14 February 2024

3QFY24 Results Update | Sector: Media

Sun TV Network

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	SUNTV IN
Equity Shares (m)	394
M.Cap.(INRb)/(USDb)	246.8 / 3
52-Week Range (INR)	735 / 394
1, 6, 12 Rel. Per (%)	-11/1/18
12M Avg Val (INR M)	547

Financials & Valuations (INR b)

INRb	FY23	FY24E	FY25E
Sales	36.6	40.3	42.9
EBITDA	23.5	25.7	27.3
Adj. PAT	16.7	18.5	19.5
EBITDA Margin (%)	64.2	63.7	63.7
Adj. EPS (INR)	42.5	47.1	49.4
EPS Gr. (%)	1.8	10.7	5.0
BV/Sh. (INR)	231.9	253.5	275.2
Ratios			
Net D:E	-0.7	-0.7	-0.7
RoE (%)	19.5	18.6	17.9
RoCE (%)	19.5	19.4	18.7
Payout (%)	59.8	54.0	56.1
Valuations			
P/E (x)	14.8	13.3	12.7
P/B (x)	2.7	2.5	2.3
EV/EBITDA (x)	9.0	7.3	8.3
Div . Yield (%)	3.5	3.5	3.8
FCF Yield (%)	7.0	4.6	6.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	75.0	75.0	75.0
DII	6.6	4.5	3.8
FII	9.0	10.6	10.4
Others	9.4	11.0	10.8

FII Includes depository receipts

CMP: INR626 TP: INR750 (+20%) Buy

Soft revenue growth drags profitability

- SUNTV's EBITDA remained flat YoY at INR5.7b (in line) with margins contracting 200bps YoY, dragged by higher operating expenses and soft revenue growth. Revenue grew 3.3% YoY to INR8.9b (in line), exhibiting some moderation. This is primarily attributed to weakened ad revenues, stemming from the impact of cricket World Cup.
- Prolonged weakness within the ad revenues despite festive push, coupled with risk around market share loss and strong competition from deep-pocketed OTT players, continues to pose concerns. However, steady growth within subscription revenues along with improving signs of FMCG spends could aid recovery in the coming period. This, coupled with upbeat valuation for the new IPL team and steady state dividend payout (>50%) makes the stock's valuation compelling at 8.4x EV/EBITDA on FY25 basis. **We reiterate our BUY rating on the stock with a TP of INR750.**

EBITDA remains flat YoY (in line), dragged by higher opex

- Revenues reported a growth of 3.3% YoY to INR8.9b (in line), mainly driven by subscription revenue growth; however, ad revenues were adversely impacted by the cricket World Cup.
  - Zee's ad revenues declined 3% YoY, citing the impact of cricket World Cup.
  - Revenue for the quarter included INR89.8m, attributed to cricket franchisee income.
- Operating expenses grew 9.6% YoY to INR3.1b (in line), mainly driven by other expenses growth of 20.2% YoY, which included cricket franchisee fee of INR17.6m. Production cost/ Employee expenses grew 8.2%/4.2% YoY.
- As a result, EBITDA remained flat YoY at INR5.7b with margins contracting 200bp to 64.8%, dragged by weak revenue growth.
- Net profits grew 5% YoY to INR4.4b (12% beat), mainly driven by healthy growth of 37% in other income.
- The company declared an interim dividend of INR2.5/share.

Valuation and view

- The prolonged weakness in ad revenues has affected the top-line growth. The recovery of ad spends, particularly evident in the FMCG segment, will remain a key monitorable for the stock.
- The company's ongoing conservative approach toward investments in OTT, prioritizing movie production and monetizing its existing library, poses a key risk within the fast-growing OTT space.
- SUNTV's healthy liquidity and a cash balance of INR4.9b as on Mar'23 offers room to intensify investments within the linear and hyper competitive OTT space. This, along with a healthy dividend payout potential and a reasonable valuation, offer support to the stock.
- We expect a revenue/PAT CAGR of 8%/8% over FY23-25, building in gradual recovery within the ad revenues and continued momentum within the subscription revenues.
- We value the stock at 15x FY25E P/E on FY26 basis to arrive at our TP of INR750. **We reiterate our BUY rating on the stock.**

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

Standalone - Quarterly Earning Model

(INR m)

Y/E March	FY23E				FY24E				FY23	FY24E	FY24	Est Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	(%)
Revenue	**11,939**	**7,964**	**8,575**	**8,135**	**13,178**	**10,180**	**8,855**	**8,105**	**36,614**	**40,318**	**8,973**	**-1**
YoY Change (%)	47.4	-3.9	-17.0	-2.3	10.4	27.8	3.3	-0.4	4.5	10.1	4.6	
Total Expenditure	4,301	2,717	2,844	3,259	5,313	3,018	3,117	3,174	13,121	14,623	3,103	**0**
EBITDA	**7,638**	**5,248**	**5,731**	**4,876**	**7,865**	**7,162**	**5,738**	**4,931**	**23,493**	**25,695**	**5,870**	**-2**
YoY Change (%)	54.3	0.8	-20.6	-11.9	3.0	36.5	0.1	1.1	2.6	9.4	2.4	
Depreciation	2,079	755	1,092	752	852	2,143	1,109	1,103	4,678	5,207	1,335	-17
Interest	14	13	11	15	22	7	9	16	54	54	13	-34
Other Income	1,009	861	942	808	1,156	1,071	1,293	824	3,620	4,344	697	86
PBT	**6,554**	**5,341**	**5,569**	**4,917**	**8,147**	**6,082**	**5,913**	**4,636**	**22,381**	**24,778**	**5,218**	**13**
Tax	1,637	1,334	1,406	1,259	2,319	1,520	1,540	856	5,636	6,234	1,313	
Rate (%)	25.0	25.0	25.2	25.6	28.5	25.0	26.0	18.5	25.2	25.2	25.2	
Reported PAT	**4,917**	**4,007**	**4,163**	**3,658**	**5,828**	**4,562**	**4,373**	**3,780**	**16,745**	**18,544**	**3,905**	**12**
YoY Change (%)	26.1	1.9	-9.0	-9.5	18.5	13.9	5.0	3.3	1.8	10.7	-6.2	

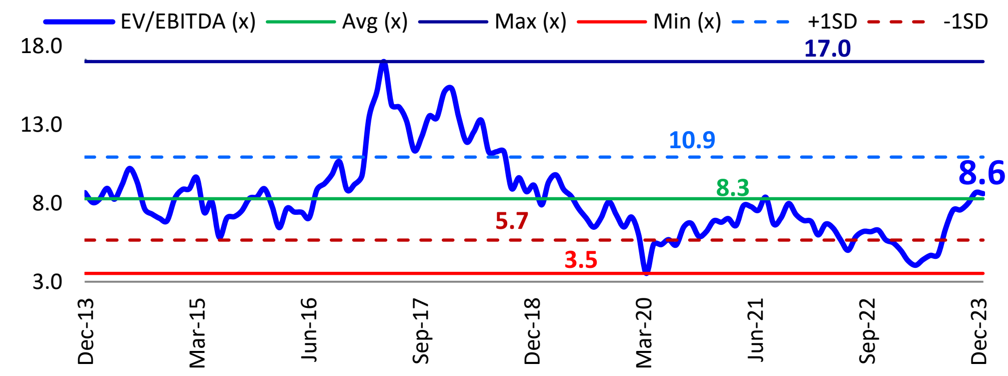
E: MOFSL Estimates

Exhibit 1: Valuation based on FY26E EPS

Valuation	March'26
EPS (INR)	51
PE multiple (x)	15
Target Price (INR)	750
CMP (INR)	627
Upside (%)	20%

Source: Company, MOFSL

Exhibit 2: Valuation table (EV/EBITDA)



Source: Company, MOFSL

Exhibit 3: Quarterly performance (INR m)

INR m	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s est (%)
Revenue	**8,575**	**10,180**	**8,855**	**3.3**	**-13.0**	**8,973**	**-1.3**
Operating expenditure	2,844	3,018	3,117	9.6	3.3	3,103	0.5
EBITDA	**5,731**	**7,162**	**5,738**	**0.1**	**-19.9**	**5,870**	**-2.3**
EBITDA margin (%)	66.8	70.4	64.8	-203bps	-556bps	65.4	-62bps
Depreciation & amortization	1,092	2,143	1,109	1.5	-48.3	1,335	-16.9
EBIT	**4,639**	**5,019**	**4,629**	**-0.2**	**-7.8**	**4,535**	**2.1**
Interest	11	7	9	-21.9	23.6	13	-33.7
Other income	942	1,071	1,293	37.3	20.8	697	85.6
PBT	**5,569**	**6,082**	**5,913**	**6.2**	**-2.8**	**5,218**	**13.3**
Tax	1,406	1,520	1,540	9.5	1.3	1,313	17.3
Effective tax rate (%)	25.2	25.0	26.0	79bps	105bps	25.2	88bps
PAT	**4,163**	**4,562**	**4,373**	**5.0**	**-4.1**	**3,905**	**12.0**
Adjusted PAT	**4,163**	**4,562**	**4,373**	**5.0**	**-4.1**	**3,905**	**12.0**

Source: MOFSL, Company

Exhibit 4: Breakup of operating expenses (INR m)

Operating Cost	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s est (%)
Production cost	1604	1705	1,735	8.2	1.8	1,764	-1.7
Employee cost	682	727	710	4.2	-2.3	729	-2.6
Other exp	559	586	672	20.2	14.6	609	10.3
Total Operating expenses	**2,844**	**3,018**	**3,117**	**9.6**	**3.3**	**3,103**	**0.5**

Source: MOFSL, Company

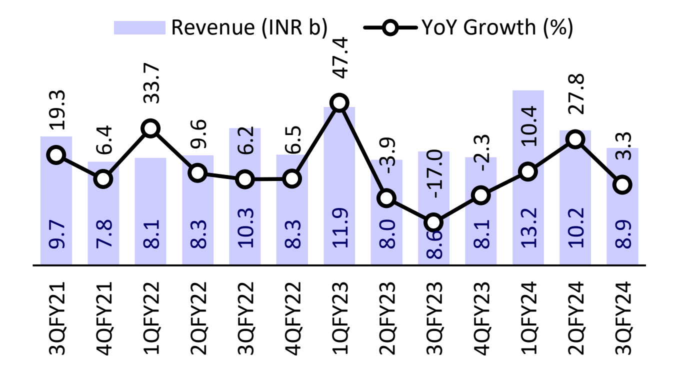
Exhibit 5: Estimate change summary

	FY24E	FY25E
Advt Revenue (INRb)		
Old	14.3	15.5
Actual/New	14.0	15.3
Change (%)	-1.5	-1.5
Subscription Revenue (INRb)		
Old	18.1	19.3
Actual/New	18.1	19.3
Change (%)	0.0	0.0
Revenue (INRb)		
Old	40.5	43.1
Actual/New	40.3	42.9
Change (%)	-0.5	-0.5
EBITDA (INRb)		
Old	26.0	27.6
Actual/New	25.7	27.3
Change (%)	-1.0	-1.1
EBITDA margin (%)		
Old	64.1	64.0
Actual/New	63.7	63.7
Change (bp)	-33.1	-33.6
PAT (INRb)		
Old	18.2	19.4
Actual/New	18.5	19.5
Change (%)	1.9	0.4
EPS (INR)		
Old	46.2	49.2
Actual/New	47.1	49.4
Change (%)	1.9	0.4

Source: MOFSL, Company

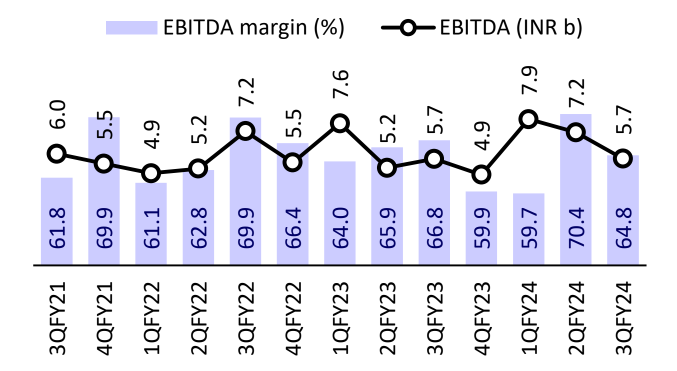
Story in charts

Exhibit 6: Revenue growth moderated to 3.3% YoY



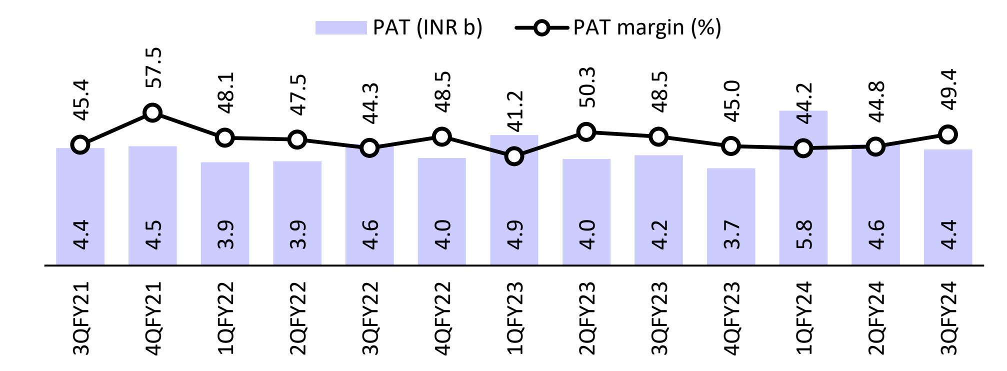
Source: MOFSL, Company

Exhibit 7: EBITDA remained flat YoY



Source: MOFSL, Company

Exhibit 8: PAT grew 49% YoY, driven by other income growth



Source: MOFSL, Company

Financials and valuations

Standalone - Income Statement (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	**36,633**	**34,044**	**31,166**	**35,049**	**36,614**	**40,318**	**42,887**	**45,655**
Change (%)	28.0	-7.1	-8.5	12.5	4.5	10.1	6.4	6.5
Production Costs	4,202	5,456	4,030	5,450	6,099	6,709	7,111	7,538
Employees Cost	3,006	2,924	2,797	2,674	2,746	2,910	3,114	3,332
Other Expenses	3,781	3,304	3,665	4,287	4,276	5,003	5,353	5,728
Total Expenditure	**10,990**	**11,684**	**10,492**	**12,411**	**13,121**	**14,623**	**15,579**	**16,598**
% of Sales	30.0	34.3	33.7	35.4	35.8	36.3	36.3	36.4
EBITDA	**25,643**	**22,361**	**20,674**	**22,638**	**23,493**	**25,695**	**27,308**	**29,057**
Margin (%)	70.0	65.7	66.3	64.6	64.2	63.7	63.7	63.6
Depreciation	6,467	6,793	3,821	2,867	4,678	5,207	5,587	5,967
EBIT	**19,176**	**15,567**	**16,853**	**19,771**	**18,815**	**20,488**	**21,720**	**23,089**
Int. and Finance Charges	17	78	220	287	54	54	54	54
Other Income	2,200	2,489	2,714	2,448	3,620	4,344	4,344	3,943
PBT bef. EO Exp.	**21,359**	**17,979**	**19,348**	**21,931**	**22,381**	**24,778**	**26,011**	**26,979**
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	**21,359**	**17,979**	**19,348**	**21,931**	**22,381**	**24,778**	**26,011**	**26,979**
Total Tax	7,411	4,261	4,144	5,483	5,636	6,234	6,544	6,788
Tax Rate (%)	34.7	23.7	21.4	25.0	25.2	25.2	25.2	25.2
Reported PAT	**13,949**	**13,718**	**15,204**	**16,448**	**16,745**	**18,544**	**19,467**	**20,191**
Adjusted PAT	**13,949**	**13,718**	**15,204**	**16,448**	**16,745**	**18,544**	**19,467**	**20,191**
Change (%)	27.6	-1.7	10.8	8.2	1.8	10.7	5.0	3.7
Margin (%)	38.1	40.3	48.8	46.9	45.7	46.0	45.4	44.2

Standalone - Balance Sheet (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	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	97,942	1,06,484	1,15,751
Net Worth	**54,405**	**56,241**	**69,490**	**80,532**	**91,381**	**99,912**	**1,08,455**	**1,17,722**
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**	**99,912**	**1,08,455**	**1,17,722**
Gross Block	28,402	35,302	37,337	48,854	53,116	57,116	61,116	65,116
Less: Accum. Deprn.	19,046	25,839	29,660	32,527	37,205	42,412	47,999	53,967
Net Fixed Assets	**9,356**	**9,463**	**7,678**	**16,327**	**15,911**	**14,704**	**13,117**	**11,149**
Capital WIP	133	663	1,463	2,441	1,313	1,313	1,313	1,313
Total Investments	**30,505**	**29,490**	**37,641**	**38,267**	**56,308**	**56,308**	**56,308**	**56,308**
Curr. Assets, Loans&Adv.	**20,700**	**23,552**	**30,995**	**30,299**	**26,015**	**33,164**	**43,649**	**55,267**
Account Receivables	10,790	13,100	13,944	13,945	14,360	15,464	16,450	17,511
Cash and Bank Balance	4,709	5,288	8,753	9,175	4,917	10,520	19,563	29,625
Loans and Advances	5,199	5,164	8,298	7,179	6,738	7,164	7,620	8,112
Curr. Liability & Prov.	**5,233**	**6,074**	**8,287**	**6,801**	**8,166**	**5,577**	**5,932**	**6,315**
Account Payables	1,986	2,771	2,594	2,036	2,334	2,209	2,350	2,502
Other Current Liabilities	3,073	3,094	3,290	4,570	5,631	3,104	3,302	3,515
Provisions	174	209	2,402	195	201	263	280	298
Net Current Assets	**15,468**	**17,477**	**22,709**	**23,498**	**17,850**	**27,587**	**37,717**	**48,952**
Appl. of Funds	**55,461**	**57,092**	**69,490**	**80,532**	**91,381**	**99,912**	**1,08,455**	**1,17,722**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	**35.4**	**34.8**	**38.6**	**41.7**	**42.5**	**47.1**	**49.4**	**51.2**
Cash EPS	51.8	52.0	48.3	49.0	54.4	60.3	63.6	66.4
BV/Share	138.1	142.7	176.3	204.4	231.9	253.5	275.2	298.7
DPS	12.5	25.0	5.0	20.0	22.0	22.0	24.0	24.0
Payout (%)	40.8	82.9	15.0	55.3	59.8	54.0	56.1	54.1
Valuation (x)								
P/E	17.7	18.0	16.3	15.0	14.8	13.3	12.7	12.2
Cash P/E	12.1	12.0	13.0	12.8	11.5	10.4	9.9	9.4
P/BV	4.5	4.4	3.6	3.1	2.7	2.5	2.3	2.1
EV/Sales	6.0	6.4	6.7	6.0	5.8	4.6	5.3	4.8
EV/EBITDA	8.5	9.8	10.1	9.3	9.0	7.3	8.3	7.5
Dividend Yield (%)	2.0	4.0	0.8	3.2	3.5	3.5	3.8	3.8
FCF per share	31.2	24.2	30.8	12.3	44.0	28.7	39.8	43.4
Return Ratios (%)								
RoE	27.7	24.8	24.2	21.9	19.5	18.6	17.9	17.2
RoCE	27.7	24.9	24.5	22.2	19.5	19.4	18.7	17.9
RoIC	63.2	56.9	61.2	56.7	47.3	50.6	51.6	56.0
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	140	140	140
Creditor (Days)	20	30	30	21	23	20	20	20
Leverage Ratio (x)								
Current Ratio	4.0	3.9	3.7	4.5	3.2	5.9	7.4	8.8
Net Debt/Equity	-0.6	-0.6	-0.7	-0.6	-0.7	-0.7	-0.7	-0.7

Standalone - Cash Flow Statement (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	21,359	17,989	19,348	21,931	22,381	24,778	26,011	26,979
Depreciation	6,467	6,793	3,821	2,867	4,678	5,207	5,587	5,967
Interest & Finance Charges	17	78	220	287	54	54	54	54
Direct Taxes Paid	-7,226	-4,254	-5,379	-6,908	-5,706	-6,234	-6,544	-6,788
(Inc)/Dec in WC	-848	-2,618	-1,546	-538	2,516	-4,135	-1,087	-1,172
CF from Operations	**19,769**	**17,988**	**16,463**	**17,639**	**23,924**	**19,670**	**24,020**	**25,040**
Others	-1,997	-1,885	-2,019	-1,499	-3,352	-4,344	-4,344	-3,943
CF from Operating incl EO	**17,772**	**16,103**	**14,444**	**16,140**	**20,572**	**15,326**	**19,676**	**21,097**
(Inc)/Dec in FA	-5,479	-6,579	-2,291	-11,292	-3,219	-4,000	-4,000	-4,000
Free Cash Flow	**12,293**	**9,524**	**12,154**	**4,848**	**17,352**	**11,326**	**15,676**	**17,097**
(Pur)/Sale of Investments	-5,654	1,091	-7,587	-923	-13,799	0	0	0
Others	482	1,814	-1,542	2,515	1,774	4,344	4,344	3,943
CF from Investments	**-10,651**	**-3,675**	**-11,419**	**-9,701**	**-15,245**	**344**	**344**	**-57**
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	-54	-54	-54
Dividend Paid	-5,939	-11,877	-1,970	-5,419	-5,911	-10,014	-10,924	-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**	**-10,067**	**-10,978**	**-10,978**
Inc/Dec of Cash	**1,164**	**278**	**588**	**487**	**-886**	**5,603**	**9,042**	**10,062**
Opening Balance	2,583	3,747	4,025	4,613	5,099	4,214	9,817	18,859
Closing Balance	**3,746**	**4,025**	**4,613**	**5,100**	**4,214**	**9,817**	**18,859**	**28,921**
Other bank balance	963	1,263	4,140	4,076	704	704	704	704
Closing Balance (incl other bank bal)	**4,709**	**5,288**	**8,753**	**9,175**	**4,917**	**10,520**	**19,563**	**29,625**

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

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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