

Tips Industries Limited

April 22, 2019

Ratings

Facility	Amount (Rs. crore)	Rating ^[1]	Rating Action
Long Term Bank facilities	145.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Total facilities	145.00 (Rs. One hundred and forty five crore only)		

Details of facilities as per Annexure-I

Detailed rating rationale & key rating drivers

The ratings assigned to the bank facilities of Tips Industries Limited (TIL) derive strength from the vast experience of the promoters in the music industry, stable revenue generation through licensing fees derived from a vast music library, increased opportunities in the digital space, healthy profitability and cash flow generation.

The ratings are however tempered by nascent stage of paid-service model which is expected to be one of the major growth drivers, threat from piracy and intensely competitive nature of the Indian Music industry. The capital structure of the company although comfortable currently is expected to moderate with external debt to be availed for potential acquisition of music/video rights. TIL's ability to profitably monetize the rights as that envisaged, remain the key rating sensitivity.

CARE notes that the company has discontinued with the more risky film production business. Thus any future investment in film production business is the key rating monitorable.

Detailed description of key rating drivers

Key Rating Strengths

Experienced promoters and established track record

TIL has been founded by the Taurani brothers - Mr. Ramesh Taurani and Mr. Kumar Taurani, both of whom have more than 35 years of experience in the music & entertainment industry. TIL has a track record of more than two decades, has produced more than 40 films and has been continuously adding to its music library.

Extensive library of music titles and demonstrated stable revenue

TIL is a holder of large number of audio rights comprising of bollywood film music , regional music, pop music etc. Over the years, TIL has built a repertoire of more than 25,000 songs. The catalogue is dominated with music from the 90's to early 2000's. Revenue from music has grown by 33% y-o-y from FY17 to FY18.

Satisfactory financial risk profile with reducing debt

The company has satisfactory financial risk profile marked by healthy cash flows. TIL often depends on external bank borrowings to funds copyright purchase due to which its capital structure was moderately leveraged in the past. However TIL is generating healthy cash flows for its operations and has used surplus cash flows to substantially reduce debt over the past few years. Further, exit from risky film making business also reduced the reliance on external borrowing. However, in view of future debt funded acquisition of rights, capital structure is expected to moderate going forward.

Key Rating Weaknesses

Moderate scale of operations and presence in a single value chain

Size and scale of operations of TIL are moderate and it also faces competition from larger media conglomerates having presence across multiple segments the film industry value chain, which not only enjoy higher bargaining capacity but also are more capable to monetize content across platforms as compared to small scale producers and distributors. Although TIL is a reputed player, its music library is concentrated to only songs of 90's and 2000's era which may not be appealing to consumers across all generations. Having a wider genre of songs would mitigate any such concentration risk.

Nascent stage of paid-service model

The digital platform is expected to drive the demand going forward. However, the paid-service model still in the nascent stage and is exposed to music consumer's apparent unwillingness to pay for music.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Continuous threat from piracy

Piracy has been eating into the profitability of the media and entertainment industry. Though this has always been in existence, the incidence has increased in the last few years with innovation of new formats for distribution, supported by availability of cheap technology.

Liquidity Analysis

The company manages its working capital requirements through internal accruals and overdraft facility from bank. Liquidity profile of the company is moderate with utilization of working capital limits being 39% for last 12 months with quarter ended December 2018. Liquid cash balance was Rs. 5.57 crore as on March 31, 2018.

Analytical approach: Standalone

Applicable criteria

[Criteria on assigning Outlook to Credit Rating](#)

[CARE's default recognition policy](#)

[Criteria for Short Term Instruments](#)

[Financial ratios - Non Financial Sector](#)

[Rating Methodology – Manufacturing companies](#)

About the Company

Tips Industries Limited (TIL), is one of India's largest entertainment companies having presence across music, film production, distribution and artist management. The company has a large music library with a collection of over 25,000 songs across various genres and regional languages. Mr. Kumar Taurani and his brother Mr. Ramesh Taurani are the co-founders of TIL.

Brief Financials (Rs. crore)	FY17(A)	FY18(A)
Income from Continuing Operations	65.80	49.48
PBILDT	15.38	11.57
PAT	2.98	3.13
Overall Gearing (times)	0.94	0.51
Interest Coverage (times)	1.50	1.75

A-Audited

Status of non-cooperation with previous CRA: : CRISIL have migrated the ratings of TIL to non-cooperation vide their Press Release dated May 18, 2018 as the company has not provided required information for carrying out the review of the rating.

Any other information: Not Applicable

Rating History: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Arunava Paul

Tel: 022-67543667

Email: arunava.paul@careratings.com

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	Jun-25^	145.00	CARE BBB-; Stable

^for existing sanctioned facilities

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based-Long Term	LT	145.00	CARE BBB-; Stable	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD**

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian 2, No. 30,
 M. G. Road, Bengaluru - 560001
 Cell: +91 98407 54521
 Tel: +91-80-080-46625555
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55, First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Aakash Jain
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: aakash.jain@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com