4,055	4,664	
Sales Growth (%)	29.3	28.6	13.5	15.0	15.0	
EBITDA	1,585	2,110	2,572	2,758	3,106	
EBITDA Margin (%)	65.6	67.9	73.0	68.0	66.6	
Adjusted Net Profit	1,272	1,709	2,040	2,196	2,477	
Diluted EPS (INR)	9.9	13.4	16.0	17.2	19.4	
Diluted EPS Growth (%)	67.6	35.0	19.4	7.6	12.8	
ROIC (%)	0.0	0.0	0.0	0.0	0.0	
ROE (%)	80.6	87.9	88.7	80.6	77.6	
P/E (x)	52.3	38.7	32.5	30.2	26.7	
P/B (x)	37.1	31.6	26.5	22.5	19.3	
EV/EBITDA (x)	40.0	30.1	24.5	22.6	19.9	
Dividend Yield (%)	1.2	1.4	2.5	2.7	3.0	

Source: Company data, JM Financial. Note: Valuations as of 08/Jan/2026



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### Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	BUY
Current Price Target (12M)	560
Upside/(Downside)	8.1%
Previous Price Target	730
Change	-23.3%

### Key Data – TIPSMUSI IN

Current Market Price	INR518
Market cap (bn)	INR66.2/US\$0.7
Free Float	35%
Shares in issue (mn)	127.8
Diluted share (mn)	127.8
3-mon avg daily val (mn)	INR160.9/US\$1.8
52-week range	739/483
Sensex/Nifty	84,181/25,877
INR/US\$	90.0

### Price Performance

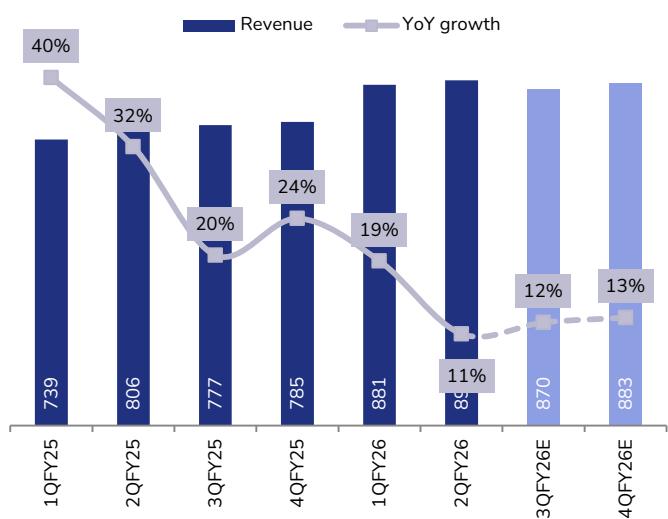
%	1M	6M	12M
Absolute	0.2	-20.3	-25.6
Relative*	1.3	-20.8	-30.9

\* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

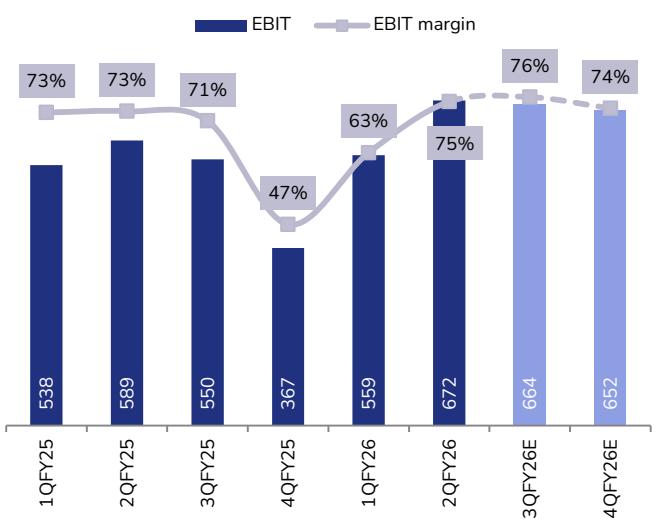
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## Exhibit 1. Revenue quarterly growth trends



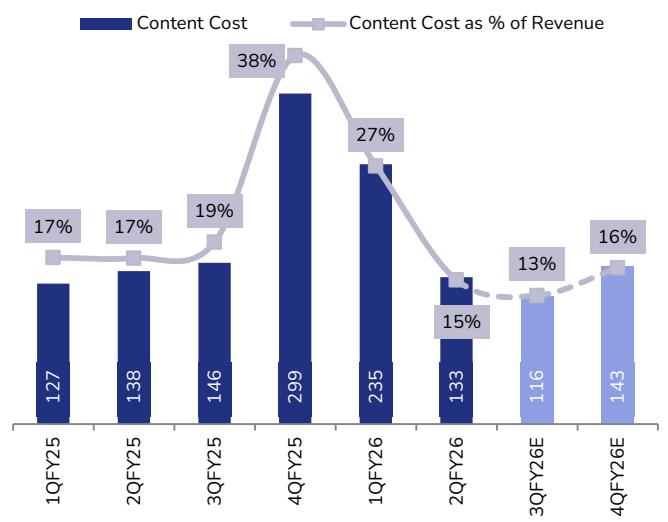
Source: Company, JM Financial

## Exhibit 2. EBIT and EBIT margin quarterly trends



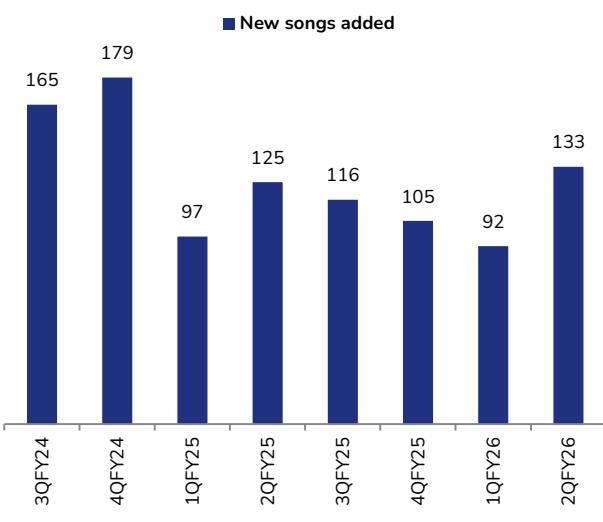
Source: Company, JM Financial

## Exhibit 3. Content cost quarterly trends



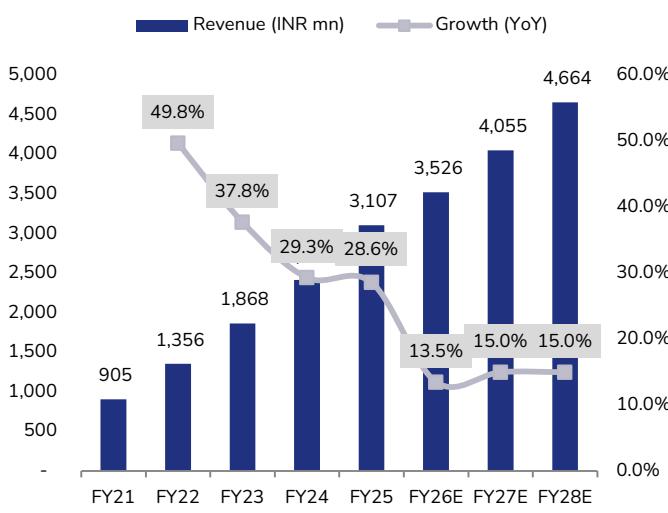
Source: Company, Company, JM Financial

## Exhibit 4. New songs added quarterly



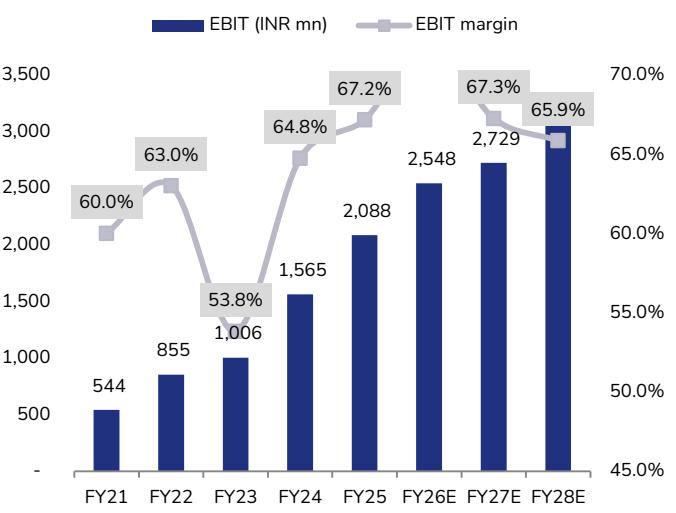
Source: Company, Company, JM Financial

## Exhibit 5. Revenue growth trends and expectations



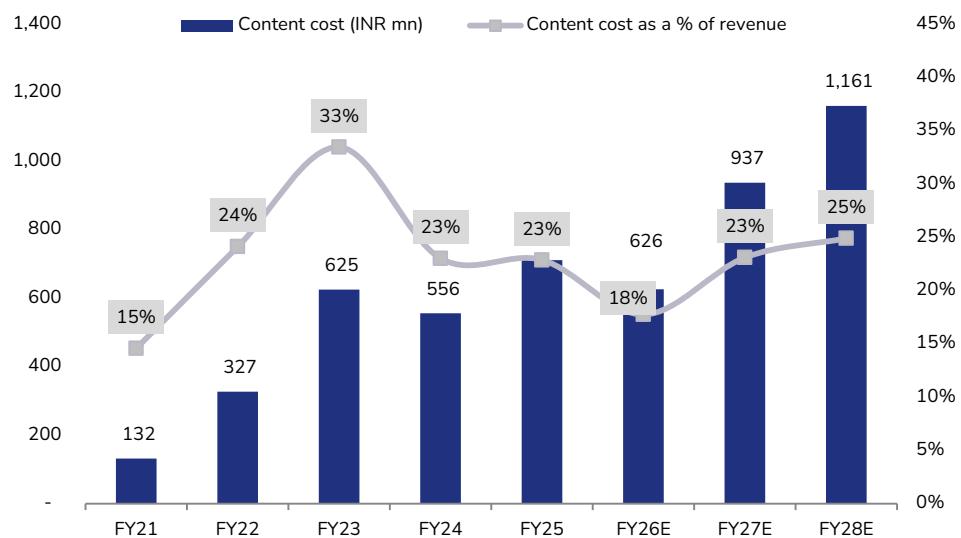
Source: JM Financial, Company

## Exhibit 6. EBIT and EBIT margin trends and expectations



Source: JM Financial, Company

## Exhibit 7. Content cost trends and expectations



Source: Company, JM Financial

## Downgrade to ADD; TP revised down to INR 560

### Exhibit 8. What has changed in our forecasts?

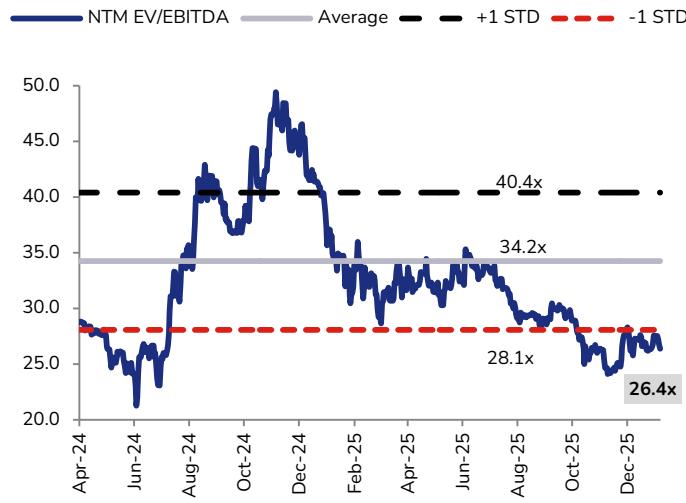
All numbers are in INR mn	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,728	4,511	5,459	3,526	4,055	4,664	-5.4%	-10.1%	-14.6%
EBIT	2,500	2,995	3,597	2,548	2,729	3,073	1.9%	-8.9%	-14.6%
EBIT margin	67.0%	66.4%	65.9%	72.2%	67.3%	65.9%	520bp	90bp	0bp
PAT	2,012	2,413	2,899	2,040	2,196	2,477	1.4%	-9.0%	-14.6%
Diluted EPS (INR)	15.74	18.87	22.68	15.96	17.18	19.37	1.4%	-9.0%	-14.6%

Source: Company, JM Financial

## Key Risks

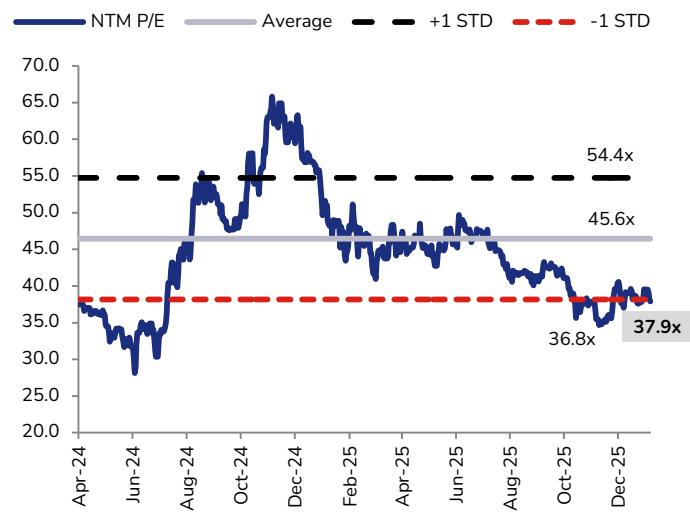
- **Key upside risk:** 1) Faster-than-expected audio OTT subscriptions growth. 2) Maturity of short format video apps leading variable licensing deals for music labels.
- **Key downside risk:** 1) Hiccups in distribution partnership with Warner 2) Irrational rise in competitive intensity inflates new content cost 3) Presence of several local as well as international players 4) Slower-than-expected uptake in paid subscriptions 5) Revenue losses to piracy.
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### Exhibit 9. NTM EV/EBITDA Chart



Source: Company, JM Financial

### Exhibit 10. NTM PER Chart



Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)						Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,416	3,107	3,526	4,055	4,664	Shareholders' Fund	1,795	2,095	2,503	2,943	3,438
Sales Growth	29.3%	28.6%	13.5%	15.0%	15.0%	Share Capital	128	128	128	128	128
Other Operating Income	0	0	0	0	0	Reserves & Surplus	1,667	1,968	2,376	2,815	3,310
<b>Total Revenue</b>	<b>2,416</b>	<b>3,107</b>	<b>3,526</b>	<b>4,055</b>	<b>4,664</b>	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	0	0	0	0	0	Minority Interest	0	0	0	0	0
Personnel Cost	109	132	130	142	154	Total Loans	0	0	0	0	0
Other Expenses	722	865	823	1,156	1,404	Def. Tax Liab. / Assets (-)	-6	-46	-46	-46	-46
<b>EBITDA</b>	<b>1,585</b>	<b>2,110</b>	<b>2,572</b>	<b>2,758</b>	<b>3,106</b>	<b>Total - Equity &amp; Liab.</b>	<b>1,789</b>	<b>2,049</b>	<b>2,457</b>	<b>2,896</b>	<b>3,392</b>
<i>EBITDA Margin</i>	65.6%	67.9%	73.0%	68.0%	66.6%	Net Fixed Assets	79	72	54	49	44
<i>EBITDA Growth</i>	55.5%	33.2%	21.9%	7.2%	12.6%	Gross Fixed Assets	173	153	159	182	210
Depn. & Amort.	20	22	25	29	33	Intangible Assets	0	2	2	2	2
EBIT	1,565	2,088	2,548	2,729	3,073	Less: Depn. & Amort.	94	83	108	136	169
Other Income	144	190	183	211	243	Capital WIP	0	0	0	0	0
Finance Cost	3	3	3	4	5	Investments	2,276	2,340	2,339	2,339	2,339
PBT before Excep. & Forex	1,705	2,275	2,727	2,936	3,311	Current Assets	1,028	936	1,481	2,134	2,815
Excep. & Forex Inc/Loss(-)	0	0	0	0	0	Inventories	0	0	0	0	0
PBT	1,705	2,275	2,727	2,936	3,311	Sundry Debtors	263	275	324	365	427
Taxes	434	566	687	740	834	Cash & Bank Balances	485	408	870	1,439	2,009
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	28	1	1	1	1
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	Other Current Assets	252	252	286	329	379
Reported Net Profit	1,272	1,709	2,040	2,196	2,477	Current Liab. & Prov.	1,594	1,299	1,417	1,626	1,806
<b>Adjusted Net Profit</b>	<b>1,272</b>	<b>1,709</b>	<b>2,040</b>	<b>2,196</b>	<b>2,477</b>	Current Liabilities	863	373	372	430	438
Net Margin	52.6%	55.0%	57.9%	54.2%	53.1%	Provisions & Others	730	926	1,045	1,195	1,368
Diluted Share Cap. (mn)	128.4	127.8	127.8	127.8	127.8	Net Current Assets	-565	-363	64	508	1,009
<b>Diluted EPS (INR)</b>	<b>9.9</b>	<b>13.4</b>	<b>16.0</b>	<b>17.2</b>	<b>19.4</b>	<b>Total - Assets</b>	<b>1,789</b>	<b>2,049</b>	<b>2,457</b>	<b>2,896</b>	<b>3,392</b>
Diluted EPS Growth	67.6%	35.0%	19.4%	7.6%	12.8%						
Total Dividend + Tax	771	895	1,632	1,757	1,981						
Dividend Per Share (INR)	6.0	7.0	12.8	13.7	15.5						

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,705	2,232	2,727	2,936	3,311
Depn. & Amort.	20	22	25	29	33
Net Interest Exp. / Inc. (-)	-80	-183	-180	-207	-238
Inc (-) / Dec in WCap.	1,126	-306	35	125	68
Others	-2	30	0	0	0
Taxes Paid	-439	-592	-687	-740	-834
<b>Operating Cash Flow</b>	<b>2,330</b>	<b>1,202</b>	<b>1,920</b>	<b>2,143</b>	<b>2,340</b>
Capex	-27	-15	-6	-24	-27
<b>Free Cash Flow</b>	<b>2,303</b>	<b>1,187</b>	<b>1,914</b>	<b>2,119</b>	<b>2,313</b>
Inc (-) / Dec in Investments	0	0	0	0	0
Others	-1,084	121	183	211	243
<b>Investing Cash Flow</b>	<b>-1,110</b>	<b>106</b>	<b>177</b>	<b>187</b>	<b>215</b>
Inc / Dec (-) in Capital	0	-472	0	0	0
Dividend + Tax thereon	-835	-895	-1,632	-1,757	-1,981
Inc / Dec (-) in Loans	0	0	0	0	0
Others	-13	-18	-3	-4	-5
<b>Financing Cash Flow</b>	<b>-848</b>	<b>-1,385</b>	<b>-1,636</b>	<b>-1,761</b>	<b>-1,986</b>
Inc / Dec (-) in Cash	<b>371</b>	<b>-77</b>	<b>462</b>	<b>569</b>	<b>569</b>
Opening Cash Balance	114	485	408	870	1,439
Closing Cash Balance	485	408	870	1,439	2,009

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	52.6%	55.0%	57.9%	54.2%	53.1%
Asset Turnover (x)	1.2	1.3	1.4	1.4	1.4
Leverage Factor (x)	1.2	1.2	1.1	1.1	1.1
RoE	80.6%	87.9%	88.7%	80.6%	77.6%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	14.0	16.4	19.6	23.0	26.9
ROIC	0.0%	0.0%	0.0%	0.0%	0.0%
ROE	80.6%	87.9%	88.7%	80.6%	77.6%
Net Debt/Equity (x)	-1.5	-1.3	-1.3	-1.3	-1.3
P/E (x)	52.3	38.7	32.5	30.2	26.7
P/B (x)	37.1	31.6	26.5	22.5	19.3
EV/EBITDA (x)	40.0	30.1	24.5	22.6	19.9
EV/Sales (x)	26.3	20.4	17.9	15.4	13.3
Debtor days	40	32	34	33	33
Inventory days	0	0	0	0	0
Creditor days	64	71	74	71	61

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
9-Jul-25	Buy	800	
30-Jul-25	Buy	765	-4.4
16-Oct-25	Buy	730	-4.6

## Recommendation History



## APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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