



MUSIC... THE RHYTHM OF LIFE

Tips Industries Limited

Annual Report
2019-20

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Forward-Looking Statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements, written and oral, that we periodically make are forward-looking statements that set out anticipated performance/results based on the management's plan and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and realisation of assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.



MUSIC... THE RHYTHM OF LIFE

Tips Industries Limited is a leading Indian music label which creates and monetizes music. Its extensive catalogue of Film, Non-Film, Devotional, Pop, Remixes, in Hindi, Punjabi, Gujarati, Bhojpuri, and other languages straddles all genres of popular Indian music. The catalogue is licensed to OTT platforms, Content Aggregators, TV Channels, Telecom Companies, Radio Stations, Advertisers, Event Management Companies, Hotels, Restaurants, and Others. Through a robust multi-year track record, the Company has demonstrated consistent success in creating and acquiring high quality music I.P.R.

Our Corporate Culture



OUR PURPOSE:

- ▶ Deliver Entertainment



OUR VISION:

- ▶ To be amongst top 3 music companies in India



OUR MISSION:

- ▶ To create, acquire and deliver quality music having high catalogue value, to a wide range of audiences



OUR CORE VALUES:

- ▶ Honesty
- ▶ Commitment
- ▶ Team work
- ▶ Passion
- ▶ Positive attitude

CHAIRMAN'S MESSAGE TO SHAREHOLDERS



Dear Shareholders,

It is always a pleasure and privilege to present before you the performance of your Company as well as share with you a strategic overview for the future.

The current Government headed by our Honourable Prime Minister, Mr. Narendra Modi, is unsurpassed in its ability to take difficult decisions and executing projects. The Prime Minister's announcement of connecting all villages with fibre optic cable in the next 1000 days is an outstanding decision. The benefits of internet connectivity cannot be overemphasized in today's world. Access to internet will reduce information asymmetry and open new opportunities for rural populations. It will bring people living in remote areas into the main stream. For the media industry, it will be akin to opening up of new markets. The salubrious effect on growth of Indian music should not be underestimated.

The Indian Music Industry is at a watershed moment. It is the first industry to face digital disruption and emerge successfully; as a consumer internet business. However, this is not the first technological change faced by the Industry. To understand its resilience and future prospects, allow me to take you through its evolution.

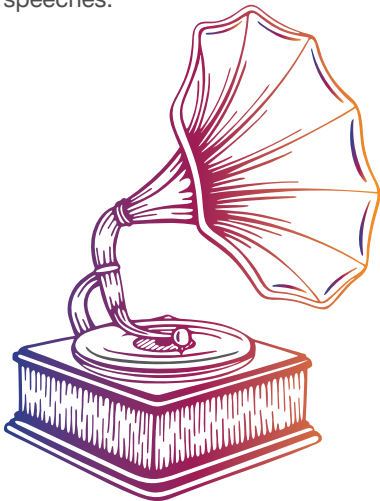
Evolution of the Music Industry

1. IN THE BEGINNING :

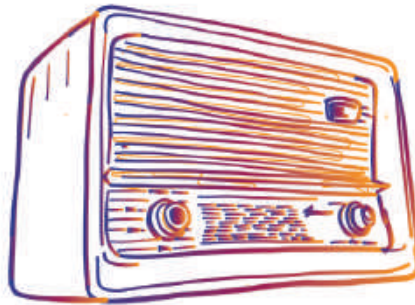
- ▶ Music and mankind have always existed side by side. In archaeological sites from the Palaeolithic era, of over 40 thousand years ago, rudimentary forms of flute have been found. Music, which is among man's first cultural expressions, appeared even before agriculture or writing and is present in all societies on the planet.

2. A BRIEF HISTORY OF TECHNOLOGICAL EVOLUTION :

- ▶ Until 150 years ago, experiencing music required live performers.
- ▶ Rudimentary acoustic devices were introduced in the late 19th Century. Thomas Edison's phonograph, introduced in 1877, was the most popular device of its time. Other similar technologies such as the gramophone and shellac records emerged during that time. The reproduction quality of these initial models was quite limited and they were used for recording monologues and famous speeches.



- ▶ Then came the recording cylinders. Recording on this medium was quite complicated with mixed results. Therefore, recording quality and sound clarity became unique selling points and remain so even today.



- ▶ The acoustic cone of the phonograph could only pick up the loudest sounds, a limitation that made recording multiple instruments simultaneously a strenuous exercise. To balance the volume of recordings, musical instruments were placed on the basis of their loudness. The loudest instruments had to be kept furthest from the cone. To change the importance of instruments during the recording, musicians were placed on a moving platform so that the instruments could be brought closer to the cone at the right time. Today, that complicated choreography of a recording session would seem hilarious.
- ▶ At the beginning of the 20th century, Radio became the popular medium of broadcasting music and news in the 1920s.

At this time, radio broadcasts were still based on real-time musical performance in the broadcasting studio. The sound quality of a live transmission was far superior to that of records or cylinders of that time due to the use of microphone technology and electromagnetic waves. This helped to make radio very popular.

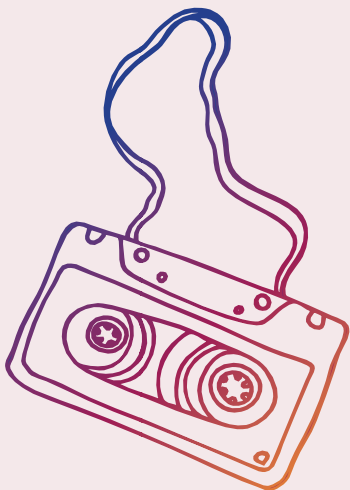
3. A NEW ERA :

- ▶ In 1948, Vinyl records were introduced and were immediately lapped up by consumers.

Listeners were soon accustomed to hearing music on records and buying records. This gave birth to a business model of recording, production and distribution of music controlled by entities known as The Record Company.



Vinyl grooves imposed serious volume restrictions on bass frequencies. Loud bass frequencies caused needle jumps; but the popularity of Vinyl was such that it shaped the form and sound of Pop and Rock music that we have known through the years.



>> Until 1957, most magnetic tapes recorded only on single track. The number of instruments used in a recording was limited by the number of tracks on a magnetic tape. Technological improvements led to multi track recorders but still there were limitations. All the records from the beginning of The Beatles' career to Sgt. Pepper's Lonely Hearts Club Band, in 1967, were recorded using only four tracks of a magnetic tape. Eventually over the next decade, magnetic tapes could record upto 24 tracks independently and now with computers, 100s of tracks can be recorded simultaneously.

4. DIGITAL SOUND :

▶ Until 1982, recording and reproducing sound was done in an analogical manner using electromagnetic and mechanical



means. By this time, vinyl record sales had started declining. The introduction of Compact Discs (CDs) multiplied recording profits through the 80s and 90s. Consumers not only accepted paying more than twice as much for the new media but reacquired their favourite albums in digital version as well. By this time, such consumer behaviour was already well established.

- ▶ Advent of Internet : The proliferation of internet in the 90s led to the development of many new technologies including Mp3, which is an algorithm that drastically reduces the audio file size to 8% of its original size. As a result, Mp3 files had much lower audio quality. The small file size facilitated online transfers and resulted in huge piracy. Artists and record companies blamed piracy for the dip in CD sales.
- ▶ The launch of Napster in 1999 resulted in an explosion of unauthorised file sharing and severely dented industry revenues. The launch of iTunes music store in 2003, which allowed users to download singles for 99 cents disrupted physical distribution channels of recorded music. Industry revenue declined as consumers opted to download their favourite singles instead of buying albums of 8 to 10 songs.
- ▶ (Not So) New Business Model : Interestingly, selling singles was not a new concept. Major careers in the 1960's such as Elvis Presley's were built on selling singles. Only later with the introduction of 12 inch records, bands such as The Beatles and The Beach Boys started using the bigger format for recording a cohesive set of songs for the so called "Concept Albums". After them

the Pop and Rock Music started using the album as their main product. Albums were sold at a price five times higher than singles.

- ▶ In the current century, the return to selling singles led to labels losing control over physical distribution channels and by extension, on pricing of music.

5. INDUSTRY CONSOLIDATION :

The onslaught of piracy, change in business model from selling albums to downloading singles and the loss of control over physical and digital distribution channels led to a 14 year decline in Industry revenues.

So forceful was the impact that music labels consolidated into 3 large music companies viz, Universal Music Group (UMG), Sony Music Entertainment (Sony) and Warner Music Group (WMG). Today, these 3 companies control approximately 90% of global music content.

6. DAWN OF THE NEW BUSINESS MODEL :

- ▶ Technological change and consumer choice reshaped the music industry. Old ways of doing business perished in the dawn of the digital age. Music was the first industry to face the wrath of digital disruption. It emerged with a new business model as a completely digital industry. It is now one of the most profitable internet businesses.

Recording, delivery and consumption are now completely digital. Record companies do not require, factories and warehouses or incur transportation costs. The delivery from the Label to the Consumer is completed over internet.

MUSIC IS NOW AN INTELLECTUAL PROPERTY RIGHTS GOVERNED CONSUMER INTERNET BUSINESS.

Why Streaming Is Here To Stay

TECHNOLOGY ALSO PROVIDED NEW GROWTH DRIVERS: As in any business cycle, disruption created a new business model. Technology also provided the growth drivers for the new model. With the launch of Spotify in 2008, consumers started opting to stream music over downloads. By 2015, revenues from music streaming overtook revenues from music downloads to become the largest source of revenue for the music industry.

Alignment of interest is a wonderful thing. Streaming achieves that for all stakeholders in the music value chain. Therefore, it is here to stay.

At Tips, we are quite excited by this!

Having foreseen the trends, we were among the earliest players to digitize our repertoire. Our digitized catalogue comprises over 29,000 songs in multiple Indian languages and genres which is available on many global and local platforms including YouTube, Resso, Amazon Prime, JioSaavn and Facebook. Our catalogue comprises film, non-film, pop, remixes devotional songs and bhajans, created by some of the leading artistes and musicians of this country.

We have substantial social media presence on Facebook, Twitter and Instagram. Our YouTube channel has over 35.88 million subscribers/followers. This entire digital focus and impetus has ensured our music business continues to grow from year to year. This year, our revenues from music were Rs. 97.92 crores compared to Rs. 66.74 crores last year - clear validation

of our digital focus. The ban on Tik-Tok has created a situation where a number of other apps are trying to replace it. They are our new customers.

We are also witnessing; entry of many new partners, introduction of new formats, newer ways of using music, device innovation, benefits of India's favourable demography and strong intellectual property rights regime; together these factors provide visibility of growth for the medium to long term. The Company hopes to resume its growth trajectory once impact of COVID-19 abates. We remain confident that the hiccups of FY21 will prove to be temporary.

FILM BUSINESS

Let me now update you on the Company's film business. There has been an increasing demand for content-rich films, particularly in the last two years. This trend is on the rise. At TIPS, we have been producing

content-rich films that deliver wholesome family entertainment. This places us at an excellent position to leverage this trend. We are evaluating many interesting scripts and also re-evaluating our film business. Plans are in place to produce at least two to three films every year that provide wholesome entertainment for the entire family. Similarly, we are also evaluating scripts for Punjabi films, where too we have a proven track-record of producing some of the biggest hits.

I thank you all for your trust and faith in TIPS. A special note of gratitude to all our stakeholders: our employees, investors, partners, bankers and vendors.

Yours sincerely,

Kumar S. Taurani

Chairman & Managing Director

BOARD OF DIRECTORS



Mr. Kumar Taurani

Chairman & Managing Director



Mr. Ramesh Taurani

Managing Director



Mr. Amitabh Mundhra

Independent Director



Ms. Radhika Pereira

Independent Director



Mr. Venkitaraman S. Iyer

Independent Director



Mr. Girish Taurani

Additional Director - Executive

CORPORATE INFORMATION

BOARD OF DIRECTORS :

Mr. Kumar Taurani
Chairman & Managing Director

Mr. Ramesh Taurani
Managing Director

Mr. Amitabh Mundhra
Independent Director

Ms. Radhika Pereira
Independent Director

Mr. Venkitaraman S. Iyer
Independent Director

Mr. Girish Taurani
Additional Director – Executive

CHIEF FINANCIAL OFFICER :

Mr. Sunil Chellani

COMPANY SECRETARY & COMPLIANCE OFFICER :

Ms. Bijal R. Patel

SENIOR MANAGEMENT :

Mrs. Varsha Taurani
Vice President – Administration

Ms. Jaya Taurani
Chief Operating Officer – Production

Ms. Kavita Lakhani
Vice President – Film Production & Promotions

REGISTERED OFFICE :

601, Durga Chambers, Linking Road,
Khar (West), Mumbai 400 052
Contact No.: +91 22 6643 1188
E-mail ID: response@tips.in
Website: www.tips.in

ACCOUNTS OFFICE :

1st Floor, Asara Co.op Housing Society Ltd,
(Virkar Apartments), 17th Road,
Khar (West), Mumbai – 400 052

STATUTORY AUDITORS :

M/s. SSPA & Associates
Chartered Accountants
1st Floor, Arjun, Plot No. 6A, V. P. Road,
Andheri (West), Mumbai – 400 058

INTERNAL AUDITORS :

M/s. Maheshwari & Co.
Chartered Accountants
3rd Floor, Esplanade Building,
3, Amrut Keshav Naik Marg
Fort, Mumbai - 400 001

SECRETARIAL AUDITORS :

NL Bhatia & Associates
507, Skyline Wealth Space, 5th Floor,
C2 Wing, Skyline Oasis Complex,
Premier Road, Near Vidyavihar Station,
Ghatkopar (West), Mumbai – 400 086

REGISTRAR & SHARE TRANSFER AGENT :

Link Intime India Private Limited
C – 101, 247 Park, LBS Marg,
Vikhroli (West), Mumbai – 400 083

BANKERS :

Bank of Baroda
Everest Building, Tardeo Road,
Mumbai – 400 034

Canara Bank
Maker Chambers-III, 7th Floor,
Nariman Point, Mumbai -400 021

HDFC Bank Limited
2nd Floor, Maneckji Wadia Bldg.,
Nanik Motwane Marg, Fort,
Mumbai – 400 001

ICICI Bank Limited
Ground Floor, Indraprastha,
Linking Road, Santacruz West,
Mumbai – 400 054

BSE Scrip Code: 532375

NSE Code: TIPSINDLTD

CIN: L92120MH1996PLC099359

STATUTORY REPORTS AND FINANCIAL STATEMENTS