

# Sun TV Network

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	SUNTV IN
Equity Shares (m)	394
M.Cap.(INRb)/(USDb)	254.9 / 3.1
52-Week Range (INR)	667 / 394
1, 6, 12 Rel. Per (%)	6/43/8
12M Avg Val (INR M)	516

## Financials & Valuations (INR b)

INRb	FY23	FY24E	FY25E
Sales	36.6	40.5	43.1
EBITDA	23.5	26.0	27.6
Adj. PAT	16.7	18.2	19.4
EBITDA Margin (%)	64.2	64.1	64.0
Adj. EPS (INR)	42.5	46.2	49.2
EPS Gr. (%)	1.8	8.7	6.5
BV/Sh. (INR)	231.9	250.4	269.5

## Ratios

Net D:E	-0.7	-0.7	-0.7
RoE (%)	19.5	18.4	18.3
RoCE (%)	19.5	19.2	19.0
Payout (%)	59.8	60.0	61.1

## Valuations

P/E (x)	15.2	14.0	13.2
P/B (x)	2.8	2.6	2.4
EV/EBITDA (x)	9.3	7.6	8.6
Div . Yield (%)	3.4	3.7	4.0
FCF Yield (%)	7.9	5.9	6.7

## Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	75.0	75.0	75.0
DII	4.5	3.7	4.0
FII	10.6	10.4	9.8
Others	10.0	11.0	11.3

FII Includes depository receipts

**CMP: INR647 TP: INR750 (+16%) Buy**

## Strong growth supported by movie business

- SUNTV's EBITDA grew 36.5% YoY (34% beat) in 2QFY24, mainly driven by movie business as advertising revenues remained weak. Total revenue grew 28% YoY to INR10.2b (23% beat), mainly supported by INR2.4b from movie business. Ad revenue declined YoY due to lower spending and sporting events (Asia Cup).
- Persistent weakness in ad revenue growth, risk of market share loss and strong competition from deep-pocketed OTT players continue to pose risks. However, improved subscription revenue and positive trends in FMCG spending and the onset of festive demand could aid recovery in the coming period. This, along with an upbeat valuation for the new IPL team at the recently concluded auction makes the stock's valuation compelling at 8.6x EV/EBITDA on FY25E basis. **We maintain our BUY rating with a TP of INR750.**

## EBITDA up 36.5% YoY (beat) driven strong revenue growth

- Revenue jumped 27.8% YoY to INR10.2b (23% beat), likely driven by film revenue amid strong responses to 'Jailer'.
  - Advertising revenue at ~INR3.3b was down 4% YoY in 2QFY24 despite improved spending from FMCG, as the quarter saw some impact of Asia Cup.
  - Subscription revenue (domestic) grew 5.6% YoY to INR4.2b.
  - The quarter included IPL-related revenue of INR10.2m.
  - Movie business revenue stood at INR2.4b (vs. INR33m in 2QFY23), mainly driven by strong collections for 'Jailer'.
- Production costs were up 15.6% YoY at INR1.7b (7% above est.), mainly content-related costs and some expenses for NTO 3.0 implementation. Other expenses grew 6.8% YoY to INR586m. Accordingly, overall opex increased by 11.1% YoY to INR3b.
- As a result, EBITDA surged 36.5% YoY to INR7.2b (34% beat), aided by robust revenue growth. EBITDA margins expanded 450bp YoY to 70.4%.
- Net profits grew 14% YoY to INR4.6b (27% beat) as EBITDA growth was partially offset by increased depreciation on account of amortization of production costs of 'Jailer'.
- The company declared an interim dividend of INR5 per share.

## Valuation and view

- Continued investments in multiple non-fiction shows in South India and primetime fiction shows should help it sustain viewership.
- SUNTV's healthy liquidity and cash balance of INR2.9b as on Sep'23 offer room to intensify investments in the linear space and hyper-competitive OTT space. This, along with a healthy dividend payout potential and a reasonable valuation, offers support to the stock.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- However, its continued conservative approach toward investments in OTT while focusing on movie production and monetization of its existing library remains a key risk in the fast-growing OTT space.
- The recovery in ad spending owing to the festive period and the ongoing cricket world cup would remain a key monitorable for growth going ahead.
- We expect a CAGR of 8%/8% in revenue/PAT over FY23-25, building in a gradual recovery in ad revenue and continued momentum in subscription revenue.
- We value the stock at 15x FY25E P/E to arrive at a TP of INR750. **We maintain our BUY rating.**

**Standalone - Quarterly Earning Model**

												(INR m)
Y/E March	FY23E				FY24E				FY23	FY24E	FY24	Est Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	(%)
<b>Revenue</b>	<b>11,939</b>	<b>7,964</b>	<b>8,575</b>	<b>8,135</b>	<b>13,178</b>	<b>10,180</b>	<b>8,973</b>	<b>8,197</b>	<b>36,614</b>	<b>40,527</b>	<b>8,286</b>	<b>23</b>
YoY Change (%)	47.4	-3.9	-17.0	-2.3	10.4	27.8	4.6	0.8	4.5	10.7	4.0	
Total Expenditure	4,301	2,717	2,844	3,259	5,313	3,018	3,103	3,131	13,121	14,564	2,932	<b>3</b>
<b>EBITDA</b>	<b>7,638</b>	<b>5,248</b>	<b>5,731</b>	<b>4,876</b>	<b>7,865</b>	<b>7,162</b>	<b>5,870</b>	<b>5,066</b>	<b>23,493</b>	<b>25,962</b>	<b>5,354</b>	<b>34</b>
YoY Change (%)	54.3	0.8	-20.6	-11.9	3.0	36.5	2.4	3.9	2.6	10.5	2.0	
Depreciation	2,079	755	1,092	752	852	2,143	1,335	877	4,678	5,207	1,302	65
Interest	14	13	11	15	22	7	13	11	54	54	14	-48
Other Income	1,009	861	942	808	1,156	1,071	697	697	3,620	3,620	757	41
<b>PBT</b>	<b>6,554</b>	<b>5,341</b>	<b>5,569</b>	<b>4,917</b>	<b>8,147</b>	<b>6,082</b>	<b>5,218</b>	<b>4,875</b>	<b>22,381</b>	<b>24,322</b>	<b>4,795</b>	<b>27</b>
Tax	1,637	1,334	1,406	1,259	2,319	1,520	1,313	968	5,636	6,119	1,206	
Rate (%)	25.0	25.0	25.2	25.6	28.5	25.0	25.2	19.8	25.2	25.2	25.2	
<b>Reported PAT</b>	<b>4,917</b>	<b>4,007</b>	<b>4,163</b>	<b>3,658</b>	<b>5,828</b>	<b>4,562</b>	<b>3,905</b>	<b>3,907</b>	<b>16,745</b>	<b>18,203</b>	<b>3,589</b>	<b>27</b>
YoY Change (%)	26.1	1.9	-9.0	-9.5	18.5	13.9	-6.2	6.8	1.8	8.7	-10.4	

E: MOFSL Estimates

**Exhibit 1: Valuation based on FY24E EPS**

Valuation	March'25
EPS (INR)	49
PE multiple (x)	15
Target Price (INR)	750
CMP (INR)	647
Upside (%)	16%

Source: Company, MOFSL

**Exhibit 2: Quarterly performance (INR m)**

INR m	2QFY23	1QFY24	2QFY24	YoY%	QoQ%	2QFY24E	v/s est (%)
<b>Revenue</b>	<b>7,964</b>	<b>13,178</b>	<b>10,180</b>	<b>27.8</b>	<b>-22.8</b>	<b>8,286</b>	<b>22.9</b>
Operating expenditure	2,717	5,313	3,018	11.1	-43.2	2,932	2.9
<b>EBITDA</b>	<b>5,248</b>	<b>7,865</b>	<b>7,162</b>	<b>36.5</b>	<b>-8.9</b>	<b>5,354</b>	<b>33.8</b>
EBITDA margin (%)	65.9	59.7	70.4	446bps	1067bps	64.6	574bps
Depreciation & amortization	755	852	2,143	184.0	151.7	1,302	64.6
<b>EBIT</b>	<b>4,493</b>	<b>7,013</b>	<b>5,019</b>	<b>11.7</b>	<b>-28.4</b>	<b>4,052</b>	<b>23.9</b>
Interest	13	22	7	-46.3	-67.3	14	-47.7
Other income	861	1,156	1,071	24.4	-7.3	757	41.4
<b>PBT</b>	<b>5,341</b>	<b>8,147</b>	<b>6,082</b>	<b>13.9</b>	<b>-25.3</b>	<b>4,795</b>	<b>26.8</b>
Tax	1,334	2,319	1,520	14.0	-34.4	1,206	26.0
Effective tax rate (%)	25.0	28.5	25.0	2bps	-347bps	25.2	-17bps
<b>PAT</b>	<b>4,007</b>	<b>5,828</b>	<b>4,562</b>	<b>13.9</b>	<b>-21.7</b>	<b>3,589</b>	<b>27.1</b>
<b>Adjusted PAT</b>	<b>4,007</b>	<b>5,828</b>	<b>4,562</b>	<b>13.9</b>	<b>-21.7</b>	<b>3,589</b>	<b>27.1</b>

Source: MOFSL, Company

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

Operating Cost	2QFY23	1QFY24	2QFY24	YoY%	QoQ%	2QFY24E	v/s est (%)
Production cost	1475	1834	1,705	15.6	-7.1	1,593	7.0
Employee cost	693	692	727	5.0	5.1	741	-1.9
Other exp	549	2787	586	6.8	-79.0	598	-2.0
<b>Total Operating expenses</b>	<b>2,717</b>	<b>5,313</b>	<b>3,018</b>	<b>11.1</b>	<b>-43.2</b>	<b>2,932</b>	<b>2.9</b>

Source: MOFSL, Company

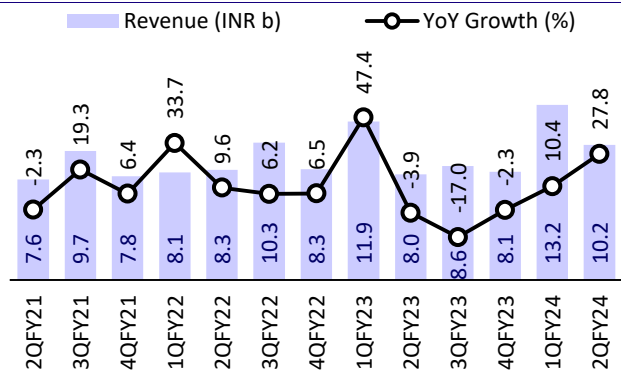
**Exhibit 4: Estimate change summary**

	FY24E	FY25E
<b>Advt Revenue (INRb)</b>		
Old	14.3	15.5
Actual/New	14.3	15.5
Change (%)	0.0	0.0
<b>Subscription Revenue (INRb)</b>		
Old	18.2	19.4
Actual/New	18.1	19.3
Change (%)	-0.2	-0.2
<b>Revenue (INRb)</b>		
Old	40.5	43.0
Actual/New	40.5	43.1
Change (%)	0.2	0.2
<b>EBITDA (INRb)</b>		
Old	25.9	27.5
Actual/New	26.0	27.6
Change (%)	0.3	0.2
<b>EBITDA margin (%)</b>		
Old	64.0	64.0
Actual/New	64.1	64.0
Change (bp)	6.0	5.5
<b>PAT (INRb)</b>		
Old	18.0	19.3
Actual/New	18.2	19.4
Change (%)	1.1	0.3
<b>EPS (INR)</b>		
Old	45.7	49.1
Actual/New	46.2	49.2
Change (%)	1.1	0.3

Source: MOFSL, Company

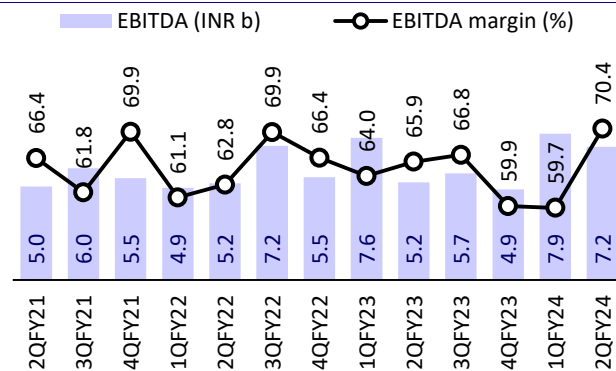
## Story in charts

**Exhibit 5: Revenues grew 28% YoY**



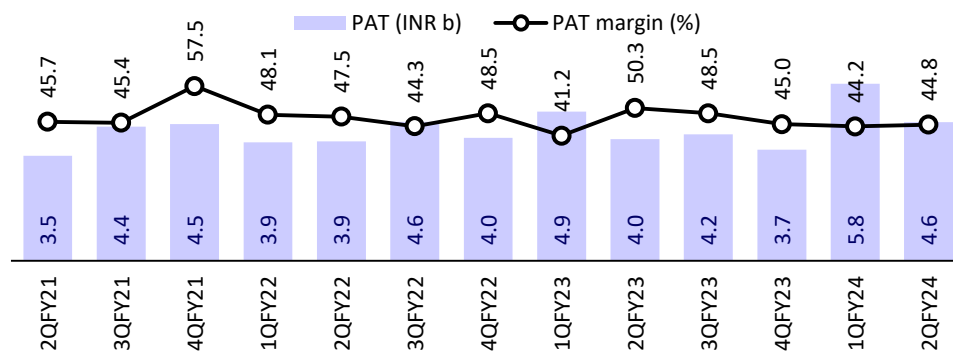
Source: MOSL, Company

**Exhibit 6: EBITDA margins expanded YoY**



Source: MOSL, Company

**Exhibit 7: PAT grew 14% YoY driven by healthy revenue growth**



Source: MOSL, Company

## Financials and valuations

### Standalone - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>28,625</b>	<b>36,633</b>	<b>34,044</b>	<b>31,166</b>	<b>35,049</b>	<b>36,614</b>	<b>40,527</b>	<b>43,115</b>
Change (%)	11.9	28.0	-7.1	-8.5	12.5	4.5	10.7	6.4
Production Costs	2,862	4,202	5,456	4,030	5,450	6,099	6,709	7,111
Employees Cost	2,941	3,006	2,924	2,797	2,674	2,746	2,938	3,144
Other Expenses	3,227	3,781	3,304	3,665	4,287	4,276	4,918	5,262
<b>Total Expenditure</b>	<b>9,030</b>	<b>10,990</b>	<b>11,684</b>	<b>10,492</b>	<b>12,411</b>	<b>13,121</b>	<b>14,564</b>	<b>15,517</b>
% of Sales	31.5	30.0	34.3	33.7	35.4	35.8	35.9	36.0
<b>EBITDA</b>	<b>19,595</b>	<b>25,643</b>	<b>22,361</b>	<b>20,674</b>	<b>22,638</b>	<b>23,493</b>	<b>25,962</b>	<b>27,598</b>
Margin (%)	68.5	70.0	65.7	66.3	64.6	64.2	64.1	64.0
Depreciation	4,397	6,467	6,793	3,821	2,867	4,678	5,207	5,587
<b>EBIT</b>	<b>15,198</b>	<b>19,176</b>	<b>15,567</b>	<b>16,853</b>	<b>19,771</b>	<b>18,815</b>	<b>20,755</b>	<b>22,011</b>
Int. and Finance Charges	11	17	78	220	287	54	54	54
Other Income	1,397	2,200	2,489	2,714	2,448	3,620	3,620	3,943
<b>PBT bef. EO Exp.</b>	<b>16,584</b>	<b>21,359</b>	<b>17,979</b>	<b>19,348</b>	<b>21,931</b>	<b>22,381</b>	<b>24,322</b>	<b>25,900</b>
EO Items	0	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>16,584</b>	<b>21,359</b>	<b>17,979</b>	<b>19,348</b>	<b>21,931</b>	<b>22,381</b>	<b>24,322</b>	<b>25,900</b>
Total Tax	5,654	7,411	4,261	4,144	5,483	5,636	6,119	6,516
Tax Rate (%)	34.1	34.7	23.7	21.4	25.0	25.2	25.2	25.2
<b>Reported PAT</b>	<b>10,930</b>	<b>13,949</b>	<b>13,718</b>	<b>15,204</b>	<b>16,448</b>	<b>16,745</b>	<b>18,203</b>	<b>19,384</b>
<b>Adjusted PAT</b>	<b>10,930</b>	<b>13,949</b>	<b>13,718</b>	<b>15,204</b>	<b>16,448</b>	<b>16,745</b>	<b>18,203</b>	<b>19,384</b>
Change (%)	11.6	27.6	-1.7	10.8	8.2	1.8	8.7	6.5
Margin (%)	38.2	38.1	40.3	48.8	46.9	45.7	44.9	45.0

### Standalone - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970
Total Reserves	44,430	52,435	54,271	67,520	78,562	89,411	96,690	1,04,239
<b>Net Worth</b>	<b>46,401</b>	<b>54,405</b>	<b>56,241</b>	<b>69,490</b>	<b>80,532</b>	<b>91,381</b>	<b>98,660</b>	<b>1,06,209</b>
Total Loans	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	770	1,056	851	0	0	0	0	0
<b>Capital Employed</b>	<b>47,170</b>	<b>55,461</b>	<b>57,092</b>	<b>69,490</b>	<b>80,532</b>	<b>91,381</b>	<b>98,660</b>	<b>1,06,209</b>
Gross Block	22,972	28,402	35,302	37,337	48,854	53,116	57,116	61,116
Less: Accum. Deprn.	12,579	19,046	25,839	29,660	32,527	37,205	42,412	47,999
<b>Net Fixed Assets</b>	<b>10,393</b>	<b>9,356</b>	<b>9,463</b>	<b>7,678</b>	<b>16,327</b>	<b>15,911</b>	<b>14,704</b>	<b>13,117</b>
Capital WIP	442	133	663	1,463	2,441	1,313	1,313	1,313
<b>Total Investments</b>	<b>24,121</b>	<b>30,505</b>	<b>29,490</b>	<b>37,641</b>	<b>38,267</b>	<b>56,308</b>	<b>56,308</b>	<b>56,308</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>16,949</b>	<b>20,700</b>	<b>23,552</b>	<b>30,995</b>	<b>30,299</b>	<b>26,015</b>	<b>31,941</b>	<b>41,436</b>
Account Receivables	10,084	10,790	13,100	13,944	13,945	14,360	15,545	16,537
Cash and Bank Balance	3,071	4,709	5,288	8,753	9,175	4,917	9,180	17,221
Loans and Advances	3,791	5,199	5,164	8,298	7,179	6,738	7,201	7,661
<b>Curr. Liability &amp; Prov.</b>	<b>4,734</b>	<b>5,233</b>	<b>6,074</b>	<b>8,287</b>	<b>6,801</b>	<b>8,166</b>	<b>5,606</b>	<b>5,964</b>
Account Payables	577	1,986	2,771	2,594	2,036	2,334	2,221	2,362
Other Current Liabilities	4,000	3,073	3,094	3,290	4,570	5,631	3,121	3,320
Provisions	157	174	209	2,402	195	201	265	281
<b>Net Current Assets</b>	<b>12,215</b>	<b>15,468</b>	<b>17,477</b>	<b>22,709</b>	<b>23,498</b>	<b>17,850</b>	<b>26,335</b>	<b>35,472</b>
<b>Appl. of Funds</b>	<b>47,170</b>	<b>55,461</b>	<b>57,092</b>	<b>69,490</b>	<b>80,532</b>	<b>91,381</b>	<b>98,660</b>	<b>1,06,209</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>27.7</b>	<b>35.4</b>	<b>34.8</b>	<b>38.6</b>	<b>41.7</b>	<b>42.5</b>	<b>46.2</b>	<b>49.2</b>
Cash EPS	38.9	51.8	52.0	48.3	49.0	54.4	59.4	63.4
BV/Share	117.7	138.1	142.7	176.3	204.4	231.9	250.4	269.5
DPS	10.0	12.5	25.0	5.0	20.0	22.0	24.0	26.0
Payout (%)	43.4	40.8	82.9	15.0	55.3	59.8	60.0	61.1
<b>Valuation (x)</b>								
P/E	23.3	18.3	18.6	16.8	15.5	15.2	14.0	13.2
Cash P/E	16.6	12.5	12.4	13.4	13.2	11.9	10.9	10.2
P/BV	5.5	4.7	4.5	3.7	3.2	2.8	2.6	2.4
EV/Sales	8.2	6.2	6.7	6.9	6.2	6.0	4.9	5.5
EV/EBITDA	12.0	8.8	10.2	10.4	9.7	9.3	7.6	8.6
Dividend Yield (%)	1.5	1.9	3.9	0.8	3.1	3.4	3.7	4.0
FCF per share	21.5	31.2	24.2	30.8	12.3	44.0	29.5	40.6
<b>Return Ratios (%)</b>								
RoE	25.2	27.7	24.8	24.2	21.9	19.5	18.4	18.3
RoCE	25.3	27.7	24.9	24.5	22.2	19.5	19.2	19.0
RoIC	52.2	63.2	56.9	61.2	56.7	47.3	51.2	52.1
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.2	1.3	1.0	0.8	0.7	0.7	0.7	0.7
Asset Turnover (x)	0.6	0.7	0.6	0.4	0.4	0.4	0.4	0.4
Inventory (Days)	0	0	0	0	0	0	0	0
Debtor (Days)	129	108	140	163	145	143	140	140
Creditor (Days)	7	20	30	30	21	23	20	20
<b>Leverage Ratio (x)</b>								
Current Ratio	3.6	4.0	3.9	3.7	4.5	3.2	5.7	6.9
Net Debt/Equity	-0.6	-0.6	-0.6	-0.7	-0.6	-0.7	-0.7	-0.7

### Standalone - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	16,584	21,359	17,989	19,348	21,931	22,381	24,322	25,900
Depreciation	4,397	6,467	6,793	3,821	2,867	4,678	5,207	5,587
Interest & Finance Charges	11	17	78	220	287	54	54	54
Direct Taxes Paid	-5,409	-7,226	-4,254	-5,379	-6,908	-5,706	-6,119	-6,516
(Inc)/Dec in WC	-1,086	-848	-2,618	-1,546	-538	2,516	-4,223	-1,095
<b>CF from Operations</b>	<b>14,497</b>	<b>19,769</b>	<b>17,988</b>	<b>16,463</b>	<b>17,639</b>	<b>23,924</b>	<b>19,240</b>	<b>23,929</b>
Others	-1,059	-1,997	-1,885	-2,019	-1,499	-3,352	-3,620	-3,943
<b>CF from Operating incl EO</b>	<b>13,438</b>	<b>17,772</b>	<b>16,103</b>	<b>14,444</b>	<b>16,140</b>	<b>20,572</b>	<b>15,620</b>	<b>19,986</b>
(Inc)/Dec in FA	-4,977	-5,479	-6,579	-2,291	-11,292	-3,219	-4,000	-4,000
<b>Free Cash Flow</b>	<b>8,460</b>	<b>12,293</b>	<b>9,524</b>	<b>12,154</b>	<b>4,848</b>	<b>17,352</b>	<b>11,620</b>	<b>15,986</b>
(Pur)/Sale of Investments	-9,083	-5,654	1,091	-7,587	-923	-13,799	0	0
Others	1,403	482	1,814	-1,542	2,515	1,774	3,620	3,943
<b>CF from Investments</b>	<b>-12,658</b>	<b>-10,651</b>	<b>-3,675</b>	<b>-11,419</b>	<b>-9,701</b>	<b>-15,245</b>	<b>-380</b>	<b>-57</b>
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	0	0	0	0	0	0	0	0
Interest Paid	-11	-17	-291	-465	-542	-301	-54	-54
Dividend Paid	-4,743	-5,939	-11,877	-1,970	-5,419	-5,911	-10,924	-11,834
Others	0	0	17	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-4,754</b>	<b>-5,955</b>	<b>-12,151</b>	<b>-2,435</b>	<b>-5,961</b>	<b>-6,213</b>	<b>-10,978</b>	<b>-11,888</b>
<b>Inc/Dec of Cash</b>	<b>-3,969</b>	<b>1,164</b>	<b>278</b>	<b>588</b>	<b>487</b>	<b>-886</b>	<b>4,262</b>	<b>8,041</b>
Opening Balance	6,551	2,583	3,747	4,025	4,613	5,099	4,214	8,476
<b>Closing Balance</b>	<b>2,583</b>	<b>3,746</b>	<b>4,025</b>	<b>4,613</b>	<b>5,100</b>	<b>4,214</b>	<b>8,476</b>	<b>16,517</b>
Other bank balance	488	963	1,263	4,140	4,076	704	704	704
<b>Closing Balance (incl other bank bal)</b>	<b>3,071</b>	<b>4,709</b>	<b>5,288</b>	<b>8,753</b>	<b>9,175</b>	<b>4,917</b>	<b>9,180</b>	<b>17,221</b>

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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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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