

# Sun TV Network

 Estimate change 

 TP change 

 Rating change 

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Bloomberg	SUNTV IN
Equity Shares (m)	394
M.Cap.(INRb)/(USD\$b)	166 / 2.2
52-Week Range (INR)	551 / 260
1, 6, 12 Rel. Per (%)	-8/9/-8
12M Avg Val (INR M)	1021

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	34.0	30.8	38.2
EBITDA	22.4	19.3	25.1
Adj. PAT	13.7	12.8	15.4
EBITDA Margin (%)	65.7	62.9	65.8
Adj. EPS (INR)	34.8	32.4	39.1
EPS Gr. (%)	-1.7	-6.9	20.6
BV/Sh. (INR)	142.7	146.2	156.4

## Ratios

Net D:E	-0.5	-0.6	-0.3
RoE (%)	24.8	22.4	25.8
RoCE (%)	24.9	22.5	25.9
Payout (%)	82.9	89.1	73.9

## Valuations

P/E (x)	12.1	13.0	10.8
EV/EBITDA (x)	2.9	2.9	2.7
EV/Sales (x)	6.2	6.8	6.0
Div. Yield (%)	5.9	5.9	5.9
FCF Yield (%)	6.9	12.0	8.9

## Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	75.0	75.0	75.0
DII	7.2	8.2	7.1
FII	9.0	8.7	9.5
Others	8.8	8.2	8.4

FII Includes depository receipts

**CMP: INR421**
**TP: INR500 (+19%)**
**Buy**

## Ad outlook bleak; subscription growth remains high

- Slowdown in ad spend, a high base of movie revenues, and loss of IPL revenues have led to an overall drop in revenues and EBITDA, partially offset by strong growth in subscription revenues.
- Ad revenue is expected to drop 20% going ahead in FY21E, while subscription revenues would grow at 12% in FY21E. We have thus cut our FY21E/FY22E EPS by 4%/1%.

## Advertisement continues to drag down performance; subscription revenues remain stable

- Revenues were lower by 17% YoY at INR7.3b (in-line), largely attributed to a fall in ad revenues by 15% YoY, a high base of movie revenues in the corresponding quarter, and nil revenues from IPL games (INR570m) as the season has been postponed on account of the COVID-19 crisis. However, subscription revenues grew 22% YoY, albeit they declined QoQ.
- Production/SG&A costs were down 28%/19% YoY, which resulted in a 17% YoY drop in opex.
- EBITDA, thus, fell 17% YoY to INR5b (in-line), whereas EBITDA margins stood firm at 68.5% (flat YoY).
- Depreciation charges were higher due to high amortization charges for movie premiers; thus, PBT fell 25% YoY to INR3.2b.
- PAT was down 12% YoY (22% miss) to INR2.5b, with PAT margins at 38%.
- FY20 revenues/EBITDA fell 7%/13% YoY to INR34b/INR22b, and margins contracted by 430bps to 65.7%.
- FY20 PAT fell 2% YoY to INR13.7b, with margins contracting by 180bps to 40.3%. FY20 dividend stood at INR25/share.

## Highlights from management commentary

- Ad revenues in FY21 could potentially decline 15–20%, while subscription revenues may grow in the double digits. The company is witnessing good traction in ad revenues since the partial lifting of the lockdown in May'20.
- All the channels have seen good growth in viewership. The company is expected to maintain better GRP than competitor channels even post the launch of new shows.
- The company has held its ad prices in 1QFY21; this is very important as it is becoming difficult to recover lost pricing in ad markets. SUN NXT OTT now has over 15.5m viewers.
- Receivables are not expected to rise significantly as the company has been strict with its collections, while many cable companies have moved to the prepaid format.
- Along with a healthy balance sheet, the company is exploring inorganic or movie library opportunities to aid expansion in the Media industry.

Research Analyst: **Aliasgar Shakir** (Aliasgar.Shakir@motilaloswal.com); +91 22 6129 1565

Suhel Shaikh (Suhel.Ahmad@MotilalOswal.com); +91 22 6129 1568; Anshul Aggarwal (Anshul.Aggarwal@motilaloswal.com); +91 22 6129 1559

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

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**Valuation and view**

- Subscription growth looks steady on account of healthy TV viewership and lucrative growth in SUN NXT OTT, especially in the southern regional markets, which could add to subscription revenue. However, ad spend is expected to plummet in FY21E, due to a drop in consumption spend and the ad market being the last sector to rebound in the current recessionary environment.
- We have cut our revenue estimate for FY21E/FY22E by 11%/5% and EBITDA estimate by 14%/2%, weighed by lockdown-related challenges and a weak economic outlook. We factor revenue/EBITDA/PAT growth of 6%/6%/6% over FY20–22E.
- At a time when many companies in the Media sector are facing a cash crunch, Sun TV has a better liquidity position with INR5.2b in cash, which would help it maintain a stronger position in the current crisis. Sun TV's leading channels have witnessed significant improvement in viewership ratings across genres in the current lockdown phase as well, and the company is likely to hold its ratings going ahead.
- The stock trades at 11x FY22E EPS. We value Sun TV at 13x FY22E P/E to arrive at target price of INR500. Maintain Buy.

**Standalone - Quarterly Earnings Model**

(INR m)

Y/E March	FY19				FY20				FY19	FY20	4Q Est	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3Q	4Q				
<b>Revenue</b>	<b>11,204</b>	<b>7,496</b>	<b>9,045</b>	<b>8,889</b>	<b>11,014</b>	<b>7,739</b>	<b>8,150</b>	<b>7,352</b>	<b>36,633</b>	<b>34,254</b>	<b>7,429</b>	<b>-1</b>
YoY Change (%)	42.5	10.9	32.4	24.0	-1.7	3.3	-9.9	-17.3	28.0	-6.5	-16.4	
Total Expenditure	3,857	1,956	2,373	2,805	4,185	3,052	2,346	2,317	10,990	11,899	2,201	<b>5</b>
<b>EBITDA</b>	<b>7,347</b>	<b>5,540</b>	<b>6,672</b>	<b>6,084</b>	<b>6,829</b>	<b>4,687</b>	<b>5,804</b>	<b>5,035</b>	<b>25,643</b>	<b>22,355</b>	<b>5,228</b>	<b>-4</b>
YoY Change (%)	63.9	11.7	35.6	16.5	-7.1	-15.4	-13.0	-17.2	30.9	-12.8	-14.1	-316
Depreciation	1,468	819	1,761	2,419	1,585	1,444	1,436	2,328	6,467	6,793	1,447	61
Interest	3	6	7	1	21	20	19	19	17	78	19	0
Other Income	390	621	516	673	567	721	636	570	2,200	2,495	645	-12
<b>PBT</b>	<b>6,267</b>	<b>5,336</b>	<b>5,420</b>	<b>4,336</b>	<b>5,791</b>	<b>3,945</b>	<b>4,985</b>	<b>3,259</b>	<b>21,359</b>	<b>17,979</b>	<b>4,408</b>	<b>-26</b>
Tax	2,175	1,823	1,907	1,506	1,972	280	1,250	759	7,411	4,261	1,190	
Rate (%)	34.7	34.2	35.2	34.7	34.1	7.1	25.1	23.3	34.7	23.7	27.0	
<b>Reported PAT</b>	<b>4,091</b>	<b>3,513</b>	<b>3,513</b>	<b>2,831</b>	<b>3,819</b>	<b>3,665</b>	<b>3,735</b>	<b>2,500</b>	<b>13,949</b>	<b>13,718</b>	<b>3,218</b>	<b>-22</b>
YoY Change (%)	62.6	23.4	31.6	-2.3	-6.7	4.3	6.3	-11.7	27.6	-1.7	13.7	

E: MOFSL Estimates

**Key Performance Indicators**

Y/E March (INR m)	FY19				FY20				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Adv. &amp; Broadcast revenue</b>	<b>3,825</b>	<b>3,590</b>	<b>4,000</b>	<b>3,530</b>	<b>3,782</b>	<b>3,450</b>	<b>3,460</b>	<b>2,950</b>	<b>3,782</b>	<b>13,639</b>
Ad revenue contribution (%)	95	95	96	96	97	98	99	99	95	98
Domestic revenue contribution (%)	5	5	5	4	3	2	1	1	5	2
<b>Subscription revenue</b>	<b>3,543</b>	<b>3,878</b>	<b>3,956</b>	<b>3,618</b>	<b>4,379</b>	<b>4,383</b>	<b>4,529</b>	<b>4,398</b>	<b>4,379</b>	<b>17,262</b>
Domestic contribution (%)	88	88	88	88	91	91	91	91	91	90
International contribution (%)	12	12	12	12	9	9	9	9	9	10
Production Costs (%)	7	12	14	14	15	20	14	13	15	16
EBITDA Margin (%)	65.6	73.9	73.8	68.4	62.0	60.6	71.2	68.5	70.0	65
EBIT Margins (%)	56.0	71.3	60.0	48.8	52.8	51.2	61.4	44.6	52.8	53
PAT Margins (%)	36.5	46.9	38.8	31.8	34.7	47.4	45.8	34.0	38.1	40

E: MOFSL Estimates

### Segmental revenues and other highlights

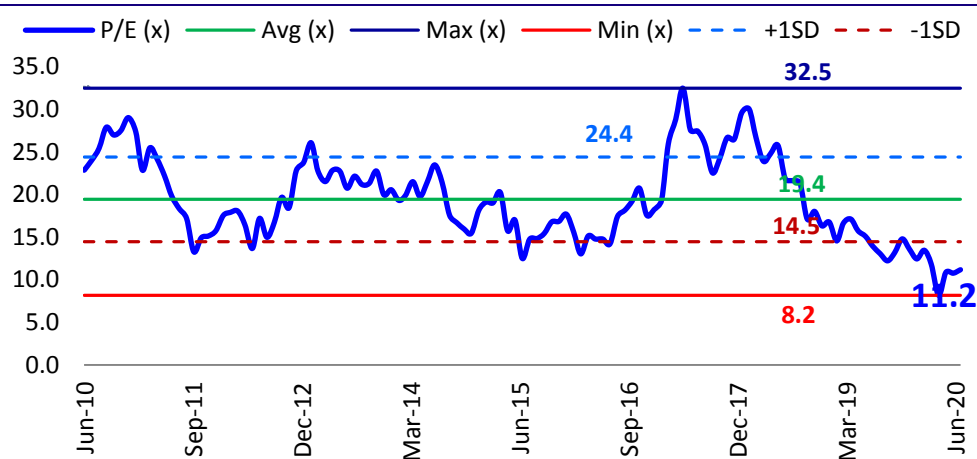
- Ad revenues fell by 15% YoY to INR2.9b (in-line), weighed by a muted economic outlook and ad spend (especially in major categories such as Automobile, Real Estate, FMCG, and Consumer Durables) as well as government spend. FY20 ad revenues fell 6% YoY to INR13.4b.
- Broadcasting revenues were down 69% YoY to INR40m, and FY20 broadcasting revenues fell 64% YoY to INR270m.
- International subscription revenues were down 2% YoY to INR410m and FY20 international subscription revenues 8% YoY to INR1.6b.
- Domestic cable revenues increased robustly by 53% to INR1.9b on account of benefits from the NTO regime. FY20 domestic cable revenues grew 58% YoY to INR7.4b.
- DTH revenues rose by 6% YoY to INR2b and FY20 domestic cable revenues 1% YoY to INR8.7b.
- Revenues from films stood at INR8m during the quarter

### Exhibit 1: Valuation based on FY22 EPS

Particulars	FY22
EPS (INR)	39
PE multiple (x)	13
<b>Target Price (INR)</b>	<b>500</b>
CMP (INR)	421
<b>Upside (%)</b>	<b>19%</b>

Source: Company, MOFSL

### Exhibit 2: SUNTV: 1-year forward P/E band



Source: Company, MOFSL

### 4QFY20 earnings call highlights

#### Business operations

- **Sticky viewership:** Reach and viewership have gone up, with stickiness expected to improve; the company does not expect GRP loss over competitor channels post the launch of new shows.
- **Subscription revenues:** Subscription revenues improved by 25% YoY, which is a positive as revenues are margin-accretive, with lower commission shares; moreover, they have been aided by the lockdown as TV viewership has increased.

- **Amortization charges:** The company has doubled the amortization charges for 4QFY20 on account of premiere screenings, the benefit of which would reflect in the near future, as fees paid to broadcasters are realized in the first movie screening.
- **Channel GRP:** All the channels have seen sound growth; Sun TV's GRP stood at a record 1900 for the first time ever. In the lockdown period, the company has gained 8% viewership in Telugu; Udaya TV ranks first among channels of the region, and Surya TV has also improved viewership. GRP in Karnataka grew 35–40% from pre-COVID-19 levels. Other GEC channels saw a drop in GRP post a few weeks of lockdown.
- **OTT:** OTT app SUN NXT now has over 15.5m viewers.

### COVID-19 impact

- **Min. impact in 4QFY20:** The impact of COVID-19 was not fully reflected in 4QFY20, but would be majorly witnessed in 1QFY21.
- **Loss of ad revenue:** The company has been witnessing good traction in ad revenues from May'20. FY21 ad revenues are expected to decline significantly by 15–20%.
- **Ad prices:** The company has held its prices and yield in 1QFY21 to maintain pricing power in the ad markets. Advertisement yield would improve once new programs start airing on its TV channels.
- **Receivables:** Receivables are not expected to rise significantly as the company has been strict with its collections, and many cable companies have moved to the prepaid format.
- **Cost-saving measures:** As margins have been good and its cash position has been strong, the company has not implemented cuts in employee salaries. Sun TV would reduce some operating costs, but would not be aggressive in implementing cost-saving measures.
- **Content production:** Content production has commenced in various cities, with markets opening up and production being resumed in some cities. Tamil Nadu is expected to open up in the next 15 days.

### Business outlook

- **Amortization:** FY21 amortization would stand lower by 50% v/s FY20.
- **Costs:** IPL-related costs and lower cost of production would lead to lower opex in 1QFY21.
- **Ad revenues:** Expect FY21 ad revenues to decline by 15–20%. SUN is expected to attract advertisers as its channels have witnessed good GRPs, which would lead to higher ad revenues and yield.
- **Subscription revenue:** Expect FY21 subscription revenues to grow in the double digits.
- **Radio business:** The Radio business has fared better over May–June'20, but April'20 was bad for business. Radio did not witness orders from the government in ads, which has impacted radio companies.
- **Consolidation in Radio:** The Radio industry is expected to consolidate due to a large number of operators.
- **IPL profits:** The IPL generates INR2.5b in pre-tax profit for Sun TV, and FY21 would see a similar negative impact if the IPL stands cancelled. Uncertainty

prevails related to IPL sponsorship rules, advertisements, and ticket sales, but the management remains confident of significant profits from the franchise. Sun TV pays 20% revenue share to BCCI; if IPL stands cancelled, Sun TV would not incur any costs.

- **Opportunities:** The company is exploring opportunities that would aid expansion in the Media industry.
- **Movie profits:** Sun TV follows the strategy of making a quick profit with decent margins from movie production and then selling it to movie distributors, while retaining the satellite rights, resulting in high margins for the company.
- **Switch to OTT for movie releases:** South Indian movies depend majorly on distributors; hence, the company does not plan to distribute movies over the SUN NXT platforms.
- **Content acquisition:** Sun TV would continue to seek content for new movies and its content library.

### Exhibit 3: Quarterly Performance (INR m)

INR m	4QFY19	3QFY20	4QFY20	YoY%	QoQ%	4QFY20E	v/s est (%)
<b>Revenue</b>	<b>8,889</b>	<b>8,150</b>	<b>7,352</b>	<b>-17.3</b>	<b>-9.8</b>	<b>7,429</b>	<b>-1.0</b>
Operating expenditure	2,805	2,346	2,317	-17.4	-1.3	2,201	5.2
<b>EBITDA</b>	<b>6,084</b>	<b>5,804</b>	<b>5,035</b>	<b>-17.2</b>	<b>-13.2</b>	<b>5,228</b>	<b>-3.7</b>
EBITDA margin (%)	68.4	71.2	68.5	4bps	-272bps	70.4	-188bps
Depreciation & amortization	2,419	1,436	2,328	-3.8	62.1	1,447	61.0
<b>EBIT</b>	<b>3,665</b>	<b>4,367</b>	<b>2,707</b>	<b>-26.1</b>	<b>-38.0</b>	<b>3,781</b>	<b>-28.4</b>
Interest	1	19	19	1,590.9	0.0	19	0.0
Other income	673	636	570	-15.2	-10.3	645	-11.6
<b>PBT</b>	<b>4,336</b>	<b>4,985</b>	<b>3,259</b>	<b>-24.9</b>	<b>-34.6</b>	<b>4,408</b>	<b>-26.1</b>
Tax	1,506	1,250	759	-49.6	-39.3	1,190	-36.3
Effective tax rate (%)	34.7	25.1	23.3	-1144bps	-180bps	27.0	-372bps
<b>PAT</b>	<b>2,831</b>	<b>3,735</b>	<b>2,500</b>	<b>-11.7</b>	<b>-33.1</b>	<b>3,218</b>	<b>-22.3</b>
<b>Adjusted PAT</b>	<b>2,831</b>	<b>3,735</b>	<b>2,500</b>	<b>-11.7</b>	<b>-33.1</b>	<b>3,218</b>	<b>-22.3</b>
<b>Revenue Breakup</b>	<b>4QFY19</b>	<b>3QFY20</b>	<b>4QFY20</b>	<b>YoY%</b>	<b>QoQ%</b>	<b>4QFY20E</b>	<b>v/s est (%)</b>
Advertising	3,400	3,410	2,910	-14.4	-14.7	2,949	-1.3
Broadcasting	130	50	40	-69.2	-20.0	68	-41.3
<b>Total Advertising &amp; Broadcasting</b>	<b>3,530</b>	<b>3,460</b>	<b>2,950</b>	<b>-16.4</b>	<b>-14.7</b>	<b>3,017</b>	<b>-2.2</b>
International subscription	420	410	410	-2.4	0.0	345	18.8
Domestic Subscription	3,198	4,119	3,988	24.7	-3.2	4,016	-0.7
- Domestic Cable	1,260	2,050	1,930	53.2	-5.9	2,004	-3.7
- DTH	1,940	2,070	2,050	5.7	-1.0	2,012	1.9
<b>Total Subscription revenue</b>	<b>3,618</b>	<b>4,529</b>	<b>4,398</b>	<b>21.6</b>	<b>-2.9</b>	<b>4,361</b>	<b>0.8</b>
Films, IPL and Others	1,741	161	8	-99.5	-94.8	50	-83.2
<b>Total</b>	<b>8,889</b>	<b>8,150</b>	<b>7,356</b>	<b>-17.2</b>	<b>-9.7</b>	<b>7,429</b>	<b>-1.0</b>

Source: MOFSL, Company

### Exhibit 4: Operating expense breakup (INR m)

	4QFY19	3QFY20	4QFY20	YoY%	QoQ%	4QFY20E	v/s est (%)
Production cost	1283	1106	922	-28.1	-16.6	973	-5.2
Employee cost	703	710	731	4.1	3.0	708	3.3
Other exp	819	531	663	-19.0	25.0	521	27.4
<b>Total Operating expenses</b>	<b>2,805</b>	<b>2,346</b>	<b>2,317</b>	<b>-17.4</b>	<b>-1.3</b>	<b>2,201</b>	<b>5.2</b>

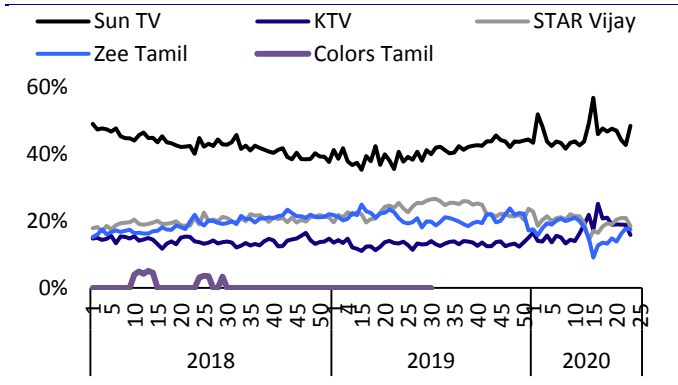
Source: MOFSL, Company

**Exhibit 5: Estimate change summary**

	FY20E	FY21E
<b>Revenue (INR b)</b>		
Old	34.7	40.0
Actual/New	30.8	38.2
Change (%)	-11.2	-4.6
<b>EBITDA (INR b)</b>		
Old	22.4	25.7
Actual/New	19.3	25.1
Change (%)	-13.8	-2.2
<b>EBITDA margin (%)</b>		
Old	64.8	64.2
Actual/New	62.9	65.8
Change (bp)	-190.1	163.3
<b>PAT (INR b)</b>		
Old	13.8	15.6
Actual/New	12.8	15.4
Change (%)	-7.2	-1.4
<b>Adj. EPS (INR)</b>		
Old	34.9	39.6
Actual/New	32.4	39.1
Change (%)	-7.2	-1.4

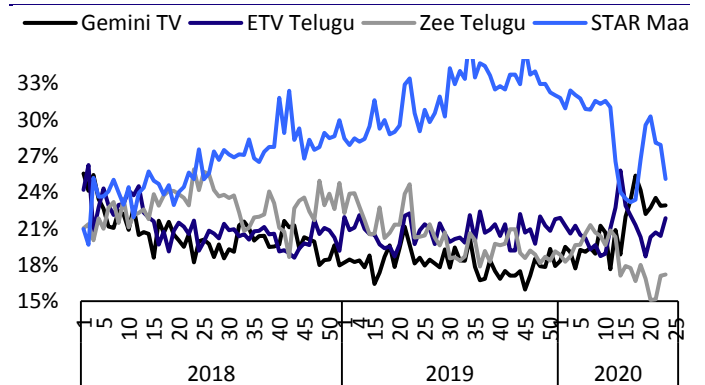
Source: MOFSL, Company

**Exhibit 6: Sun TV maintains leadership in Tamil genre (weekly)**



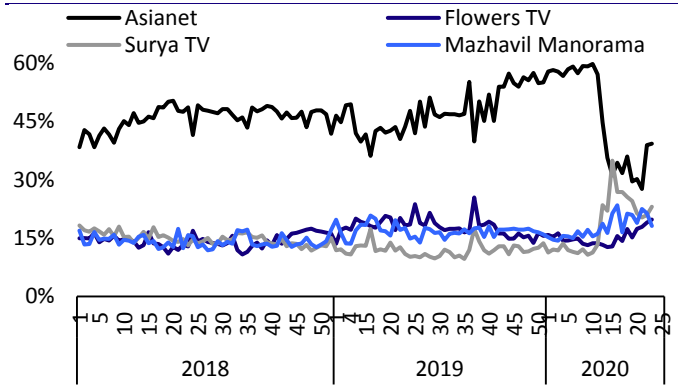
Source: BARC, MOFSL

**Exhibit 7: Gemini TV stands second in Telugu genre (weekly)**



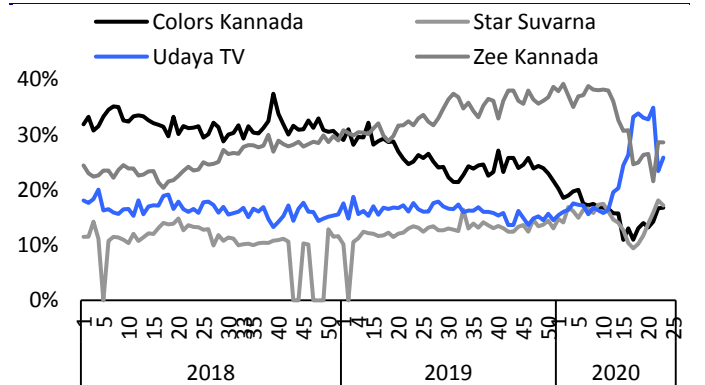
Source: BARC, MOFSL

**Exhibit 8: Surya TV stands second in Malayalam genre (weekly)**



Source: BARC, MOFSL

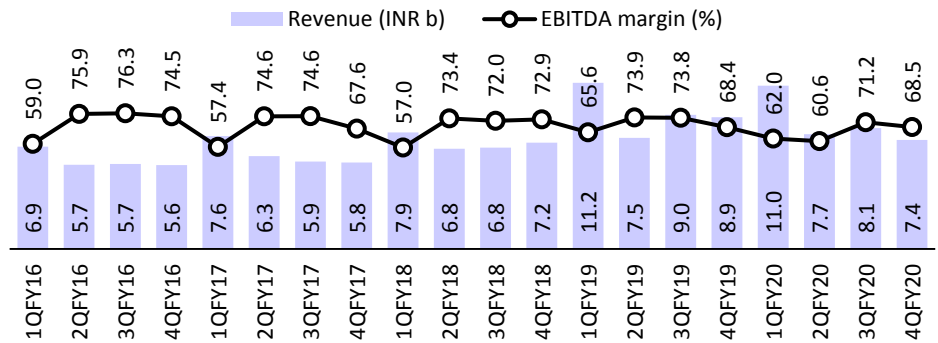
**Exhibit 9: Udaya TV stands fifth in Kannada genre (weekly)**



Source: BARC, MOFSL

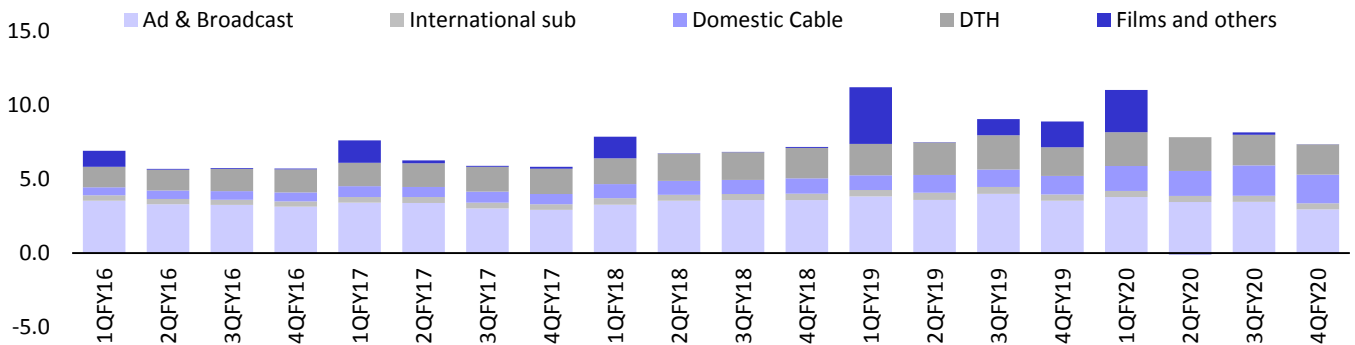
Story in charts

Exhibit 10: Standalone revenue down 17% YoY



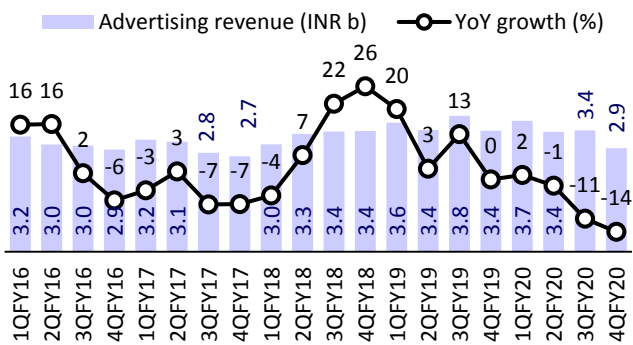
Source: MOFSL, Company

Exhibit 11: Trend in revenue mix (%)



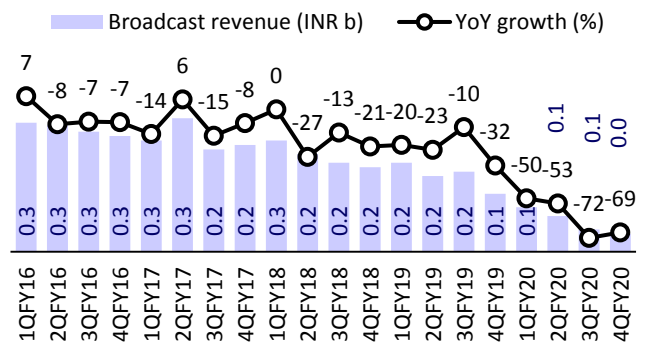
Source: MOFSL, Company

Exhibit 12: Ad revenue trend



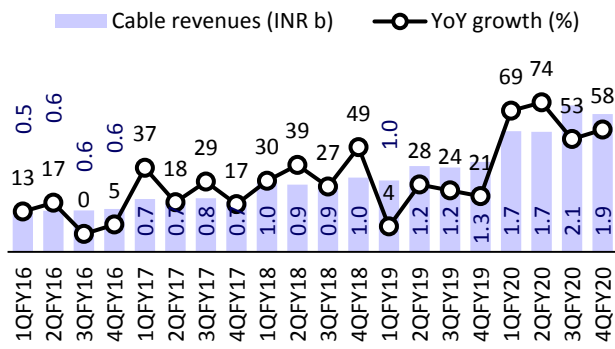
Source: MOFSL, Company

Exhibit 13: Broadcasting revenue trend



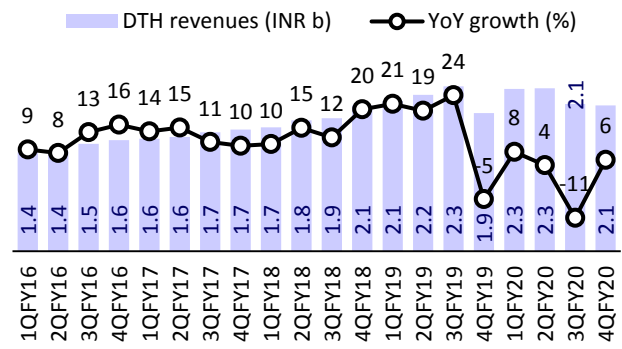
Source: MOFSL, Company

Exhibit 14: Cable revenue trend



Source: MOFSL, Company

Exhibit 15: DTH revenue trend



Source: MOFSL, Company

Exhibit 16: SUNTV: Snapshot (INR b)

Particulars	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
- Ad revenue (INR b)	12.1	11.7	13.1	14.3	13.4	10.7	12.8
YoY growth (%)	7	-3	12	9	-6	-20	20
- Broadcast revenue (INR b)	1.1	1.0	0.9	0.7	0.3	0.3	0.3
YoY growth (%)	-3	-8	-16	-13	-64	5	5
<b>Ad and broadcast revenue (INR b)</b>	<b>13.2</b>	<b>12.7</b>	<b>14.0</b>	<b>15.0</b>	<b>13.6</b>	<b>11.0</b>	<b>13.1</b>
YoY growth (%)	6	-4	10	8	-9	-20	20
- DTH revenue (INR b)	5.9	6.6	7.5	8.6	8.7	9.1	10.0
YoY growth (%)	11	12	14	14	1	5	10
- Cable revenue (INR b)	2.3	2.9	3.9	4.6	7.4	8.5	9.3
YoY growth (%)	8	25	36	19	58	15	10
- International revenue (INR b)	1.4	1.7	1.7	1.8	1.6	1.7	1.9
YoY growth (%)	2	23	-3	7	-8	5	9
<b>Total Subscription revenue (INR b)</b>	<b>9.6</b>	<b>11.2</b>	<b>13.1</b>	<b>15.0</b>	<b>17.3</b>	<b>19.3</b>	<b>21.2</b>
YoY growth (%)	9	17	17	15	15	12	10
Films, IPL and other revenue (INR b)	1.2	1.7	1.6	6.6	2.9	0.5	3.8
YoY growth (%)	0	45	-7	318	-56	-83	664
<b>Total Revenue (INR b)</b>	<b>24.0</b>	<b>25.6</b>	<b>28.6</b>	<b>36.6</b>	<b>34.0</b>	<b>30.8</b>	<b>38.2</b>
YoY growth (%)	7	7	12	28	-7	-10	24
<b>EBITDA</b>	<b>17.0</b>	<b>17.4</b>	<b>19.6</b>	<b>25.6</b>	<b>22.4</b>	<b>19.3</b>	<b>25.1</b>
YoY growth (%)	5	2	13	31	-13	-13	30
<b>EBITDA margin (%)</b>	<b>70.8</b>	<b>67.9</b>	<b>68.5</b>	<b>70.0</b>	<b>65.7</b>	<b>62.9</b>	<b>65.8</b>
<b>Revenue mix (%)</b>							
<b>Ad and broadcast revenue</b>	<b>55</b>	<b>50</b>	<b>49</b>	<b>41</b>	<b>40</b>	<b>36</b>	<b>34</b>
<b>Subscription revenue</b>	<b>40</b>	<b>44</b>	<b>46</b>	<b>41</b>	<b>51</b>	<b>63</b>	<b>56</b>
- DTH	24	26	26	23	26	30	26
- Analog	10	11	14	13	22	27	24
- International	6	7	6	5	5	6	5
<b>Films, IPL and other revenue</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>18</b>	<b>9</b>	<b>2</b>	<b>10</b>
<b>Domestic revenue</b>	<b>85</b>	<b>85</b>	<b>87</b>	<b>88</b>	<b>93</b>	<b>91</b>	<b>91</b>
<b>International revenue</b>	<b>15</b>	<b>15</b>	<b>13</b>	<b>12</b>	<b>7</b>	<b>9</b>	<b>9</b>

Source: MOFSL, Company



## Financials and valuations

### Standalone - Income Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Total Income from Operations</b>	<b>22,431</b>	<b>23,952</b>	<b>25,583</b>	<b>28,625</b>	<b>36,633</b>	<b>34,044</b>	<b>30,778</b>	<b>38,162</b>
Change (%)	7.0	6.8	6.8	11.9	28.0	-7.1	-9.6	24.0
Production Costs	1,692	1,815	2,165	2,862	4,202	5,456	5,475	6,296
Employees Cost	2,037	2,359	2,563	2,941	3,006	2,924	2,851	3,136
Other Expenses	2,558	2,818	3,485	3,227	3,781	3,304	3,106	3,602
<b>Total Expenditure</b>	<b>6,288</b>	<b>6,992</b>	<b>8,213</b>	<b>9,030</b>	<b>10,990</b>	<b>11,684</b>	<b>11,432</b>	<b>13,034</b>
% of Sales	28.0	29.2	32.1	31.5	30.0	34.3	37.1	34.2
<b>EBITDA</b>	<b>16,143</b>	<b>16,961</b>	<b>17,370</b>	<b>19,595</b>	<b>25,643</b>	<b>22,361</b>	<b>19,346</b>	<b>25,128</b>
Margin (%)	72.0	70.8	67.9	68.5	70.0	65.7	62.9	65.8
Depreciation	5,878	4,850	3,911	4,397	6,467	6,793	3,935	6,483
<b>EBIT</b>	<b>10,265</b>	<b>12,110</b>	<b>13,458</b>	<b>15,198</b>	<b>19,176</b>	<b>15,567</b>	<b>15,411</b>	<b>18,645</b>
Int. and Finance Charges	30	22	10	11	17	78	78	78
Other Income	879	1,075	1,456	1,397	2,200	2,489	2,161	2,526
<b>PBT bef. EO Exp.</b>	<b>11,114</b>	<b>13,164</b>	<b>14,903</b>	<b>16,584</b>	<b>21,359</b>	<b>17,979</b>	<b>17,495</b>	<b>21,093</b>
EO Items	0	180	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>11,114</b>	<b>13,344</b>	<b>14,903</b>	<b>16,584</b>	<b>21,359</b>	<b>17,979</b>	<b>17,495</b>	<b>21,093</b>
Total Tax	3,746	4,646	5,109	5,654	7,411	4,261	4,724	5,695
Tax Rate (%)	33.7	34.8	34.3	34.1	34.7	23.7	27.0	27.0
<b>Reported PAT</b>	<b>7,369</b>	<b>8,698</b>	<b>9,794</b>	<b>10,930</b>	<b>13,949</b>	<b>13,718</b>	<b>12,771</b>	<b>15,398</b>
<b>Adjusted PAT</b>	<b>7,369</b>	<b>8,581</b>	<b>9,794</b>	<b>10,930</b>	<b>13,949</b>	<b>13,718</b>	<b>12,771</b>	<b>15,398</b>
Change (%)	2.8	16.4	14.1	11.6	27.6	-1.7	-6.9	20.6
Margin (%)	32.9	35.8	38.3	38.2	38.1	40.3	41.5	40.3

### Standalone - Balance Sheet

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970
Total Reserves	31,827	33,206	38,247	44,430	52,435	54,271	55,662	59,681
<b>Net Worth</b>	<b>33,797</b>	<b>35,176</b>	<b>40,218</b>	<b>46,401</b>	<b>54,405</b>	<b>56,241</b>	<b>57,633</b>	<b>61,651</b>
Total Loans	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	221	219	556	770	1,056	851	851	851
<b>Capital Employed</b>	<b>34,018</b>	<b>35,396</b>	<b>40,773</b>	<b>47,170</b>	<b>55,461</b>	<b>57,092</b>	<b>58,484</b>	<b>62,503</b>
Gross Block	38,306	15,418	19,203	22,972	28,402	33,372	37,372	41,372
Less: Accum. Deprn.	27,563	7,089	8,183	12,579	19,046	23,909	29,774	36,257
<b>Net Fixed Assets</b>	<b>10,743</b>	<b>8,330</b>	<b>11,021</b>	<b>10,393</b>	<b>9,356</b>	<b>9,463</b>	<b>7,598</b>	<b>5,115</b>
Capital WIP	5	6	15	442	133	663	663	663
<b>Total Investments</b>	<b>6,936</b>	<b>8,508</b>	<b>14,540</b>	<b>24,121</b>	<b>30,505</b>	<b>29,490</b>	<b>29,490</b>	<b>29,490</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>18,224</b>	<b>20,980</b>	<b>17,924</b>	<b>16,949</b>	<b>20,700</b>	<b>23,552</b>	<b>24,401</b>	<b>31,782</b>
Account Receivables	6,835	7,329	7,238	10,084	10,790	13,100	8,770	10,873
Cash and Bank Balance	6,904	7,877	7,385	3,071	4,709	5,288	11,753	16,100
Loans and Advances	4,480	5,763	3,292	3,791	5,199	5,164	3,866	4,794
<b>Curr. Liability &amp; Prov.</b>	<b>1,890</b>	<b>2,428</b>	<b>2,726</b>	<b>4,734</b>	<b>5,233</b>	<b>6,074</b>	<b>3,667</b>	<b>4,547</b>
Account Payables	375	383	497	577	1,986	2,771	1,096	1,359
Other Current Liabilities	1,448	1,906	2,034	4,000	3,073	3,094	2,370	2,938
Provisions	68	139	195	157	174	209	201	249
<b>Net Current Assets</b>	<b>16,334</b>	<b>18,552</b>	<b>15,198</b>	<b>12,215</b>	<b>15,468</b>	<b>17,477</b>	<b>20,734</b>	<b>27,235</b>
<b>Appl. of Funds</b>	<b>34,018</b>	<b>35,396</b>	<b>40,773</b>	<b>47,170</b>	<b>55,461</b>	<b>57,092</b>	<b>58,484</b>	<b>62,503</b>

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>18.7</b>	<b>21.8</b>	<b>24.9</b>	<b>27.7</b>	<b>35.4</b>	<b>34.8</b>	<b>32.4</b>	<b>39.1</b>
Cash EPS	33.6	34.1	34.8	38.9	51.8	52.0	42.4	55.5
BV/Share	85.8	89.3	102.1	117.7	138.1	142.7	146.2	156.4
DPS	11.3	15.5	10.0	10.0	12.5	25.0	25.0	25.0
Payout (%)	69.5	84.3	48.4	43.4	40.8	82.9	89.1	73.9
<b>Valuation (x)</b>								
P/E	22.5	19.3	16.9	15.2	11.9	12.1	13.0	10.8
Cash P/E	12.5	12.4	12.1	10.8	8.1	8.1	9.9	7.6
P/BV	4.9	4.7	4.1	3.6	3.0	2.9	2.9	2.7
EV/Sales	6.8	6.5	5.9	5.1	3.8	4.1	4.3	3.9
EV/EBITDA	9.4	9.2	8.7	7.4	5.4	6.2	6.8	6.0
Dividend Yield (%)	2.7	3.7	2.4	2.4	3.0	5.9	5.9	5.9
FCF per share	17.8	22.4	23.5	21.5	31.2	24.2	40.0	33.7
<b>Return Ratios (%)</b>								
RoE	22.5	24.9	26.0	25.2	27.7	24.8	22.4	25.8
RoCE	22.6	24.9	26.0	25.3	27.7	24.9	22.5	25.9
RoIC	34.2	40.3	46.7	52.2	63.2	56.9	58.9	82.9
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	0.6	1.6	1.3	1.2	1.3	1.0	0.8	0.9
Asset Turnover (x)	0.7	0.7	0.6	0.6	0.7	0.6	0.5	0.6
Inventory (Days)	0	0	0	0	0	0	0	0
Debtor (Days)	111	112	103	129	108	140	104	104
Creditor (Days)	6	6	7	7	20	30	13	13
<b>Leverage Ratio (x)</b>								
Current Ratio	9.6	8.6	6.6	3.6	4.0	3.9	6.7	7.0
Net Debt/Equity	-0.4	-0.5	-0.5	-0.6	-0.6	-0.6	-0.7	-0.7

### Standalone - Cash Flow Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	11,120	13,163	14,904	16,584	21,359	17,989	17,495	21,093
Depreciation	5,878	4,850	3,911	4,397	6,467	6,793	3,935	6,483
Interest & Finance Charges	18	22	10	11	17	78	78	78
Direct Taxes Paid	-3,761	-4,550	-4,877	-5,409	-7,226	-4,254	-4,724	-5,695
(Inc)/Dec in WC	-1,174	-260	-14	-1,086	-848	-2,618	3,208	-2,155
<b>CF from Operations</b>	<b>12,080</b>	<b>13,225</b>	<b>13,934</b>	<b>14,497</b>	<b>19,769</b>	<b>17,988</b>	<b>19,991</b>	<b>19,804</b>
Others	-673	-665	-1,027	-1,059	-1,997	-1,885	-2,161	-2,526
<b>CF from Operating incl EO</b>	<b>11,407</b>	<b>12,560</b>	<b>12,907</b>	<b>13,438</b>	<b>17,772</b>	<b>16,103</b>	<b>17,830</b>	<b>17,278</b>
(Inc)/Dec in FA	-4,375	-3,713	-3,658	-4,977	-5,479	-6,579	-2,070	-4,000
<b>Free Cash Flow</b>	<b>7,033</b>	<b>8,847</b>	<b>9,249</b>	<b>8,460</b>	<b>12,293</b>	<b>9,524</b>	<b>15,760</b>	<b>13,278</b>
(Pur)/Sale of Investments	-169	213	-4,774	-9,083	-5,654	1,091	0	0
Others	768	-715	-214	1,403	482	1,814	2,161	2,526
<b>CF from Investments</b>	<b>-3,775</b>	<b>-4,214</b>	<b>-8,646</b>	<b>-12,658</b>	<b>-10,651</b>	<b>-3,675</b>	<b>91</b>	<b>-1,474</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	-18	-20	-10	-11	-17	-291	-78	-78
Dividend Paid	-6,331	-7,352	-4,743	-4,743	-5,939	-11,877	-11,379	-11,379
Others	0	0	0	0	0	16	0	0
<b>CF from Fin. Activity</b>	<b>-6,348</b>	<b>-7,372</b>	<b>-4,753</b>	<b>-4,754</b>	<b>-5,955</b>	<b>-12,152</b>	<b>-11,457</b>	<b>-11,457</b>
<b>Inc/Dec of Cash</b>	<b>1,284</b>	<b>973</b>	<b>-492</b>	<b>-3,969</b>	<b>1,164</b>	<b>277</b>	<b>6,465</b>	<b>4,347</b>
Opening Balance	5,620	6,904	7,877	6,551	2,582	3,748	4,025	10,489
<b>Closing Balance</b>	<b>6,904</b>	<b>7,877</b>	<b>7,385</b>	<b>2,582</b>	<b>3,746</b>	<b>4,025</b>	<b>10,489</b>	<b>14,836</b>

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com) CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

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