

Tips Industries Limited

Instrument	Amount (In Rs. Crore)	Rating Action
Long term Fund Based	85.00 (enhanced from 40.00)	[ICRA]BB+ (Stable) Assigned/Outstanding

ICRA has assigned the long term rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs. 85.00 crore (enhanced from Rs. 40.00 crore) fund based facilities of Tips Industries Limited (Tips/the company). The outlook on the rating is stable.

The assigned rating takes into account the vast experience of the promoters in the entertainment industry, ranging over three decades, a strong brand presence and a strong content library, which enables the company to generate stable cash flows in the form of royalty receipts and demonstrated strategy of de-risking itself from box-office performance through pre-sale of movies whenever possible.

The rating, however is constrained by the exposure of the company to the risks inherent in the film industry with its linkage of revenue to the launch schedule and success of its movie slate in a given year; modest coverage and cash accruals, given high debt levels and subsequent interest outgo; commensurate returns from the investment in building content library and the risk of piracy, seasonality and event risk associated with movies business. Also, the company has significant net intangibles (its library value in the balance sheet) and the timely monetisation of the same is critical for maintaining the financial profile.

Going forward, a healthy content pipeline with timely receipt of royalty receipts, performance of its future movies at box office and ability to de-risk its business model through pre-sales and deleveraging its balance sheet will be key rating sensitivities.

Company Profile

Tips Industries Limited was started as a trading firm in pre 1980s by Mr. Kumar Taurani and his brother Mr. Ramesh Taurani. In 1981, they began recording songs by new artists in Hindi and other regional languages like Punjabi, Sindhi, Rajasthani, Marathi, Bengali and Bhojpuri in their partnership firm RK Electronics. In 1988, it formed a new partnership firm namely Tips Cassettes and Records Co. which had manufacturing facilities at Palghar and Silavassa for manufacturing blank and pre recorded cassettes. In 1992, RK Electronics was dissolved and merged with Tips Cassettes and Records Co. and later in 1996 was converted into a private limited company called Tips Industries Private Limited.

Tips is currently engaged in film production and distribution and holds a large number of audio rights of Hindi as well as other regional songs.

Recent Results

In FY2016, Tips has reported a net profit of Rs. 3.03 crore on operating income of Rs. 68.44 crore as against a net profit of Rs. 2.70 crore on operating income of Rs. 102.35 crore in FY2015.

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