

# Sun TV Network

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	SUNTV IN
Equity Shares (m)	394
M.Cap.(INRb)/(USDb)	167.2 / 2.2
52-Week Range (INR)	611 / 403
1, 6, 12 Rel. Per (%)	-11/-15/-29
12M Avg Val (INR M)	936

## Financials & Valuations (INR b)

Y/E March	FY22E	FY23E	FY24E
Sales	35.0	37.7	40.2
EBITDA	22.6	24.2	25.6
Adj. PAT	16.4	16.3	17.9
EBITDA Margin (%)	64.6	64.1	63.5
Adj. EPS (INR)	41.7	41.4	45.3
EPS Gr. (%)	8.2%	-0.9%	9.6%
BV/Sh. (INR)	204.4	220.3	237.9

## Ratios

Net D:E	-0.6	-0.7	-0.7
RoE (%)	21.9	19.5	19.1
RoCE (%)	22.2	19.5	19.8
Payout (%)	55.3	61.4	61.1

## Valuations

P/E (x)	10.2	10.3	9.4
P/B (x)	2.1	1.9	1.8
EV/EBITDA (x)	5.8	4.8	4.2
Div. Yield (%)	4.7	5.2	5.6
FCF Yield (%)	2.9	11.5	9.3

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	75.0	75.0	75.0
DII	4.2	2.9	4.1
FII	9.2	9.0	9.0
Others	11.6	13.1	12.0

FII Includes depository receipts

**CMP: INR425 TP: INR500 (+18%) Buy**

## Weak performance; IPL value and dividend yield lend support

- SUNTV reported a soft revenue growth (up 7% YoY) and a PAT decline of 10% (miss) on the back of a 350bp contraction in EBITDA margin. The double-whammy of weak subscriber growth and a heightened investment in content has hit profits.
- We have cut our FY23 estimate by 5%, factoring in 4.2% CAGR over FY22-24. The upbeat valuation can be attributed to winning of a new IPL franchise at the recently held auction. This makes the stock's valuation (sub-10x on a Mar'24E basis) compelling. This, along with increased investment in content to gain market share, is a key positive, but delayed investment on OTT and heightened competition remains a concern. We **maintain our Buy rating**.

## Revenue/PAT up 6%/4% YoY; announces a dividend of INR2.5

- Revenue rose 6.5% YoY to INR8.3b (10% below our estimate). Advertisement revenue grew 7% YoY, while subscription revenue fell 3% to INR4.2b.
- Production costs were up 22% YoY to INR1.4b (4% below our estimate). SG&A expenses rose 39% YoY to INR763m, (which includes INR49.4m towards IPL franchisee fees). This led to a 19% YoY increase in OPEX.
- EBITDA stood flat at INR5.5b, up 1.2% YoY (14% below our estimate), led by soft revenue growth, higher production and SG&A cost. EBITDA margin fell 350bp YoY to 66.4%.
- Net profit fell 10% YoY to INR4.04b (5% below our estimate). The board declared an interim dividend of INR3.8/share. For FY22, it has declared a dividend of INR20/share v/s INR5/share in FY21.

## Valuation and view

- The management is increasingly investing on multiple non-fiction shows in South India, along with fiction shows for prime time. This will enable it to maintain the growth momentum in viewership.
- SUNTV's healthy liquidity, with a net cash of over INR9.2b, offers room to intensify investments in linear as well as the OTT space. This, along with a higher dividend payout potential (45-85% payout policy) and lower valuations, offers support. Adjusting for the recent high auction price from new IPL teams, the stock is trading at a FY22 P/E of 6-7x.
- Key risk: Investments on movie production has delayed OTT spends by two years. The management has now guided at FY23 for the same, except monetization of its existing library, which remains a key concern. There exists a risk of further delays.
- We have cut our FY23 estimate by 5%, factoring in 4.2% CAGR over FY22-24.
- We value the stock at a FY24E P/E of 11x to arrive at our TP of INR500. **We maintain our Buy rating.**

## Standalone quarterly earnings

(INR m)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3Q	4Q				
Revenue	6,061	7,562	9,723	7,820	8,101	8,287	10,331	8,330	31,166	35,049	9,174	13
YoY Change (%)	-43.9	-2.3	19.3	6.4	33.7	9.6	6.2	6.5	-8.5	12.5	-5.6	
Total Expenditure	1,896	2,541	3,717	2,352	3,151	3,081	3,112	2,797	10,506	12,141	3,207	-3
EBITDA	4,165	5,020	6,007	5,468	4,950	5,206	7,219	5,533	20,660	22,907	5,967	21
YoY Change (%)	-39.0	7.1	3.5	8.6	18.8	3.7	20.2	1.2	-7.6	10.9	-0.7	
Depreciation	1,455	913	687	766	331	355	1,533	648	3,821	2,867	861	78
Interest	18	16	15	172	10	235	8	34	220	287	10	-21
Other Income	1,086	516	621	506	561	660	420	538	2,729	2,178	649	-35
PBT	3,779	4,607	5,926	5,036	5,170	5,276	6,098	5,388	19,348	21,932	5,745	6
Tax	951	1,148	1,508	537	1,272	1,343	1,524	1,345	4,144	5,483	1,445	
Rate (%)	25.2	24.9	25.4	10.7	24.6	25.4	25.0	25.0	21.4	25.0	25.2	
Reported PAT	2,828	3,459	4,418	4,499	3,898	3,933	4,574	4,044	15,204	16,448	4,300	6
YoY Change (%)	-25.9	-5.6	18.3	80.0	37.8	13.7	3.5	-10.1	10.8	8.2	-2.7	

E: MOFSL estimates

## Exhibit 1: Valuation based on FY24E EPS

Valuation	Mar'24
EPS (INR)	46
P/E multiple (x)	11
Target price (INR)	500
CMP (INR)	425
Upside (%)	18%

Source: Company, MOFSL

## Exhibit 2: Quarterly performance (INR m)

INR m	4QFY21	3QFY22	4QFY22	YoY (%)	QoQ (%)	4QFY22E	Var. (%)
Revenue	7,820	10,331	8,330	6.5	-19.4	9,246	-9.9
Operating expenditure	2,352	3,112	2,797	18.9	-10.1	2,844	-1.6
EBITDA	5,468	7,219	5,533	1.2	-23.3	6,402	-13.6
EBITDA margin (%)	69.9	69.9	66.4	-350bp	-345bp	69.2	-282bp
Depreciation and amortization	766	1,533	648	-15.4	-57.7	1,119	-42.0
EBIT	4,702	5,686	4,885	3.9	-14.1	5,284	-7.5
Interest	172	8	34	-80.1	327.5	10	238.6
Other income	506	420	538	6.3	27.9	410	31.1
PBT	5,036	6,098	5,388	7.0	-11.6	5,683	-5.2
Tax	537	1,524	1,345	150.4	-11.8	1,430	-6.0
Effective tax rate (%)	10.7	25.0	25.0	1429bp	-4bp	25.2	-20bp
PAT	4,499	4,574	4,044	-10.1	-11.6	4,253	-4.9
Adjusted PAT	4,499	4,574	4,044	-10.1	-11.6	4,253	-4.9

Source: MOFSL, Company

## Exhibit 3: Breakup of operating expenses (INR m)

Operating cost	4QFY21	3QFY22	4QFY22	YoY (%)	QoQ (%)	4QFY22E	Var. (%)
Production cost	1134	1589	1,380	21.7	-13.2	1,440	-4.2
Employee cost	670	664	654	-2.4	-1.6	692	-5.6
Other exp.	549	859	763	39.1	-11.2	711	7.3
Total Operating expenses	2,352	3,112	2,797	18.9	-10.1	2,844	-1.6

Source: MOFSL, Company

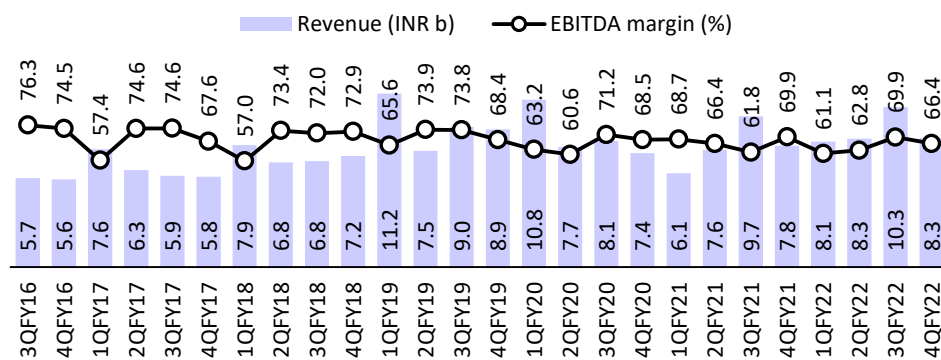
**Exhibit 4: Revisions to our estimates**

	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
<b>Advertising Revenue (INR b)</b>			
Old	12.9	14.5	15.8
Actual/New	13.1	14.3	15.5
Change (%)	1.3	-1.4	-1.4
<b>Subscription Revenue (INR b)</b>			
Old	18.9	20.3	21.9
Actual/New	18.0	19.0	20.4
Change (%)	-5.0	-6.6	-6.8
<b>Revenue (INR b)</b>			
Old	36.0	39.3	41.9
Actual/New	35.0	37.7	40.2
Change (%)	-2.5	-3.9	-4.0
<b>EBITDA (INR b)</b>			
Old	23.8	25.1	26.0
Actual/New	22.6	24.2	25.6
Change (%)	-4.8	-3.7	-1.9
<b>EBITDA margin (%)</b>			
Old	66.1	63.9	62.1
Actual/New	64.6	64.1	63.5
Change (bp)	-152.2	18.7	142.0
<b>PAT (INR b)</b>			
Old	16.7	17.2	18.3
Actual/New	16.4	16.3	17.9
Change (%)	-1.3	-5.5	-2.3
<b>EPS (INR)</b>			
Old	42.3	43.8	46.4
Actual/New	41.7	41.4	45.3
Change (%)	-1.3	-5.5	-2.3

Source: MOFSL, Company

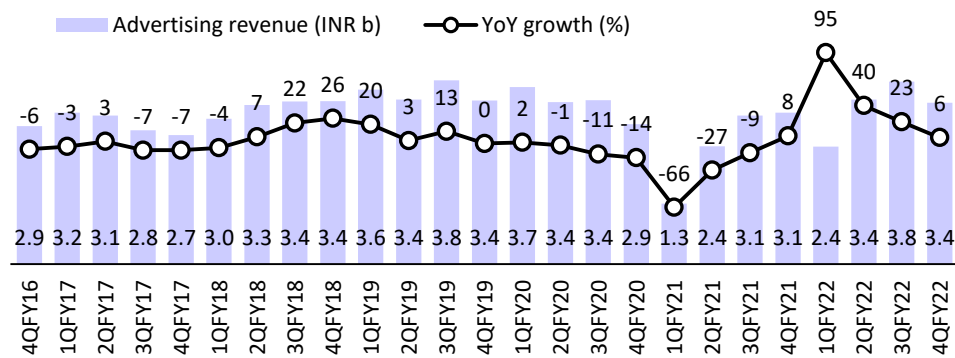
## Story in charts

**Exhibit 5: Standalone revenue up 7% YoY**



Source: MOFSL, Company

**Exhibit 6: Ad revenue up 6% YoY**



Source: MOFSL, Company

## Financials and valuations

### Standalone Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Total Income from Operations</b>	<b>23,952</b>	<b>25,583</b>	<b>28,625</b>	<b>36,633</b>	<b>34,044</b>	<b>31,166</b>	<b>35,049</b>	<b>37,724</b>	<b>40,240</b>
Change (%)	6.8	6.8	11.9	28.0	-7.1	-8.5	12.5	7.6	6.7
Production Cost	1,815	2,165	2,862	4,202	5,456	4,030	5,450	5,995	6,535
Employees Cost	2,359	2,563	2,941	3,006	2,924	2,797	2,674	2,862	3,062
Other Expenses	2,818	3,485	3,227	3,781	3,304	3,665	4,287	4,672	5,093
<b>Total Expenditure</b>	<b>6,992</b>	<b>8,213</b>	<b>9,030</b>	<b>10,990</b>	<b>11,684</b>	<b>10,492</b>	<b>12,411</b>	<b>13,529</b>	<b>14,689</b>
As a percentage of Sales	29.2	32.1	31.5	30.0	34.3	33.7	35.4	35.9	36.5
<b>EBITDA</b>	<b>16,961</b>	<b>17,370</b>	<b>19,595</b>	<b>25,643</b>	<b>22,361</b>	<b>20,674</b>	<b>22,638</b>	<b>24,195</b>	<b>25,551</b>
Margin (%)	70.8	67.9	68.5	70.0	65.7	66.3	64.6	64.1	63.5
Depreciation	4,850	3,911	4,397	6,467	6,793	3,821	2,867	5,191	5,080
<b>EBIT</b>	<b>12,110</b>	<b>13,458</b>	<b>15,198</b>	<b>19,176</b>	<b>15,567</b>	<b>16,853</b>	<b>19,771</b>	<b>19,004</b>	<b>20,471</b>
Int. and Finance Charges	22	10	11	17	78	220	287	40	40
Other Income	1,075	1,456	1,397	2,200	2,489	2,714	2,448	2,811	3,444
<b>PBT bef. EO Exp.</b>	<b>13,164</b>	<b>14,903</b>	<b>16,584</b>	<b>21,359</b>	<b>17,979</b>	<b>19,348</b>	<b>21,931</b>	<b>21,774</b>	<b>23,874</b>
EO Items	180	0	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>13,344</b>	<b>14,903</b>	<b>16,584</b>	<b>21,359</b>	<b>17,979</b>	<b>19,348</b>	<b>21,931</b>	<b>21,774</b>	<b>23,874</b>
Total Tax	4,646	5,109	5,654	7,411	4,261	4,144	5,483	5,478	6,007
Tax Rate (%)	34.8	34.3	34.1	34.7	23.7	21.4	25.0	25.2	25.2
<b>Reported PAT</b>	<b>8,698</b>	<b>9,794</b>	<b>10,930</b>	<b>13,949</b>	<b>13,718</b>	<b>15,204</b>	<b>16,448</b>	<b>16,296</b>	<b>17,868</b>
<b>Adjusted PAT</b>	<b>8,581</b>	<b>9,794</b>	<b>10,930</b>	<b>13,949</b>	<b>13,718</b>	<b>15,204</b>	<b>16,448</b>	<b>16,296</b>	<b>17,868</b>
Change (%)	16.4	14.1	11.6	27.6	-1.7	10.8	8.2	-0.9	9.6
Margin (%)	35.8	38.3	38.2	38.1	40.3	48.8	46.9	43.2	44.4

### Standalone Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970
Total Reserves	33,206	38,247	44,430	52,435	54,271	67,520	78,562	84,844	91,788
<b>Net Worth</b>	<b>35,176</b>	<b>40,218</b>	<b>46,401</b>	<b>54,405</b>	<b>56,241</b>	<b>69,490</b>	<b>80,532</b>	<b>86,815</b>	<b>93,758</b>
Total Loans	0	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	219	556	770	1,056	851	0	0	0	0
<b>Capital Employed</b>	<b>35,396</b>	<b>40,773</b>	<b>47,170</b>	<b>55,461</b>	<b>57,092</b>	<b>69,490</b>	<b>80,532</b>	<b>86,815</b>	<b>93,758</b>
Gross Block	15,418	19,203	22,972	28,402	35,302	37,337	41,593	45,593	49,593
Less: Accum. Deprn.	7,089	8,183	12,579	19,046	25,839	29,660	25,266	37,718	42,798
<b>Net Fixed Assets</b>	<b>8,330</b>	<b>11,021</b>	<b>10,393</b>	<b>9,356</b>	<b>9,463</b>	<b>7,678</b>	<b>16,327</b>	<b>7,875</b>	<b>6,795</b>
Capital WIP	6	15	442	133	663	1,463	2,441	2,441	2,441
<b>Total Investments</b>	<b>8,508</b>	<b>14,540</b>	<b>24,121</b>	<b>30,505</b>	<b>29,490</b>	<b>37,641</b>	<b>38,267</b>	<b>38,267</b>	<b>38,267</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>20,980</b>	<b>17,924</b>	<b>16,949</b>	<b>20,700</b>	<b>23,552</b>	<b>30,995</b>	<b>30,299</b>	<b>43,450</b>	<b>51,822</b>
Account Receivables	7,329	7,238	10,084	10,790	13,100	13,944	13,945	15,503	15,435
Cash and Bank Balance	7,877	7,385	3,071	4,709	5,288	8,753	9,175	21,230	29,222
Loans and Advances	5,763	3,292	3,791	5,199	5,164	8,298	7,179	6,703	7,150
<b>Curr. Liability and Prov.</b>	<b>2,428</b>	<b>2,726</b>	<b>4,734</b>	<b>5,233</b>	<b>6,074</b>	<b>8,287</b>	<b>6,801</b>	<b>5,218</b>	<b>5,566</b>
Account Payables	383	497	577	1,986	2,771	2,594	2,036	2,067	2,205
Other Current Liabilities	1,906	2,034	4,000	3,073	3,094	3,290	4,570	2,905	3,098
Provisions	139	195	157	174	209	2,402	195	246	263
<b>Net Current Assets</b>	<b>18,552</b>	<b>15,198</b>	<b>12,215</b>	<b>15,468</b>	<b>17,477</b>	<b>22,709</b>	<b>23,498</b>	<b>38,232</b>	<b>46,256</b>
<b>Appl. of Funds</b>	<b>35,396</b>	<b>40,773</b>	<b>47,170</b>	<b>55,461</b>	<b>57,092</b>	<b>69,490</b>	<b>80,532</b>	<b>86,815</b>	<b>93,758</b>

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>21.8</b>	<b>24.9</b>	<b>27.7</b>	<b>35.4</b>	<b>34.8</b>	<b>38.6</b>	<b>41.7</b>	<b>41.4</b>	<b>45.3</b>
Cash EPS	34.1	34.8	38.9	51.8	52.0	48.3	49.0	54.5	58.2
BV/Share	89.3	102.1	117.7	138.1	142.7	176.3	204.4	220.3	237.9
DPS	15.5	10.0	10.0	12.5	25.0	5.0	20.0	22.0	24.0
Payout (%)	84.3	48.4	43.4	40.8	82.9	15.0	55.3	61.4	61.1
<b>Valuation (x)</b>									
P/E	19.5	17.1	15.3	12.0	12.2	11.0	10.2	10.3	9.4
Cash P/E	12.5	12.2	10.9	8.2	8.2	8.8	8.7	7.8	7.3
P/BV	4.8	4.2	3.6	3.1	3.0	2.4	2.1	1.9	1.8
EV/Sales	6.6	6.0	5.1	3.8	4.1	4.1	3.7	3.1	2.7
EV/EBITDA	9.3	8.8	7.5	5.4	6.3	6.2	5.8	4.8	4.2
Dividend Yield (%)	3.6	2.4	2.4	2.9	5.9	1.2	4.7	5.2	5.6
FCF per share	22.4	23.5	21.5	31.2	24.2	30.8	12.3	49.0	39.4
<b>Return Ratios (%)</b>									
RoE	24.9	26.0	25.2	27.7	24.8	24.2	21.9	19.5	19.1
RoCE	24.9	26.0	25.3	27.7	24.9	24.5	22.2	19.5	19.8
RoIC	40.3	46.7	52.2	63.2	56.9	61.2	56.7	51.2	62.9
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	1.6	1.3	1.2	1.3	1.0	0.8	0.8	0.8	0.8
Asset Turnover (x)	0.7	0.6	0.6	0.7	0.6	0.4	0.4	0.4	0.4
Inventory (Days)	0	0	0	0	0	0	0	0	0
Debtor (Days)	112	103	129	108	140	163	145	150	140
Creditor (Days)	6	7	7	20	30	30	21	20	20
<b>Leverage Ratio (x)</b>									
Current Ratio	8.6	6.6	3.6	4.0	3.9	3.7	4.5	8.3	9.3
Net Debt/Equity ratio	-0.5	-0.5	-0.6	-0.6	-0.6	-0.7	-0.6	-0.7	-0.7

### Standalone Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	13,163	14,904	16,584	21,359	17,989	19,348	21,931	21,774	23,874
Depreciation	4,850	3,911	4,397	6,467	6,793	3,821	2,867	5,191	5,080
Interest and Finance Charges	22	10	11	17	78	220	287	40	40
Direct Taxes Paid	-4,550	-4,877	-5,409	-7,226	-4,254	-5,379	-6,908	-5,478	-6,007
(Inc.)/Dec. in WC	-260	-14	-1,086	-848	-2,618	-1,546	-538	-2,680	-32
<b>CF from Operations</b>	<b>13,225</b>	<b>13,934</b>	<b>14,497</b>	<b>19,769</b>	<b>17,988</b>	<b>16,463</b>	<b>17,639</b>	<b>18,847</b>	<b>22,956</b>
Others	-665	-1,027	-1,059	-1,997	-1,885	-2,019	-1,499	-2,811	-3,444
<b>CF from Operations incl. EO</b>	<b>12,560</b>	<b>12,907</b>	<b>13,438</b>	<b>17,772</b>	<b>16,103</b>	<b>14,444</b>	<b>16,140</b>	<b>16,036</b>	<b>19,513</b>
(Inc.)/Dec. in FA	-3,713	-3,658	-4,977	-5,479	-6,579	-2,291	-11,292	3,261	-4,000
<b>Free Cash Flow</b>	<b>8,847</b>	<b>9,249</b>	<b>8,460</b>	<b>12,293</b>	<b>9,524</b>	<b>12,154</b>	<b>4,848</b>	<b>19,297</b>	<b>15,513</b>
(Pur.)/Sale of Investments	213	-4,774	-9,083	-5,654	1,091	-7,587	-923	0	0
Others	-93	1,301	1,403	482	1,814	-1,542	2,515	2,811	3,444
<b>CF from Investments</b>	<b>-3,592</b>	<b>-7,132</b>	<b>-12,658</b>	<b>-10,651</b>	<b>-3,675</b>	<b>-11,419</b>	<b>-9,701</b>	<b>6,072</b>	<b>-556</b>
Interest Paid	-20	-10	-11	-17	-291	-465	-542	-40	-40
Dividend Paid	-7,352	-4,743	-4,743	-5,939	-11,877	-1,970	-5,419	-10,014	-10,924
Others	0	0	0	0	17	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-7,372</b>	<b>-4,753</b>	<b>-4,754</b>	<b>-5,955</b>	<b>-12,151</b>	<b>-2,435</b>	<b>-5,961</b>	<b>-10,054</b>	<b>-10,964</b>
<b>Inc./Dec. in Cash</b>	<b>1,597</b>	<b>1,022</b>	<b>-3,969</b>	<b>1,164</b>	<b>278</b>	<b>588</b>	<b>487</b>	<b>12,054</b>	<b>7,992</b>
Opening Balance	3,932	5,529	6,551	2,583	3,747	4,025	4,613	5,099	17,154
<b>Closing Balance</b>	<b>5,529</b>	<b>6,551</b>	<b>2,583</b>	<b>3,746</b>	<b>4,025</b>	<b>4,613</b>	<b>5,100</b>	<b>17,154</b>	<b>25,146</b>
Other bank balance	2,346	833	488	962	1,263	4,140	4,076	4,076	4,076
<b>Closing Balance (incl. other bank bal.)</b>	<b>7,875</b>	<b>7,385</b>	<b>3,071</b>	<b>4,708</b>	<b>5,288</b>	<b>8,753</b>	<b>9,175</b>	<b>21,230</b>	<b>29,222</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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