

# Sun TV Network

Estimate change 

TP change 

Rating change 



Bloomberg	SUNTV IN
Equity Shares (m)	394
M.Cap.(INRb)/(USDb)	188.1 / 2.4
52-Week Range (INR)	611 / 403
1, 6, 12 Rel. Per (%)	0/-10/-18
12M Avg Val (INR M)	729

#### Financials & Valuations (INR b)

INRb	FY22E	FY23E	FY24E
Sales	35.0	38.5	41.3
EBITDA	22.6	25.0	26.6
Adj. PAT	16.4	16.9	18.6
EBITDA Margin (%)	64.6%	64.9%	64.4%
Adj. EPS (INR)	41.7	42.8	47.3
EPS Gr. (%)	8.2%	2.6%	10.4%
BV/Sh. (INR)	204.4	221.8	241.3

#### Ratios

Net D:E	-0.6	-0.7	-0.7
RoE (%)	21.9%	20.1%	19.6%
RoCE (%)	22.2%	20.1%	20.5%
Payout (%)	55.3%	59.3%	58.6%

#### Valuations

P/E (x)	11.4	11.1	10.1
P/B (x)	2.3	2.2	2.0
EV/EBITDA (x)	6.7	5.4	4.8
Div. Yield (%)	4.2%	4.6%	5.0%
FCF Yield (%)	2.6%	10.4%	8.6%

#### Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	75.0	75.0	75.0
DII	4.7	4.2	3.6
FII	9.3	9.2	7.7
Others	11.0	11.6	13.6

FII Includes depository receipts

**CMP: INR477**

**TP: INR550 (+15%)**

**Buy**

## Health earnings despite a weak ad growth

- SUNTV reported a revenue/PAT growth of 11%/28% from pre-COVID levels, even though ad revenue was weak (down 7% from pre-COVID levels). This may be due to higher contribution from the movie business.
- We expect a soft EPS CAGR of 6% over FY22-24, on the back of low ad and subscription growth and lower margin. A loss in market share loss and delayed OTT investments remain a key concern. The recent upbeat valuation in the recently concluded auction of new IPL teams makes the stock's valuation compelling at below 6-7x. **We maintain our Buy rating.**

## PAT up 29% from pre-COVID levels; announces a dividend of INR5/share

- Revenue rose 11% from pre-COVID levels and 48% YoY to INR11.9b (15% beat). Revenue from advertising fell 7% from pre-COVID levels, but grew 40% YoY to INR3.4b.
- IPL revenue stood flat at INR2.4b in comparison to pre-COVID levels.
- Production costs rose 33% YoY to INR1.5b (11% below our estimate). SG&A grew 58% YoY to INR2.1b, which includes INR1.5b towards IPL franchisee fees. This was apportioned throughout Apr-Dec'21, which led to a 37% YoY increase in OPEX (20% above our estimate).
- EBITDA grew 12% from pre-COVID levels to INR7.6b, with an 80bp improvement in margin to 64%. On a YoY basis, it grew 54% (12% beat), with a 290bp improvement in margin.
- Depreciation surged by 5x YoY to INR5.6b (in line), possibly due to amortization of movie production costs.
- PAT grew 28% from pre-COVID levels and 26% YoY to INR4.9b (5% above our estimate).
- The board declared an interim dividend of INR5/share (annualized dividend yield of 4.2%). For FY22, it has declared a dividend of INR20/share.

## Valuation and view

- SUNTV is expected to maintain the growth momentum in viewership, with greater investment towards multiple non-fiction shows in the southern market and on prime-time fiction shows.
- Healthy liquidity, with a net cash of over INR9.2b, offers room to intensify investments in the linear as well as OTT space. This, along with its high dividend payout potential (a 45-85% payout policy) and reasonable valuation, offers support.
- Adjusting for the recent high auction price for the new IPL teams, the stock is barely trading at a P/E of 6-7x on a FY22 basis.
- The key risk is that investments in its movie production have delayed its OTT investments by two years, except monetization of its existing library. Moreover, there exists a risk of further delays.
- We have raised our FY23 EPS estimate by 4% and factor in 6% CAGR over FY22-24.
- We value the stock at 12x FY24 P/E of to arrive at our TP of INR550. **We maintain our Buy rating.**

## Standalone - Quarterly Earning Model

(INR m)

Y/E March	FY22E				FY23				FY22	FY23E	FY23E	Est Var
	1Q	2QE	3Q	4Q	1Q	2QE	3QE	4QE		1Q	(%)	
<b>Revenue</b>	<b>8,101</b>	<b>8,287</b>	<b>10,331</b>	<b>8,330</b>	<b>11,939</b>	<b>8,473</b>	<b>9,549</b>	<b>8,551</b>	<b>35,049</b>	<b>38,512</b>	<b>10,423</b>	<b>15</b>
YoY Change (%)	33.7	9.6	6.2	6.5	47.4	2.2	-7.6	2.7	12.5	9.9	28.7	
Total Expenditure	3,151	3,081	3,112	2,797	4,301	3,135	3,436	2,658	12,141	13,529	3,599	<b>19</b>
<b>EBITDA</b>	<b>4,950</b>	<b>5,206</b>	<b>7,219</b>	<b>5,533</b>	<b>7,638</b>	<b>5,338</b>	<b>6,113</b>	<b>5,893</b>	<b>22,907</b>	<b>24,983</b>	<b>6,823</b>	<b>12</b>
YoY Change (%)	18.8	3.7	20.2	1.2	54.3	2.5	-15.3	6.5	10.9	9.1	37.9	
Depreciation	331	355	1,533	648	2,079	1,037	1,037	1,037	2,867	5,191	1,266	64
Interest	10	235	8	34	14	10	10	10	287	44	10	42
Other Income	561	660	420	538	1,009	593	593	593	2,178	2,789	695	45
<b>PBT</b>	<b>5,170</b>	<b>5,276</b>	<b>6,098</b>	<b>5,388</b>	<b>6,554</b>	<b>4,884</b>	<b>5,659</b>	<b>5,439</b>	<b>21,932</b>	<b>22,537</b>	<b>6,242</b>	<b>5</b>
Tax	1,272	1,343	1,524	1,345	1,637	1,229	1,424	1,369	5,483	5,658	1,571	
Rate (%)	24.6	25.4	25.0	25.0	25.0	25.2	25.2	25.2	25.0	25.1	25.2	
<b>Reported PAT</b>	<b>3,898</b>	<b>3,933</b>	<b>4,574</b>	<b>4,044</b>	<b>4,917</b>	<b>3,655</b>	<b>4,235</b>	<b>4,071</b>	<b>16,448</b>	<b>16,878</b>	<b>4,672</b>	<b>5</b>
YoY Change (%)	37.8	13.7	3.5	-10.1	26.1	-7.1	-7.4	0.7	8.2	2.6	19.9	

E: MOFSL Estimates

## Exhibit 1: Valuation based on FY24E EPS

Valuation	March'24
EPS (INR)	47
PE multiple (x)	12
Target Price (INR)	550
CMP (INR)	477
Upside (%)	15%

Source: Company, MOFSL

## Exhibit 2: Quarterly performance (INR m)

INR m	1QFY22	4QFY22	1QFY23	YoY%	QoQ%	1QFY23E	v/s est (%)
<b>Revenue</b>	<b>8,101</b>	<b>8,330</b>	<b>11,939</b>	<b>47.4</b>	<b>43.3</b>	<b>10,423</b>	<b>14.5</b>
Operating expenditure	3,151	2,797	4,301	36.5	53.8	3,599	19.5
<b>EBITDA</b>	<b>4,950</b>	<b>5,533</b>	<b>7,638</b>	<b>54.3</b>	<b>38.0</b>	<b>6,823</b>	<b>11.9</b>
EBITDA margin (%)	61.1	66.4	64.0	288bps	-245bps	65.5	-149bps
Depreciation & amortization	331	648	2,079	528.9	220.7	1,266	64.2
<b>EBIT</b>	<b>4,619</b>	<b>4,885</b>	<b>5,559</b>	<b>20.3</b>	<b>13.8</b>	<b>5,557</b>	<b>0.0</b>
Interest	10	34	14	40.6	-58.5	10	42.0
Other income	561	538	1,009	80.1	87.7	695	45.2
<b>PBT</b>	<b>5,170</b>	<b>5,388</b>	<b>6,554</b>	<b>26.8</b>	<b>21.6</b>	<b>6,242</b>	<b>5.0</b>
Tax	1,272	1,345	1,637	28.7	21.8	1,571	4.2
Effective tax rate (%)	24.6	25.0	25.0	38bps	2bps	25.2	-18bps
<b>PAT</b>	<b>3,898</b>	<b>4,044</b>	<b>4,917</b>	<b>26.1</b>	<b>21.6</b>	<b>4,672</b>	<b>5.2</b>
<b>Adjusted PAT</b>	<b>3,898</b>	<b>4,044</b>	<b>4,917</b>	<b>26.1</b>	<b>21.6</b>	<b>4,672</b>	<b>5.2</b>

Source: MOFSL, Company

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

Operating Cost	1QFY22	4QFY22	1QFY23	YoY%	QoQ%	1QFY23E	v/s est (%)
Production cost	1140	1380	1,519	33.3	10.1	1,709	-11.1
Employee cost	681	654	685	0.6	4.7	681	0.6
Other exp	1331	763	2097	57.6	174.7	1,209	73.5
<b>Total Operating expenses</b>	<b>3,151</b>	<b>2,797</b>	<b>4,301</b>	<b>36.5</b>	<b>53.8</b>	<b>3,599</b>	<b>19.5</b>

Source: MOFSL, Company

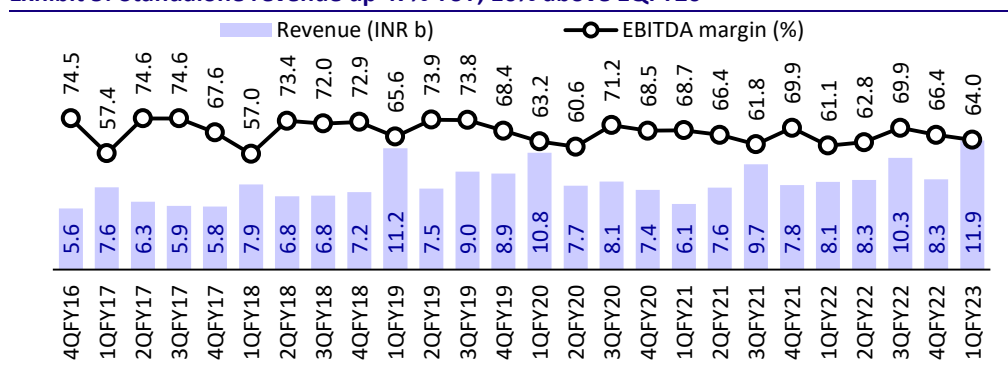
**Exhibit 4: Estimate change summary**

	FY23E	FY24E
<b>Advt Revenue (INRb)</b>		
Old	14.3	15.5
Actual/New	14.4	15.7
Change (%)	0.9	0.9
<b>Subscription Revenue (INRb)</b>		
Old	19.0	20.4
Actual/New	19.0	20.4
Change (%)	0.0	0.0
<b>Revenue (INRb)</b>		
Old	37.7	40.2
Actual/New	38.5	41.3
Change (%)	2.1	2.6
<b>EBITDA (INRb)</b>		
Old	24.2	25.6
Actual/New	25.0	26.6
Change (%)	3.3	4.1
<b>EBITDA margin (%)</b>		
Old	64.1	63.5
Actual/New	64.9	64.4
Change (bp)	73.4	92.1
<b>PAT (INRb)</b>		
Old	16.3	17.9
Actual/New	16.9	18.6
Change (%)	3.6	4.3
<b>EPS (INR)</b>		
Old	41.4	45.3
Actual/New	42.8	47.3
Change (%)	3.6	4.3

Source: MOFSL, Company

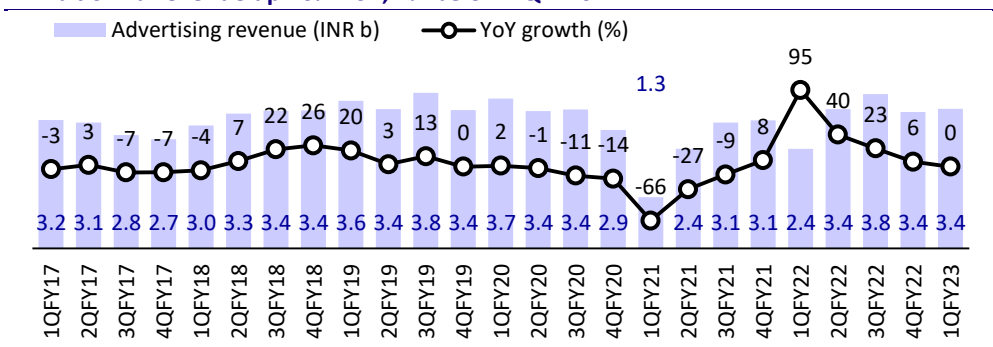
## Story in charts

**Exhibit 5: Standalone revenue up 47% YoY; 10% above 1QFY20**



Source: MOFSL, Company

**Exhibit 6: Ad revenue up 40% YoY; 7% below 1QFY20**



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>38,512</b>	<b>41,282</b>
Change (%)	6.8	6.8	11.9	28.0	-7.1	-8.5	12.5	9.9	7.2
Production Costs	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>
% of Sales	29.2	32.1	31.5	30.0	34.3	33.7	35.4	35.1	35.6
<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>24,983</b>	<b>26,593</b>
Margin (%)	70.8	67.9	68.5	70.0	65.7	66.3	64.6	64.9	64.4
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>19,792</b>	<b>21,512</b>
Int. and Finance Charges	22	10	11	17	78	220	287	44	44
Other Income	1,075	1,456	1,397	2,200	2,489	2,714	2,448	2,789	3,428
<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>22,537</b>	<b>24,896</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>22,537</b>	<b>24,896</b>
Total Tax	4,646	5,109	5,654	7,411	4,261	4,144	5,483	5,658	6,264
Tax Rate (%)	34.8	34.3	34.1	34.7	23.7	21.4	25.0	25.1	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>16,878</b>	<b>18,632</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>16,878</b>	<b>18,632</b>
Change (%)	16.4	14.1	11.6	27.6	-1.7	10.8	8.2	2.6	10.4
Margin (%)	35.8	38.3	38.2	38.1	40.3	48.8	46.9	43.8	45.1

### 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	85,426	93,135
<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>87,397</b>	<b>95,105</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>87,397</b>	<b>95,105</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&amp;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>44,141</b>	<b>53,313</b>
Account Receivables	7,329	7,238	10,084	10,790	13,100	13,944	13,945	15,827	15,834
Cash and Bank Balance	7,877	7,385	3,071	4,709	5,288	8,753	9,175	21,457	30,128
Loans and Advances	5,763	3,292	3,791	5,199	5,164	8,298	7,179	6,843	7,335
<b>Curr. Liability &amp; 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>5,327</b>	<b>5,710</b>
Account Payables	383	497	577	1,986	2,771	2,594	2,036	2,110	2,262
Other Current Liabilities	1,906	2,034	4,000	3,073	3,094	3,290	4,570	2,965	3,179
Provisions	139	195	157	174	209	2,402	195	251	269
<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>38,814</b>	<b>47,603</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>87,397</b>	<b>95,105</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>42.8</b>	<b>47.3</b>
Cash EPS	34.1	34.8	38.9	51.8	52.0	48.3	49.0	56.0	60.2
BV/Share	89.3	102.1	117.7	138.1	142.7	176.3	204.4	221.8	241.3
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	59.3	58.6
<b>Valuation (x)</b>									
P/E	21.9	19.2	17.2	13.5	13.7	12.4	11.4	11.1	10.1
Cash P/E	14.0	13.7	12.3	9.2	9.2	9.9	9.7	8.5	7.9
P/BV	5.3	4.7	4.1	3.5	3.3	2.7	2.3	2.2	2.0
EV/Sales	7.4	6.8	5.9	4.4	4.7	4.8	4.3	3.5	3.1
EV/EBITDA	10.5	10.0	8.6	6.2	7.2	7.2	6.7	5.4	4.8
Dividend Yield (%)	3.2	2.1	2.1	2.6	5.2	1.0	4.2	4.6	5.0
FCF per share	22.4	23.5	21.5	31.2	24.2	30.8	12.3	49.6	41.1
<b>Return Ratios (%)</b>									
RoE	24.9	26.0	25.2	27.7	24.8	24.2	21.9	20.1	19.6
RoCE	24.9	26.0	25.3	27.7	24.9	24.5	22.2	20.1	20.5
RoIC	40.3	46.7	52.2	63.2	56.9	61.2	56.7	53.1	65.0
<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
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	-0.5	-0.5	-0.6	-0.6	-0.6	-0.7	-0.6	-0.7	-0.7

### Standalone - Cash Flow Statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>(INR m)</b>									
OP/(Loss) before Tax	13,163	14,904	16,584	21,359	17,989	19,348	21,931	22,537	24,896
Depreciation	4,850	3,911	4,397	6,467	6,793	3,821	2,867	5,191	5,080
Interest & Finance Charges	22	10	11	17	78	220	287	44	44
Direct Taxes Paid	-4,550	-4,877	-5,409	-7,226	-4,254	-5,379	-6,908	-5,658	-6,264
(Inc)/Dec in WC	-260	-14	-1,086	-848	-2,618	-1,546	-538	-3,036	-117
<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>19,078</b>	<b>23,640</b>
Others	-665	-1,027	-1,059	-1,997	-1,885	-2,019	-1,499	-2,789	-3,428
<b>CF from Operating 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>16,289</b>	<b>20,212</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>19,550</b>	<b>16,212</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	2,789	3,428
<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>6,050</b>	<b>-572</b>
Interest Paid	-20	-10	-11	-17	-291	-465	-542	-44	-44
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>-10,058</b>	<b>-10,968</b>
<b>Inc/Dec of 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>12,281</b>	<b>8,671</b>
Opening Balance	3,932	5,529	6,551	2,583	3,747	4,025	4,613	5,099	17,381
<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>17,381</b>	<b>26,052</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>21,457</b>	<b>30,128</b>

NOTES



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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