

13 August 2023

India | Equity Research | Q1FY24 result review

## Sun TV Network

Media

### In-line Q1FY24 performance; ad, subscription revenue outlook improving

Q1FY24 ad-revenue growth for Sun TV continued to be muted (+0.2% QoQ/-1.2% YoY) due to media spends diversion to sporting events like IPL. We believe management sounded more confident about the revival in ad spends from Q2FY24. Subscription revenue grew higher than expected at 7% QoQ/ 6% YoY led by 5-6% price hikes as implementation of NTO 3.0 was smoother than envisaged earlier. This momentum is likely to continue. The success of Rajnikanth starrer, 'Jailer', produced by Sun Pictures ([link](#)), may lead to higher than-expected income from movie distribution. We have, therefore, upgraded our revenue, EBITDA and EPS estimates for FY24E/25E and increased our target price to INR 650 (from INR 551). Re-iterate **BUY**.

### Recovery in ad-revenues soon

According to the management, green shoots are visible in ad spend growth. FMCG media buyers are now more amenable to loosening purse strings. However, the management did not point out any structural change, given the abundance of big-ticket sport events in H2CY23 – such as the Cricket World Cup – some of the ad-revenues meant for GEC could be re-diverted to sports channels. On subscription revenue side, NTO 3.0 likely aided pricing by 5-6% which led to 6% YoY revenue increase to INR 434mn (I-Sec estimate: INR 423mn). Management remained cautious about the incremental investments into OTT content, until the cost structure for OTT is more in line with traditional programming.

### Q1FY24 performance

Sun TV's revenues in Q1FY24 grew 11% YoY to INR 13.5bn. EBITDA stood at INR 7.9bn, up 3% YoY, with EBITDA margin at 59%. Net profit was up 20% YoY to INR 5.9bn. Ad-revenue was down 1.2% YoY (+0.2% QoQ) to INR 3.3bn. Subscription revenue rose 6% YoY (+7% QoQ) to INR 4.3bn. The company declared interim dividend of INR 6.25/sh in Q1FY24, implying a dividend yield of 4.6% at CMP if the pay-out trends are maintained. According to the management, IPL revenue was INR 5.13bn (I-Sec estimate: INR 4.01bn) in Q1FY24.

### Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	35,848	37,720	43,255	46,145
EBITDA	22,875	23,930	27,441	29,436
EBITDA Margin (%)	63.8	63.4	63.4	63.8
Net Profit	16,461	16,967	19,445	20,989
EPS (INR)	41.9	43.2	49.6	53.2
EPS % Chg YoY	7.8	3.2	14.7	7.3
P/E (x)	13.0	12.6	11.0	10.2
EV/EBITDA (x)	8.7	8.5	7.1	6.2
RoCE (%)	25.5	21.1	22.3	23.4
RoE (%)	20.1	18.4	18.5	17.6

#### Abhisek Banerjee

abhisek.banerjee@icicisecurities.com  
+91 22 6807 7574

#### Pradyut Ganesh

pradyut.ganesh@icicisecurities.com

#### Market Data

Market Cap (INR)	215bn
Market Cap (USD)	2,595mn
Bloomberg Code	SUNTV IN
Reuters Code	SUTV.BO
52-week Range (INR)	569 /394
Free Float (%)	21.0
ADTV-3M (mn) (USD)	5.7

Price Performance (%)	3m	6m	12m
Absolute	25.0	19.8	18.6
Relative to Sensex	6.5	8.7	11.6

ESG Disclosure	2021	2022	Change
ESG score	32.2	32.7	0.5
Environment	-	-	-
Social	17.9	19.5	1.6
Governance	78.6	78.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	5.3	5.7
EBITDA	5.3	6.2
EPS	5.3	6.3

#### Previous Reports

06-02-2023: [Q3FY23 results review](#)

## Valuation

We believe green shoots in advertising and robust growth in subscription revenues should lead to rerating of the stock. We have increased our EPS estimates by 5.3%/6.3% for FY24E/25E, respectively. Maintain BUY on the stock with a revised target price of INR 650 (from INR 551) valuing it at ~12x 1-year forward P/E multiple as we roll forward by 6 months. Key risks: Slower than-expected recovery in ad-spends in GEC and slower than-expected growth in subscription revenue.

### Exhibit 1: Q1FY24 review (standalone)

Standalone (in INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ (%)	YoY (%)	Q1FY24E	Diff.
Advertisement	3432	3425	3800	3384	3391	0.2	-1.2	3329	1.9
Subscription	4110	3970	4060	4061	4343	7.0	5.7	4233	2.6
IPL revenue	2430	5	67	370	5130	1286.5	111.1	4010	27.9
<b>Revenue</b>	<b>11939</b>	<b>7964</b>	<b>8575</b>	<b>8135</b>	<b>13178</b>	<b>62.0</b>	<b>10.4</b>	<b>13578</b>	<b>-3.0</b>
Cost of revenue	1519	1475	1604	1501	1834	22.2	20.8	2173	-15.6
Employee Benefit Expenses	685	693	682	687	692	0.7	1.0	815	-15.1
Other cost	2097	549	559	1072	2787	160.1	32.9	2444	14.0
<b>EBITDA</b>	<b>7638</b>	<b>5248</b>	<b>5731</b>	<b>4876</b>	<b>7865</b>	<b>61.3</b>	<b>3.0</b>	<b>8147</b>	<b>-3.5</b>
EBITDA (%)	64.0%	65.9%	66.8%	59.9%	59.7%	(20 bps)	(430 bps)	60.0%	(30 bps)
<b>PAT</b>	<b>4917</b>	<b>4007</b>	<b>4163</b>	<b>3658</b>	<b>5828</b>	<b>59.3</b>	<b>18.5</b>	<b>6141</b>	<b>-5.1</b>
PAT (%)	41.2%	50.3%	48.5%	45.0%	44.2%	(80 bps)	300 bps	45.2%	(100 bps)

Source: I-Sec research, Company data

### Exhibit 2: Q1FY24 review (consolidated)

Consolidated (in INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ (%)	YoY (%)	Q1FY24E	Diff.
<b>Revenue</b>	<b>12191</b>	<b>8257</b>	<b>8869</b>	<b>8404</b>	<b>13492</b>	<b>60.6</b>	<b>10.7</b>	<b>13860</b>	<b>-2.7</b>
Cost of revenue	1574	1537	1654	1559	1911	22.6	21.4	2218	-13.8
Employee Benefit Expenses	761	769	763	760	783	3.0	2.9	832	-5.9
Other cost	2124	575	609	1107	2824	155.2	33.0	2556	10.5
<b>EBITDA</b>	<b>7733</b>	<b>5375</b>	<b>5843</b>	<b>4978</b>	<b>7975</b>	<b>60.2</b>	<b>3.1</b>	<b>8254</b>	<b>-3.4</b>
EBITDA (%)	63.4%	65.1%	65.9%	59.2%	59.1%	(10 bps)	(430 bps)	59.6%	(50 bps)
<b>PAT after minority interest</b>	<b>4941</b>	<b>4075</b>	<b>4252</b>	<b>3806</b>	<b>5922</b>	<b>55.6</b>	<b>19.9</b>	<b>6272</b>	<b>-5.6</b>
PAT (%)	40.5%	49.4%	47.9%	45.3%	43.9%	(140 bps)	340 bps	45.2%	(130 bps)

Source: I-Sec research, Company data

### Exhibit 3: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	75.0	75.0	75.0
Institutional investors	14.2	14.2	14.2
MFs and others	2.8	2.7	2.9
FIIs/Banks	0.0	0.0	0.0
Insurance	0.9	0.9	0.8
FIIIs	10.5	10.6	10.5
Others	10.8	10.8	10.8

Source: Bloomberg

### Exhibit 4: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 5: Profit & Loss

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	35,848	37,720	43,255	46,145
<b>Operating Expenses</b>	<b>12,973</b>	<b>13,791</b>	<b>15,814</b>	<b>16,709</b>
EBITDA	22,875	23,930	27,441	29,436
<b>EBITDA Margin (%)</b>	<b>63.8</b>	<b>63.4</b>	<b>63.4</b>	<b>63.8</b>
Depreciation & Amortization	3,061	4,860	5,573	5,945
EBIT	19,814	19,070	21,868	23,491
Interest expenditure	333	94	108	115
Other Non-operating Income	2,560	3,771	4,324	4,613
Recurring PBT	22,041	22,746	26,084	27,988
<b>Profit / (Loss) from Associates</b>	<b>(42)</b>	<b>(64)</b>	<b>(87)</b>	<b>35</b>
<b>Less: Taxes</b>	<b>5,535</b>	<b>5,713</b>	<b>6,551</b>	<b>7,029</b>
PAT	16,506	17,034	19,533	20,959
Less: Minority Interest	3	2	1	5
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	16,465	16,969	19,446	20,994
<b>Net Income (Adjusted)</b>	<b>16,461</b>	<b>16,967</b>	<b>19,445</b>	<b>20,989</b>

Source Company data, I-Sec research

### Exhibit 6: Balance sheet

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	52,849	59,509	72,528	85,837
of which cash & cash eqv.	11,375	5,986	16,472	28,458
Total Current Liabilities & Provisions	6,653	8,236	9,443	10,074
<b>Net Current Assets</b>	<b>46,196</b>	<b>51,273</b>	<b>63,085</b>	<b>75,763</b>
Investments	4,265	4,299	4,299	4,299
Net Fixed Assets	12,235	9,113	11,388	12,415
ROU Assets	832	511	511	511
Capital Work-in-Progress	2,441	1,313	-	-
Total Intangible Assets	4,514	7,366	7,366	7,366
Other assets	11,846	19,371	19,371	19,371
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>82,328</b>	<b>93,245</b>	<b>1,06,019</b>	<b>1,19,724</b>
<b>Liabilities</b>				
<b>Borrowings</b>	-	-	-	-
<b>Deferred Tax Liability</b>	-	-	-	-
provisions	-	-	-	-
other Liabilities	725	474	474	474
Equity Share Capital	1,970	1,970	1,970	1,970
Reserves & Surplus	79,582	90,746	1,03,519	1,17,224
<b>Total Net Worth</b>	<b>81,552</b>	<b>92,716</b>	<b>1,05,490</b>	<b>1,19,195</b>
Minority Interest	51	56	56	56
<b>Total Liabilities</b>	<b>82,328</b>	<b>93,245</b>	<b>1,06,019</b>	<b>1,19,724</b>

Source Company data, I-Sec research

### Exhibit 7: Quarterly trend

(INR mn, year ending March)

	Sep-22	Dec-22	Mar-23	Jun-23
Net Sales	8,257	8,869	8,404	13,492
% growth (YOY)	(3)	(16)	(2)	(11)
EBITDA	5,375	5,843	4,978	7,975
Margin %	65	66	59	59
Other Income	894	980	858	1,209
Net Profit	4,075	4,252	3,806	5,922

Source Company data, I-Sec research

### Exhibit 8: Cashflow statement

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Operating Cashflow</b>	<b>16,337</b>	<b>20,955</b>	<b>19,397</b>	<b>21,569</b>
Working Capital Changes	(548)	2,550	(1,385)	(723)
Capital Commitments	(11,297)	(3,201)	(6,536)	(6,972)
<b>Free Cashflow</b>	<b>5,040</b>	<b>17,755</b>	<b>12,861</b>	<b>14,596</b>
<b>Other investing cashflow</b>	<b>1,028</b>	<b>(12,338)</b>	<b>4,391</b>	<b>4,671</b>
Cashflow from Investing Activities	(10,269)	(15,539)	(2,145)	(2,302)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(5,419)	(5,922)	(6,789)	(7,284)
Others	(609)	(384)	-	-
Cash flow from Financing Activities	(6,027)	(6,306)	(6,789)	(7,284)
<b>Chg. in Cash &amp; Bank balance</b>	<b>40</b>	<b>(890)</b>	<b>10,463</b>	<b>11,983</b>
Closing cash & balance	2,198	1,298	11,784	23,769

Source Company data, I-Sec research

### Exhibit 9: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Per Share Data (INR)</b>				
Reported EPS	41.9	43.2	49.6	53.2
Adjusted EPS (Diluted)	41.9	43.2	49.6	53.2
Cash EPS	49.5	55.4	63.5	68.3
Book Value per share (BV)	206.9	235.3	267.7	302.4
Growth (%)				
<b>Net Sales</b>	<b>12.8</b>	<b>5.2</b>	<b>14.7</b>	<b>6.7</b>
<b>EBITDA</b>	<b>10.4</b>	<b>4.6</b>	<b>14.7</b>	<b>7.3</b>
<b>EPS (INR)</b>	<b>7.8</b>	<b>3.2</b>	<b>14.7</b>	<b>7.3</b>
<b>Valuation Ratios (x)</b>				
<b>P/E</b>	<b>13.0</b>	<b>12.6</b>	<b>11.0</b>	<b>10.2</b>
<b>P/CEPS</b>	<b>11.0</b>	<b>9.8</b>	<b>8.6</b>	<b>8.0</b>
<b>P/BV</b>	<b>2.6</b>	<b>2.3</b>	<b>2.0</b>	<b>1.8</b>
<b>EV / EBITDA</b>	<b>8.7</b>	<b>8.5</b>	<b>7.1</b>	<b>6.2</b>
<b>P / Sales</b>	<b>6.0</b>	<b>5.7</b>	<b>5.0</b>	<b>4.7</b>
<b>Operating Ratios</b>				
<b>Gross Profit Margins (%)</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
<b>EBITDA Margins (%)</b>	<b>63.8</b>	<b>63.4</b>	<b>63.4</b>	<b>63.8</b>
Effective Tax Rate (%)	0.3	0.3	0.3	0.3
Net Profit Margins (%)	0.5	0.5	0.5	0.5
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	-	-	-	-
Net Debt / EBITDA (x)	26.7	19.1	18.9	20.1
<b>Profitability Ratios</b>				
<b>RoCE (%)</b>	<b>25.5</b>	<b>21.1</b>	<b>22.3</b>	<b>23.4</b>
<b>RoE (%)</b>	<b>20.1</b>	<b>18.4</b>	<b>18.5</b>	<b>17.6</b>
<b>RoIC (%)</b>	<b>29.3</b>	<b>26.1</b>	<b>26.3</b>	<b>24.9</b>
Inventory Turnover Days	158	146	152	147
Receivables Days	149	143	143	143
Payables Days	22	24	24	24

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

## ANALYST CERTIFICATION

I/We, Abhisek Banerjee, MBA; Pradyut Ganesh, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: [Mr. Prabodh Avadhoot](#) Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

---