



Music

IS IN THE AIR

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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.



You can also download a digital copy of this Annual Report from our website www.tips.in

Music

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TIPS Industries Limited is a leading Indian music label which creates and monetises music. This year, the Board has decided to demerge the Film and Music businesses. The Music Business has an extensive catalogue of film, non-film, devotional, pop and remixes in Hindi, Punjabi, Gujarati, Bhojpuri and other languages which straddle all genres of popular Indian music. The catalogue is licensed to over the top (OTT) video platforms, content aggregators, television 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 high quality music and acquiring music related intellectual property rights (IPR).

OUR CORPORATE CULTURE



OUR PURPOSE:

♪ Deliver Entertainment



OUR VISION:

♪ To be amongst the 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
♪ Teamwork
♪ Passion
♪ Positive attitude



Chairman's Message to Shareholders



Dear Shareholders,

The year 2020 was tumultuous for the entire world. The impact of COVID-19 pandemic and its aftermath are likely to be felt by most of us for many years. Yet, upheavals bring their own set of positive and negative factors. The COVID-induced lockdown introduced new behavioural patterns such as Work From Home (WFH) that have actually been beneficial for the global music industry.

The current government headed by our Honourable Prime Minister, Shri Narendra Modi, has boldly faced this unprecedented crisis and its management of the COVID crisis and the ongoing vaccination programme for a population of this scale has been commendable. The government's stated intent to foster growth of the private sector will benefit all enterprises.

According to the International Federation of the Phonographic Industry (IFPI), which represents the recording industry worldwide, the global

music industry grew 7.4 per cent in 2020. It was driven by a 18.5 per cent growth in subscription revenue, which now accounts for 46 per cent of revenue for music labels globally. Overall, streaming contributes 62 per cent of the total revenue pie for music labels globally.

We observed that short form content based new social media platforms like Tik Tok, which offer a mix of music, lip sync videos and micro-video content – have built business models centred around music. New use cases are being created for music in social media.

According to EY's Media and Entertainment Report 2021, the Indian music industry which is advertising-driven, remained unchanged in 2020. The hard lockdowns required to control the spread of COVID-19 caused equally sharp cutbacks in advertising expenditure of all major advertisers, but the growth in digital advertising supported the Music Industry.

Your Company registered a 7.55 per cent decline in music revenues due to a mix of reasons including cancellation and ban on events post lock down, timing of contract renewal and some contract-specific clauses, which delayed booking of revenues.

The external environment was challenging, but we continued to focus on aspects of business within our control viz; new recordings and releases, signing up artists, recreation of old songs, improving marketing efficiencies, evaluating new opportunities presented by short format content and usage of music on social media platforms.

Tips Industries Limited is at a watershed moment in its evolution. This year, your Board of Directors decided to separate the film and music businesses into independent companies so that each business can independently chart and execute its strategy and attract like-minded investors. At this juncture, as we look into a future of expanding opportunities, I would like to reflect on our journey so far.

EVOLUTION OF TIPS INDUSTRIES LIMITED

1. Beginning

My father Shri Sadhuram Taurani belonged to a middle-class joint family consisting of his parents, his wife, two brothers and five sisters, all residing in Karachi in unified India. In 1946, at the time of India's Partition, they left all their belongings and came to Mumbai where they rented a house in Dadar. Luckily, the Government soon announced some aid for people compelled to relocate from those provinces and my father received Rs. 6,000 as aid. He used Rs. 3,000 to buy a shop in Colaba and started a grocery store with his younger brother. There wasn't enough money to stock goods or create an inventory. Neither connections nor business track record was available to help access credit. Fearing that customers would not come to a sparsely stocked store, he relied on his wits and stocked the shop with goods that he could buy and filled up the rest of the store with empty containers and boxes to create an impression of a well-stocked store. The store was a success and soon turned very profitable as my father focused on selling food items consumed by the Sindhi community, which were not easily available with other grocers.

A few years later, my father bought another shop, Jai Hind Electronics, in Navjivan Society on Lamington Road and started to sell electronics, watches, clocks etc. It was a middling enterprise. My father's youngest brother managed this business.

When I was around 18-19 years old, my younger brother Ramesh and I were asked to learn the business under him. We visited the shop but looked forward to weekends when both of us would spend the entire weekend watching movies. Our goal was to watch every movie that was released that weekend. Our elders didn't approve of this, but we persisted.

We got an opportunity to become dealers of HMV. Since the electronics business was not very profitable, we started selling music records. In a few years, we also got dealerships of Polydor - Music India, CBS and other leading music labels of that time. Soon we were the largest distributors of music records in the western region.



2. Music Label

In the 1980s, we were still a joint family. In a division of assets, our grocery store at Colaba was given to one of my uncles in 1982. My father and his youngest brother now depended on the records business. All the leading labels had launched music cassettes during this time and we got dealerships to start selling cassettes in the Indian market.

In 1985, we bought another shop on the busiest part of Lamington Road, Pancham Electronics. Between Jai Hind Electronics and Pancham Electronics, we got dealerships from all major music labels of that time to sell cassettes too.

As we gained an understanding of the records business, we realised that recording music was more profitable than selling music records and cassettes. So we started recording bhajans and songs by small artistes in Hindi, Sindhi and Marathi languages under the label TIPS which was owned by our Company R.K. Electronics. Our music label was TIPS, which stands for 'To Introduce Promising Singers'.

In 1986, in yet another division of assets, our shop, Pancham Electronics along with the music dealerships was handed over to our uncle. My father had retired and my brother and I retained Jai Hind Electronics and our Company R. K. Electronics along with the music label and the music rights that we had created. Ramesh and I worked very hard in this business.



In 1988, we launched another Company, Tips Cassettes and Records Company to acquire film music rights and sell film music cassettes under the TIPS label.

Gunahon Ka Devta, released in 1990 was the first film whose music rights were acquired by TIPS. We subsequently acquired the music rights of four more films; Elaan-E-Jung (1989), Chor Pe Mor, Kahan Hai Kanoon (1989), Bungalow No. 666, which were all musical flops.

We remained undeterred and we tried to gather insights from our distribution business on consumer taste and preferences for music. We also used this experience to fine-tune our understanding of pricing music rights.

In 1992-93, we merged R. K. Electronics and Tips Cassettes and Records Company.

3. Growth Phase

Salman Khan starrer Pathar Ke Phool was our first superhit and we sold 3 million cassettes. In the very same year, music of Phool Aur Kaante became a blockbuster hit. Its music remained popular until the era of cassettes and CDs ended. Cumulatively, we would have sold over 20 million cassettes and CDs of this film's music.

As the music distribution business grew, the cost of acquiring rights also went up. Ramesh and I focused on acquiring music rights and poured every spare penny into IPR. We opted not to purchase larger houses or more cars or redecorate our homes. We simply kept investing every rupee into music rights.

The music business was booming and we were recovering anywhere between 30 per cent and 300 per cent of the cost of producing a film simply by selling its music. So, in 1993, we decided to produce films in a bid to gather more music rights, cheaply. Given the economics of that time, we felt it was a risk worth taking.

We had no experience in the craft of filmmaking. So, we partnered with other film producers. Our first film Coolie No.1 was co-produced with Mr. Vashu Bhagnani's Pooja Films. We probably sold over four million cassettes and CDs of Coolie No.1's music. Our next film, Raja Hindustani was also a co-production with Ali and Karim Morani and Bunty Soorma. The film and its music were both blockbusters and we would have sold over ten million cassettes within twelve months of the film's release. Similarly, we co-produced Haqeeqat with N R Pachisia, Jeet with Sajid Nadiadwala and Beqabu with N Chandra.

Having gained some experience in film production, we decided to produce films independently. our first independent production was Auzaar.

By this time, TIPS had become the leading music company in India. We started raising prices. Cassette prices went up from Rs 20 to Rs 55 over a period of time. The rest of the industry followed TIPS on pricing.

By virtue of independent recordings, acquiring film rights and producing films on our own, we had become the largest acquirer of music rights in India. The period from 1988 to 1997 was one of uninterrupted growth. We had announced simultaneous production of ten films. Soon six movies were on the floor and we had signed up actors for the other four movies.

The Crisis

Life never moves in a straight line

In 1997, my brother Ramesh was falsely implicated in the Gulshan Kumar case. Thankfully, the sessions court acquitted him in 2002 and



the Bombay High Court upheld that decision and acquitted him in July 2021, closing this chapter finally. After a very long time, our family can be at peace.

In retrospect, however, when the news broke out in 1997, we found ourselves in a dilemma. On one hand, we had six movies on the floor requiring capital infusion every day and on the other hand all our financiers were insisting on return of their capital. Those were extremely trying times for the business and the family as well.

I met all our financiers and explained the situation to them. I assured them about the return of their capital and convinced them to give us six months time to start the repayments.

We took stock of the various productions and ranked them on the basis of completion. The movie which was nearest to completion was prioritised for providing additional capital. On completion, we sold the film and used the proceeds to partly repay financiers and partly for completion of the next film. We completed all six films in this manner and released them.

In about eight to nine months, most of the external capital was repaid and within a year all of it was paid back with full interest as per our original agreement. We did not seek any interest waivers or even lower interest rates. We repaid every single penny.

Following closely on the heels of this crisis was another; Technological Change in the music industry. This disrupted our physical distribution business and rampant piracy brought the business to a standstill. In this era, piracy, technological change and a change in music preferences led to a change in the industry's business model.

I had written about these changes last year and will not repeat them here. Suffice to say, that the mobile telephony revolution revived our industry and we could see light at the end of the tunnel.

We have always been first to embrace change and were the first music company to do a licencing deal with a Singapore-based streaming company, Sound Buzz, for streaming and downloading singles and albums in 2010.

In a decade since then, streaming has become the largest contributor of revenues to the industry.

In films too, the business cycle has turned with the emergence of OTT players and large companies like Disney+Hotstar, Amazon,

Netflix, Zee5, SonyLiv, ViacomVoot and others making India their focused markets.

Ups and downs are a part of life and business. We are grooming our children to follow us on the same lines with the same values.

At a time when both businesses are growing strongly and will henceforth carve out own paths, it's only natural to ask; What next? Ramesh and I cannot foretell the future, but to all our stakeholders, we want to say that there's lots more to come.

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 Dudhat

Independent Director



Mr. Venkitaraman Iyer

Independent Director



Mr. Girish Taurani

Executive Director

Corporate Information

BOARD OF DIRECTORS:

Mr. Kumar Taurani, *Chairman & Managing Director*
Mr. Ramesh Taurani, *Managing Director*
Mr. Amitabh Mundhra, *Independent Director*
Ms. Radhika Dudhat, *Independent Director*
Mr. Venkitaraman Iyer, *Independent Director*
Mr. Girish Taurani, *Executive Director*

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: info@tips.in
 Website: www.tips.in
 CIN: L92120MH1996PLC099359

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 Accountant
 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
 Canara Bank
 HDFC Bank Limited
 ICICI Bank Limited
 Equitas Small Finance Bank Limited

Statutory Reports and Financial Statements