

Sun TV Network

Estimate change	↔
TP change	↔
Rating change	↓

Bloomberg	SUNTV IN
Equity Shares (m)	394
M.Cap.(INRb)/(USD\$)	361.3 / 4.3
52-Week Range (INR)	922 / 531
1, 6, 12 Rel. Per (%)	16/35/47
12M Avg Val (INR M)	789

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	41.5	41.4	44.1
EBITDA	25.8	24.6	26.0
Adj. PAT	18.8	18.8	20.0
EBITDA Margin (%)	62.3%	59.3%	59.0%
Adj. EPS (INR)	47.6	47.7	50.8
EPS Gr. (%)	12.0%	0.3%	6.5%
BV/Sh. (INR)	262.7	281.6	304.7

Ratios

Net D:E	-0.7	-0.7	-0.8
RoE (%)	18.1%	16.9%	16.7%
RoCE (%)	19.3%	17.6%	17.4%
Payout (%)	40.7%	60.5%	54.5%

Valuations

P/E (x)	19.2	19.2	18.0
P/B (x)	3.5	3.2	3.0
EV/EBITDA (x)	11.3	11.6	10.6
Div. Yield (%)	1.8%	2.7%	2.6%
FCF Yield (%)	4.4%	3.9%	4.0%

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	75.0	75.0	75.0
DII	8.2	6.5	3.7
FII	7.9	8.9	10.4
Others	8.9	9.6	11.0

FII Includes depository receipts

CMP: INR911 TP: INR860 (-6%) Downgrade to Neutral

Core business continues to drag

- SUNTV reported weak 1QFY25 performance in its core business, with ad/subscription revenue declining 5%/2% YoY owing to cricket and general elections. Higher direct costs (+720bp YoY) and operating deleverage led to a 430bp margin contraction.
- Prolonged weakness in ad revenue, coupled with risk around market share loss, and strong competition from deep-pocketed OTT players continued to pose concerns. However, the potential tailwinds from the ad revenue from 3QFY25 could be a key positive.
- SUNTV is trading at 18x P/E on FY26E with earnings likely to remain under pressure due to higher channel costs on the launch of SunNeo (a new Hindi channel) and weak core revenue. **We downgrade our ratings on the stock to Neutral (from Buy), with a TP of INR860.**

Revenue/EBITDA down 3%/6% YoY

- Revenue declined 3% YoY to INR12.8b (8% miss), led by all the segments.
 - Revenue from the cricket franchisee (IPL; 39% revenue contribution) declined 3% YoY to INR5b,
 - Adjusting for the cricket franchisee income, revenue declined 3% YoY to INR7.8b led by a shift in viewership towards cricket and elections.
 - Zee's ad revenue also declined 3% YoY.
- Operating expenses grew 7% YoY to INR5.7b driven by the increase in production costs.
 - Cricket franchisee fee declined 4% YoY to INR1b.
- As a result, EBITDA declined 10% YoY to INR7.1b (15% miss), with a margin contraction of 430bp to 55.4%.
 - Adjusting for the cricket franchisee costs, EBITDA declined 18% YoY to INR3.1b and margin contracted 730bp YoY to 39.8%.
- Net profit declined 6% YoY to INR5.5b (10% miss), mainly due to the decline in EBITDA. The higher depreciation cost was partly offset by the increase in other income.
- The company declared an interim dividend of INR5/share.

Valuation and view

- The prolonged weakness visible within ad revenue has hit revenue growth. Recovery within ad spends and signs of revival in the FMCG segment would remain the key monitorables for the stock.
- The continued conservative approach towards investments in OTT, with the focus remaining on movie production and monetization of its existing library, however, remains a key risk within the fast-growing OTT space.
- SUNTV's healthy liquidity and a cash balance of INR3.6b as of Mar'24 offer room to intensify investments within the linear and hyper-competitive OTT space.
- We cut our EBITDA by 10% each for FY25/FY26E owing to slower ad recovery and higher content costs because of the launch of a new Hindi channel, SunNeo. We expect a revenue/PAT CAGR of 3% each over FY24-26. We value the stock at 17x FY26E P/E to arrive at our TP of INR860. **We downgrade our rating on SUNTV to Neutral from Buy.**

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Standalone - Quarterly Earnings Model												(INR m)
Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		1QE	(%)	
Revenue	13,178	10,180	8,855	9,271	12,761	9,005	9,432	10,203	41,484	41,402	13,832	-8
YoY Change (%)	10.4	27.8	3.3	14.0	-3.2	-11.5	6.5	10.0	13.3	-0.2	5.0	
Total Expenditure	5,313	3,018	3,117	4,186	5,697	3,431	3,546	4,168	15,634	16,842	5,526	3
EBITDA	7,865	7,162	5,738	5,086	7,064	5,574	5,887	6,035	25,850	24,559	8,306	-15
YoY Change (%)	3.0	36.5	0.1	4.3	-10.2	-22.2	2.6	18.7	10.0	-5.0	5.6	
Depreciation	852	2,143	1,109	1,036	1,089	1,176	1,176	1,263	5,140	4,705	1,397	-22
Interest	22	7	9	8	14	11	11	9	46	46	11	18
Other Income	1,156	1,071	1,293	1,301	1,402	1,330	1,330	1,258	4,821	5,321	1,205	16
PBT	8,147	6,082	5,913	5,343	7,363	5,717	6,029	6,020	25,485	25,130	8,103	-9
Tax	2,319	1,520	1,540	1,355	1,894	1,438	1,517	1,473	6,734	6,322	2,039	
Rate (%)	28.5	25.0	26.0	25.4	25.7	25.2	25.2	24.5	26.4	25.2	24.6	
Reported PAT	5,828	4,562	4,373	3,988	5,469	4,278	4,512	4,547	18,752	18,807	6,065	-10
YoY Change (%)	18.5	13.9	5.0	9.0	-6.2	-6.2	3.2	14.0	12.0	0.3	4.8	

E: MOFSL Estimates

Exhibit 1: Valuation based on FY26E EPS

Valuation	Mar'26
EPS (INR)	51
PE multiple (x)	17
Target Price (INR)	860
CMP (INR)	915
Upside (%)	-6%

Source: Company, MOFSL

Exhibit 2: Quarterly performance (INR m)

INR m	1QFY24	4QFY24	1QFY25	YoY%	QoQ%	1QFY25E	v/s est (%)
Revenue	13,178	9,271	12,761	-3.2	37.6	13,832	-7.7
Operating expenditure	5,313	4,186	5,697	7.2	36.1	5,526	3.1
EBITDA	7,865	5,086	7,064	-10.2	38.9	8,306	-15.0
EBITDA margin (%)	59.7	54.9	55.4	-433bp	50bp	60.1	-470bp
Depreciation & amortization	852	1,036	1,089	27.9	5.1	1,397	-22.0
EBIT	7,013	4,050	5,974	-14.8	47.5	6,910	-13.5
Interest	22	8	14	-38.6	75.3	11	17.9
Other income	1,156	1,301	1,402	21.3	7.8	1,205	16.3
PBT	8,147	5,343	7,363	-9.6	37.8	8,103	-9.1
Tax	2,319	1,355	1,894	-18.3	39.7	2,039	-7.1
Effective tax rate (%)	28.5	25.4	25.7	-274bp	35bp	25.2	56bp
PAT	5,828	3,988	5,469	-6.2	37.2	6,065	-9.8
Adjusted PAT	5,828	3,988	5,469	-6.2	37.2	6,065	-9.8

Source: MOFSL, Company

Exhibit 3: Breakup of operating expenses (INR m)

Operating Cost	1QFY24	4QFY24	1QFY25	YoY%	QoQ%	1QFY25E	v/s est (%)
Production cost	1834	1843	1,964	7.1	6.5	1,908	3.0
Employee cost	692	711	726	5.0	2.2	719	1.0
Other exp	2787	1631	3007	7.9	84.3	2,899	3.7
Total Operating expenses	5,313	4,186	5,697	7.2	36.1	5,526	3.1
- IPL cost	1,050	357	1,007	-4.1	182.3		
- Total Opex excl IPL	4,263	3,829	4,690	10.0	22.5		

Source: MOFSL, Company

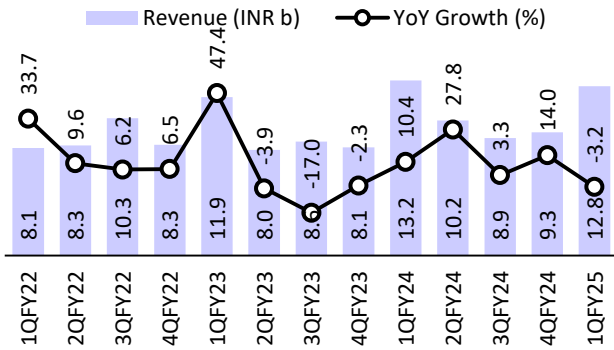
Exhibit 4: Estimate change summary

	FY25E	FY26E
Ad Revenue (INRb)		
Old	15.3	16.7
Actual/New	14.7	15.8
<i>Change (%)</i>	-3.7	-5.4
Subscription Revenue (INRb)		
Old	19.3	20.6
Actual/New	18.8	20.0
<i>Change (%)</i>	-2.8	-2.8
Revenue (INRb)		
Old	42.9	45.7
Actual/New	41.4	44.1
<i>Change (%)</i>	-3.5	-3.5
Production costs (INRb)		
Old	7.5	8.0
Actual/New	7.9	8.4
<i>Change (%)</i>	4.7	4.7
EBITDA (INRb)		
Old	27.3	29.1
Actual/New	24.6	26.0
<i>Change (%)</i>	-10.1	-10.5
EBITDA margin (%)		
Old	63.7	63.6
Actual/New	59.3	59.0
<i>Change (bp)</i>	-435.5	-462.7
PAT (INRb)		
Old	19.5	20.2
Actual/New	18.8	20.0
<i>Change (%)</i>	-3.4	-0.8
EPS (INR)		
Old	49.4	51.2
Actual/New	47.7	50.8
<i>Change (%)</i>	-3.4	-0.8

Source: MOFSL, Company

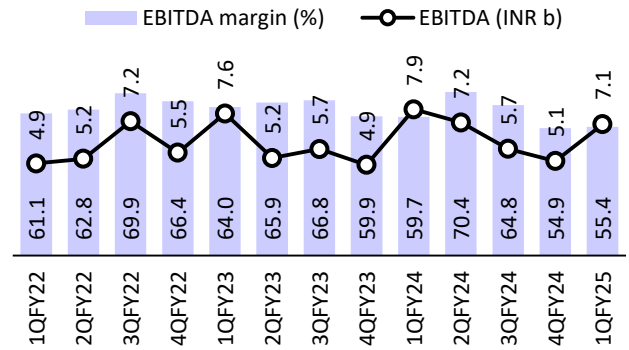
Story in charts

Exhibit 5: Revenue declined 3% YoY due to a decline in all segments



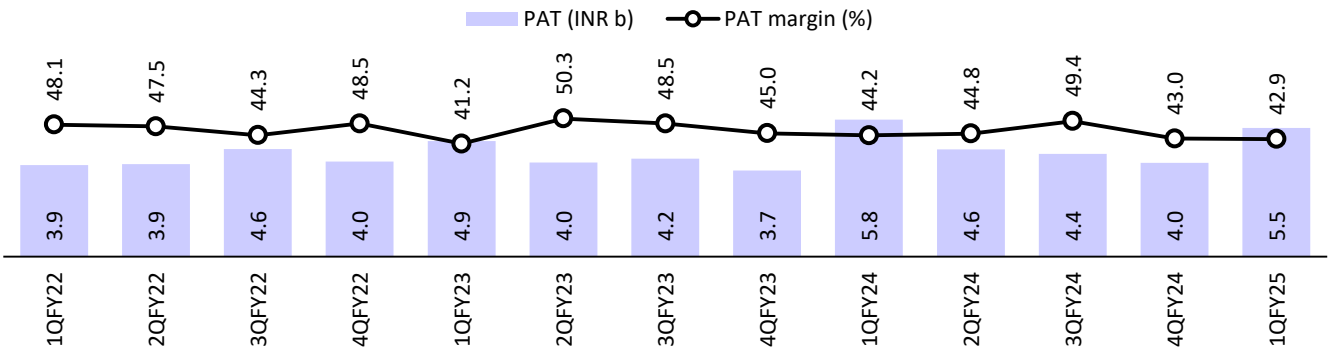
Source: MOFSL, Company

Exhibit 6: EBITDA dipped 10% YoY and margin contracted 430bp YoY due to direct costs



Source: MOFSL, Company

Exhibit 7: PAT declined 6% YoY



Source: MOFSL, Company

Financials and valuations

Standalone - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	36,633	34,044	31,166	35,049	36,614	41,484	41,402	44,070
Change (%)	28.0	-7.1	-8.5	12.5	4.5	13.3	-0.2	6.4
Production Costs	4,202	5,456	4,030	5,450	6,099	7,118	7,901	8,375
Employees Cost	3,006	2,924	2,797	2,674	2,746	2,840	2,982	3,131
Other Expenses	3,781	3,304	3,665	4,287	4,276	5,677	5,960	6,556
Total Expenditure	10,990	11,684	10,492	12,411	13,121	15,634	16,842	18,062
% of Sales	30.0	34.3	33.7	35.4	35.8	37.7	40.7	41.0
EBITDA	25,643	22,361	20,674	22,638	23,493	25,850	24,559	26,009
Margin (%)	70.0	65.7	66.3	64.6	64.2	62.3	59.3	59.0
Depreciation	6,467	6,793	3,821	2,867	4,678	5,140	4,705	5,025
EBIT	19,176	15,567	16,853	19,771	18,815	20,710	19,854	20,984
Int. and Finance Charges	17	78	220	287	54	46	46	46
Other Income	2,200	2,489	2,714	2,448	3,620	4,821	5,321	5,821
PBT bef. EO Exp.	21,359	17,979	19,348	21,931	22,381	25,485	25,130	26,759
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	21,359	17,979	19,348	21,931	22,381	25,485	25,130	26,759
Total Tax	7,411	4,261	4,144	5,483	5,636	6,734	6,322	6,732
Tax Rate (%)	34.7	23.7	21.4	25.0	25.2	26.4	25.2	25.2
Reported PAT	13,949	13,718	15,204	16,448	16,745	18,752	18,807	20,027
Adjusted PAT	13,949	13,718	15,204	16,448	16,745	18,752	18,807	20,027
Change (%)	27.6	-1.7	10.8	8.2	1.8	12.0	0.3	6.5
Margin (%)	38.1	40.3	48.8	46.9	45.7	45.2	45.4	45.4

Standalone - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970
Total Reserves	52,435	54,271	67,520	78,562	89,411	1,01,563	1,08,991	1,18,094
Net Worth	54,405	56,241	69,490	80,532	91,381	1,03,534	1,10,961	1,20,064
Total Loans	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	1,056	851	0	0	0	0	0	0
Capital Employed	55,461	57,092	69,490	80,532	91,381	1,03,534	1,10,961	1,20,064
Gross Block	28,402	35,302	37,337	48,854	53,116	57,092	61,092	65,092
Less: Accum. Deprn.	19,046	25,839	29,660	32,527	37,205	41,239	47,050	52,075
Net Fixed Assets	9,356	9,463	7,678	16,327	15,911	15,853	14,042	13,017
Capital WIP	133	663	1,463	2,441	1,313	1,448	1,448	1,448
Total Investments	30,505	29,490	37,641	38,267	56,308	70,747	70,747	70,747
Curr. Assets, Loans&Adv.	20,700	23,552	30,995	30,299	26,015	23,716	33,049	43,714
Account Receivables	10,790	13,100	13,944	13,945	14,360	12,110	13,611	14,489
Cash and Bank Balance	4,709	5,288	8,753	9,175	4,917	3,596	11,708	20,997
Loans and Advances	5,199	5,164	8,298	7,179	6,738	8,010	7,713	8,210
Curr. Liability & Prov.	5,233	6,074	8,287	6,801	8,166	8,229	8,324	8,860
Account Payables	1,986	2,771	2,594	2,036	2,334	2,560	2,495	2,656
Other Current Liabilities	3,073	3,094	3,290	4,570	5,631	5,450	5,558	5,916
Provisions	174	209	2,402	195	201	219	270	288
Net Current Assets	15,468	17,477	22,709	23,498	17,850	15,486	24,725	34,853
Appl. of Funds	55,461	57,092	69,490	80,532	91,381	1,03,534	1,10,961	1,20,064

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	35.4	34.8	38.6	41.7	42.5	47.6	47.7	50.8
Cash EPS	51.8	52.0	48.3	49.0	54.4	60.6	59.7	63.6
BV/Share	138.1	142.7	176.3	204.4	231.9	262.7	281.6	304.7
DPS	12.5	25.0	5.0	20.0	22.0	16.8	25.0	24.0
Payout (%)	40.8	82.9	15.0	55.3	59.8	40.7	60.5	54.5
Valuation (x)								
P/E	25.9	26.3	23.7	21.9	21.5	19.2	19.2	18.0
Cash P/E	17.7	17.6	19.0	18.7	16.8	15.1	15.3	14.4
P/BV	6.6	6.4	5.2	4.5	3.9	3.5	3.2	3.0
EV/Sales	9.1	9.8	10.3	9.1	8.4	7.1	6.9	6.3
EV/EBITDA	13.0	14.9	15.5	14.1	13.0	11.3	11.6	10.6
Dividend Yield (%)	1.4	2.7	0.5	2.2	2.4	1.8	2.7	2.6
FCF per share	31.2	23.4	29.7	10.9	43.3	40.5	36.0	36.5
Return Ratios (%)								
RoE	27.7	24.8	24.2	21.9	19.5	18.1	16.9	16.7
RoCE	27.7	24.9	24.5	22.2	19.5	19.3	17.6	17.4
RoIC	63.2	56.9	61.2	56.7	47.3	53.9	54.2	58.2
Working Capital Ratios								
Fixed Asset Turnover (x)	1.3	1.0	0.8	0.7	0.7	0.7	0.7	0.7
Asset Turnover (x)	0.7	0.6	0.4	0.4	0.4	0.4	0.4	0.4
Inventory (Days)	0	0	0	0	0	0	0	0
Debtor (Days)	108	140	163	145	143	107	120	120
Creditor (Days)	20	30	30	21	23	23	22	22
Leverage Ratio (x)								
Current Ratio	4.0	3.9	3.7	4.5	3.2	2.9	4.0	4.9
Net Debt/Equity	-0.6	-0.6	-0.7	-0.6	-0.7	-0.7	-0.7	-0.8

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	21,359	17,989	19,348	21,931	22,381	25,485	25,130	26,759
Depreciation	6,467	6,793	3,821	2,867	4,678	5,140	4,705	5,025
Interest & Finance Charges	17	78	220	287	54	46	46	46
Direct Taxes Paid	-7,226	-4,254	-5,379	-6,908	-5,706	-6,041	-6,322	-6,732
(Inc)/Dec in WC	-848	-2,618	-1,546	-538	2,516	1,453	-1,127	-839
CF from Operations	19,769	17,988	16,463	17,639	23,924	26,083	22,431	24,259
Others	-1,997	-1,885	-2,019	-1,499	-3,352	-4,709	-5,321	-5,821
CF from Operating incl EO	17,772	16,103	14,444	16,140	20,572	21,374	17,110	18,437
(Inc)/Dec in FA	-5,479	-6,579	-2,291	-11,292	-3,219	-5,092	-2,894	-4,000
Free Cash Flow	12,293	9,524	12,154	4,848	17,352	16,282	14,216	14,437
(Pur)/Sale of Investments	-5,654	1,091	-7,587	-923	-13,799	-9,671	0	0
Others	482	1,814	-1,542	2,515	1,774	1,886	5,321	5,821
CF from Investments	-10,651	-3,675	-11,419	-9,701	-15,245	-12,878	2,428	1,821
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	-17	-291	-465	-542	-301	-319	-46	-46
Dividend Paid	-5,939	-11,877	-1,970	-5,419	-5,911	-6,601	-11,379	-10,924
Others	0	17	0	0	0	0	0	0
CF from Fin. Activity	-5,955	-12,151	-2,435	-5,961	-6,213	-6,920	-11,425	-10,970
Inc/Dec of Cash	1,164	278	588	487	-886	1,577	8,112	9,289
Opening Balance	2,583	3,747	4,025	4,613	5,099	4,214	5,791	13,903
Closing Balance	3,746	4,025	4,613	5,100	4,214	5,791	13,903	23,192
Other bank balance	963	1,263	4,140	4,076	704	-2,195	-2,195	-2,195
Closing Balance (incl other bank bal)	4,709	5,288	8,753	9,175	4,917	3,596	11,708	20,997

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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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