

# Sun TV Networks | BUY



## No Surprise

Sun TV's 2QFY24 growth construct was in-line with ZEEL's, and our expectations. Muted ad-revenues, sustained subscription growth and sharp uptick in movie distribution underpinned its growth, like in case of ZEEL. Topline miss (-12.8% below JMFe) was attributable to staggered revenue recognition of Jailer's box office collection, which should be recouped in 3Q. Adjusted EBITDA margin (net of movie amortisation expenses) was in-line too. Sun TV echoed ZEEL sentiment of cricket impacting near-term ad-revenue outlook. We however draw comfort from signs of pick-up in FMCG's ad spend. The impact of Cricket World Cup (CWC) appears unusually high likely due to lower ad-spot rates (hence more palatable to FMCG), India's dominance in the tournament (higher eye balls) and the event coinciding with festive season (limited additional ad-budget for GECs). These specific factors make us believe that GECs' share will mean-revert once the tournament ends. That may push out hopes of pick-up to Q4 though. That said, Sun TV's still low valuation (7x FY25E core PE) given 6% FCF yield and 4% dividend yield suggest value realisation, despite c.50% up-move in past six months, has just begun. We maintain BUY with an unchanged TP of INR 750.

- 2QFY24 – No surprises:** Sun TV reported revenues of INR 10.2bn, up 28% YoY, 13% below JMFe: INR 11.7bn. The miss driven primarily by lower than expected revenues from movie distribution (INR 2.4bn vs JMFe: INR 3.8bn). Management explained that part of the box office collection from the movie "Jailer" will accrue in 3Q. Collating and accounting of box office revenues across regions and geographies led to staggered revenue recognition, in our view. Core revenues (Ad + Subscription) were in-line (INR 7.7bn vs JMFe: INR 7.9bn). Ad-revenues remained soft (-4% YoY) while Subscription revenues grew 5% YoY. Reported EBITDA margins came in at 70.4%, 170bps below JMFe: 72.1%. Adjusted EBITDA margins however (net of movie amortisation expenses) were in-line (JMFe). Lower top-line percolated down to PAT resulting in a 12% miss (INR 5.2bn vs JMFe: INR 4.6bn). The company raised its dividend payout to INR 5 (+33% YoY).
- Outlook – Ad pick up gets pushed out:** Like ZEEL, Sun TV also indicated that cricket has taken FMCG's ad-spend share from GECs, delaying a long overdue pick-up. Good news is that FMCG's ad-spend is on the rise. Bad news however is that CWC and festive season have coincided. To make matters worse (for GECs), India's dominance in the championship has diverted more eye balls to CWC. The company therefore opines that ad-budgets might be exhausted by the time Diwali/CWC is over. Any meaningful uptick in ad-growth is unlikely before Q4. On movie distribution, release of "D 50", a Sun Pictures movie starring Dhanush, might get pushed out to 1QFY25.
- Valuations still appealing; BUY:** A delayed ad-spend pick up results in 4-5% cuts in our FY24-26E ad-revenues. However, higher subscription revenue assumptions make up for that resulting in minimal changes to our revenue and EPS estimates. Even after c.50% rise in the stock over past six months, Sun TV trades at 6.8x FY25E core P/E (ex-cash) and 8.6x EV/EBITDA. For a stock with 6% FCF yield and 4% dividend yield, we believe the valuations are still attractive. We maintain BUY with an unchanged TP of INR 750.

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	750
Upside/(Downside)	15.9%
Previous Price Target	750
Change	0.0%

### Key Data – SUNTV IN

Current Market Price	INR647
Market cap (bn)	INR254.9/US\$3.1
Free Float	21%
Shares in issue (mn)	394.1
Diluted share (mn)	394.1
3-mon avg daily val (mn)	INR945.8/US\$11.3
52-week range	667/394
Sensex/Nifty	64,905/19,425
INR/US\$	83.3

### Price Performance

%	1M	6M	12M
Absolute	5.1	48.8	15.4
Relative*	7.0	42.0	7.8

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	35,848	37,721	42,920	46,436	49,717
Sales Growth (%)	12.8	5.2	13.8	8.2	7.1
EBITDA	21,124	20,667	22,368	25,723	27,329
EBITDA Margin (%)	58.9	54.8	52.1	55.4	55.0
Adjusted Net Profit	16,420	17,074	19,381	22,009	23,377
Diluted EPS (INR)	41.7	43.3	49.2	55.8	59.3
Diluted EPS Growth (%)	7.6	4.0	13.5	13.6	6.2
ROIC (%)	50.0	43.1	45.1	44.5	41.1
ROE (%)	21.6	19.6	19.8	20.2	19.3
P/E (x)	15.5	14.9	13.2	11.6	10.9
P/B (x)	3.1	2.8	2.5	2.2	2.0
EV/EBITDA (x)	10.0	9.6	8.6	7.3	6.6
Dividend Yield (%)	2.1	2.7	3.5	3.9	4.4

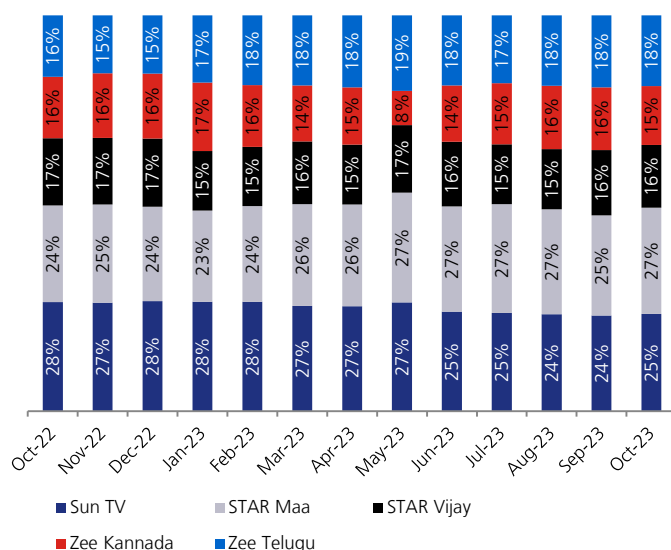
Source: Company data, JM Financial. Note: Valuations as of 10/Nov/2023

## 2QFY24: Result review

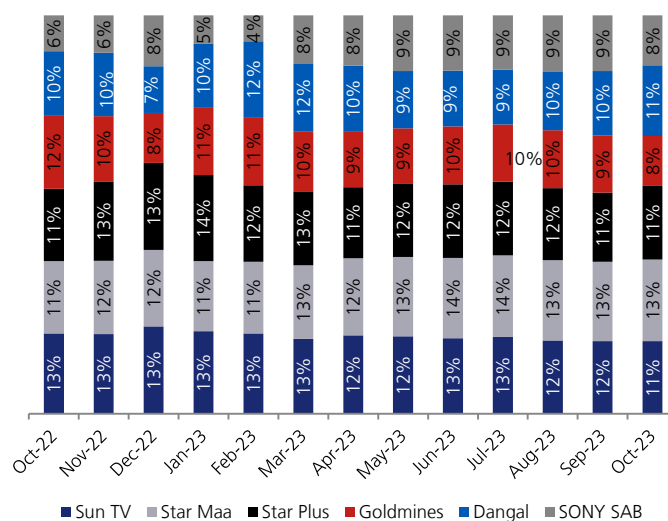
## Exhibit 1. Key Financials – 2QFY23 (JMFe Vs Actual)

	2Q24A	YoY	2Q23	QoQ	1Q24	2Q24E	Variance	Comments
<b>Total Revenue</b>	<b>10,180</b>	28%	<b>7,964</b>	-23%	<b>13,178</b>	<b>11,675</b>	-12.8%	Consol. Revenue grew 28% YoY to INR 10.2bn, 13% miss on JMFe of INR 11.7bn. Miss was on account of lower than expected revenue from movie distribution (INR 2.4 bn vs JMe of INR 3.7 bn)
<b>Broadcasting</b>	<b>10,172</b>	28%	<b>7,964</b>	26%	<b>8,051</b>	<b>11,675</b>	-12.9%	
Advertisement	3,280	-4%	3,425	-3%	3,391	3,460	-5.2%	
Domestic subscription	4,182	5%	3,970	-4%	4,353	4,227	-1.1%	
Broadcast fees	20	0%	20	0%	20	20	0.0%	
International Pay TV	260	9%	239	0%	260	251	3.6%	
Movie distribution	2,430	684%	310	Nm	10	3,718	-34.6%	
Other operating income	0		0		17	0		
IPL Revenues	10		0		5,127	0		Subscription revenue grew 5% YoY.
<b>Cost of Revenues (ex-IPL)</b>	<b>1,705</b>	16%	<b>1,475</b>	-7%	<b>1,834</b>	<b>1,834</b>	-7.1%	
Employee costs	727	5%	693	5%	692	692	5.1%	
IPL costs	0		0		1,050	0		
Other expenses	586	7%	549	-66%	1,737	727	-19.4%	Reported EBITDA margins came in at 70.4%, 170bps below JMFe: 72.1%.
<b>Total operating costs</b>	<b>3,018</b>	11%	<b>2,717</b>	-43%	<b>5,313</b>	<b>3,253</b>	-7.2%	Adjusted EBITDA margins however (net of movie amortisation expenses) were in-line (JMFe).
<b>Reported EBITDA</b>	<b>7,162</b>	36%	<b>5,248</b>	-9%	<b>7,865</b>	<b>8,422</b>	-15.0%	
Depreciation and amortization	2,143		755		850	2,588	-17.2%	
<b>EBIT</b>	<b>5,019</b>		<b>4,493</b>		<b>7,015</b>	<b>5,835</b>	-14.0%	
<b>EBIT margin (%)</b>	<b>49.3%</b>		<b>56.4%</b>		<b>53.2%</b>	<b>50.0%</b>	-1.4%	PAT of INR 4.6bn was 13% miss on JMFe of INR 5.2 bn due to miss on top line.
Other Income	1,064		848		1,134	1,134	-6.2%	
<b>PBT</b>	<b>6,082</b>		<b>5,341</b>		<b>8,149</b>	<b>6,969</b>	-12.7%	
Income tax expense	1,520		1,334		2,319	1,777	-14.5%	Company has announced a dividend of INR 5/Share.
<b>PAT</b>	<b>4,562</b>		<b>4,007</b>		<b>5,830</b>	<b>5,192</b>	-12.1%	
EPS	11.58		10.17		14.79	13.2	-12.1%	

Source: Company, JM Financial

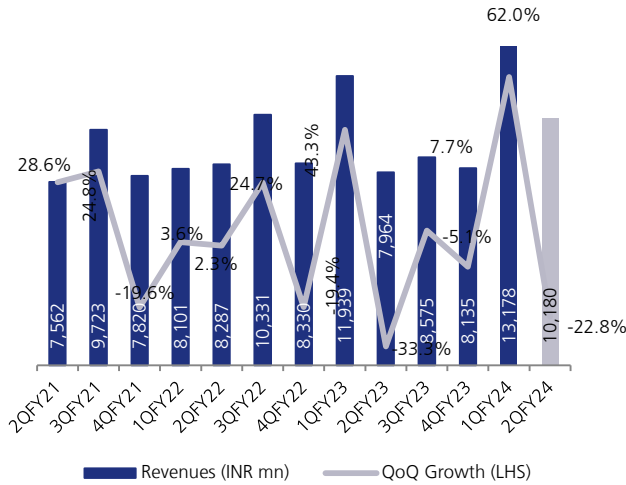
Exhibit 2. Sun TV, the flagship channel of Sun TV networks ....  
Sun TV viewership share, South India

Source: BARC, JM Financial

Exhibit 3. ...has improved its viewership share marginally  
Sun TV viewership share, Pan India

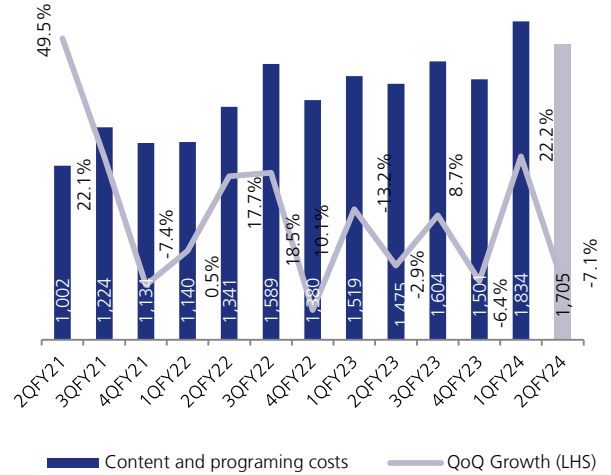
Source: BARC, JM Financial

Exhibit 4. Quarterly trend for revenue growth



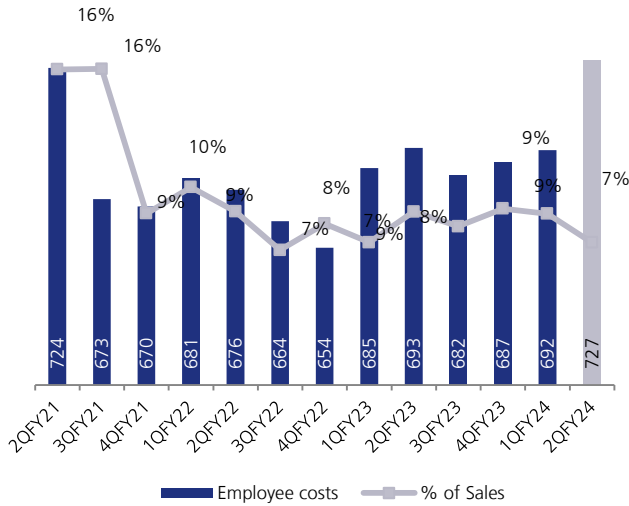
Source: Company, JM Financial

Exhibit 5. Quarterly trend for content cost



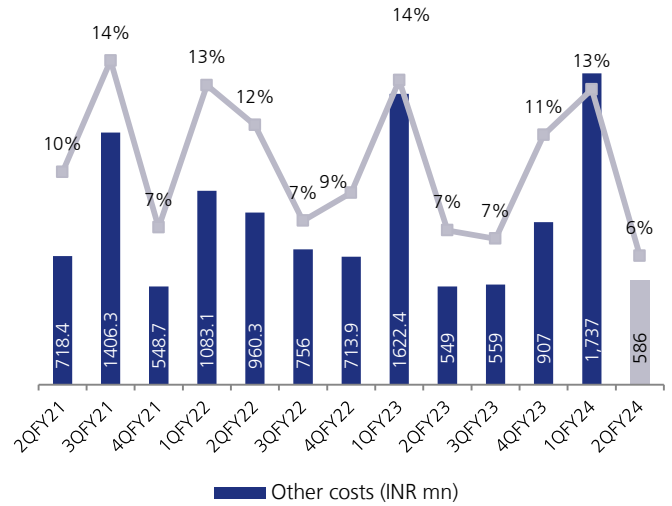
Source: Company, JM Financial

Exhibit 6. Quarterly trend for employee cost



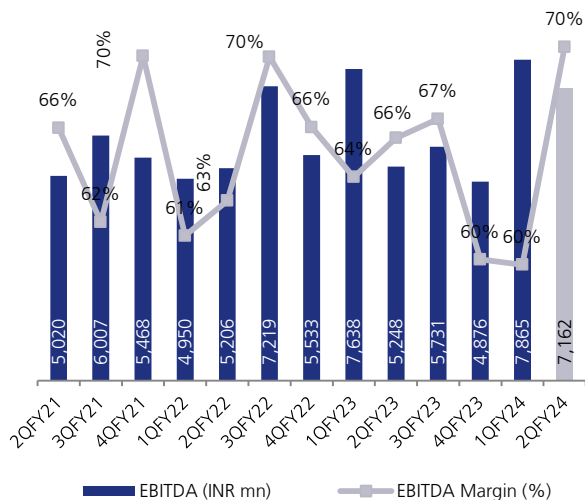
Source: Company, JM Financial

Exhibit 7. Quarterly trend for SG&A (Incl. Others)



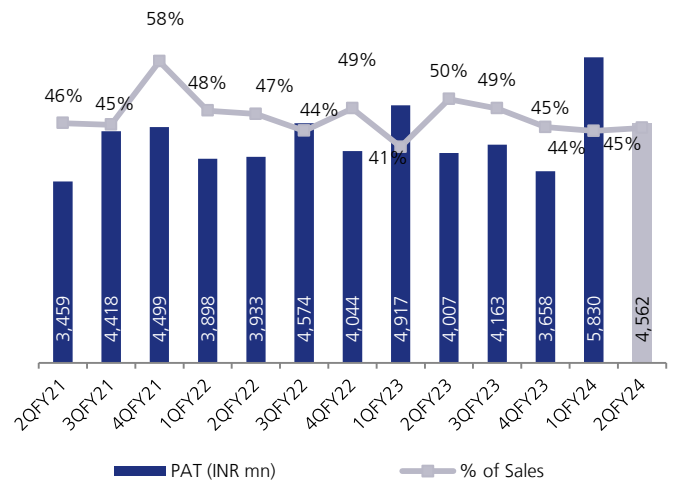
Source: Company, JM Financial

Exhibit 8. Quarterly trend for EBITDA Margin



Source: Company, JM Financial

Exhibit 9. Quarterly trend for PAT



Source: Company, JM Financial

## Maintain BUY; with an unchanged TP of 750

### Exhibit 10. What has changed to our assumptions

INR mn	OLD			NEW			Change		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Consolidated revenue (INR mn)	41,641	46,265	49,510	42,920	46,436	49,717	3.1%	0.4%	0.4%
Revenue growth rate (YoY)	10.4%	11.1%	7.0%	13.8%	8.2%	7.1%	34bp	-29bp	1bp
EBITDA (INR mn)	25,339	29,058	31,223	26,338	29,063	31,256	3.9%	0.0%	0.1%
EBITDA margin	60.9%	62.8%	63.1%	61.4%	62.6%	62.9%	5bp	-2bp	-2bp
EBIT (INR mn)	20,922	24,071	25,595	20,752	24,027	25,541	-0.8%	-0.2%	-0.2%
EBIT margin	50.2%	52.0%	51.7%	48.4%	51.7%	51.4%	-19bp	-3bp	-3bp
PAT (INR mn)	19,067	21,572	22,915	19,381	22,009	23,377	1.6%	2.0%	2.0%
EPS (INR)	48.38	54.74	58.15	49.18	55.85	59.32	1.6%	2.0%	2.0%

Source: Company, JM Financial

### Exhibit 11. Key assumptions

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenues Growth, YoY (%)</b>								
Advertisement	7.7	(8.3)	(28.4)	31.2	9.5	(0.2)	9.0	8.9
Domestic Subscription	15.6	30.7	7.8	(5.6)	(2.0)	7.0	7.5	7.0
Income from Movie Distribution	7,44,433	(68.7)	(99.4)	38,495.6	45.4	47.3	(16.1)	5.0
IPL revenue	248.5	(53.3)	5.0	1.7	8.3	123.2	29.3	4.5
<b>Total Revenues</b>	<b>27.7</b>	<b>(6.9)</b>	<b>(9.7)</b>	<b>12.8</b>	<b>5.2</b>	<b>13.8</b>	<b>8.2</b>	<b>7.1</b>
<b>Cost to revenue (%)</b>								
Cost of Revenues	11.9	13.8	13.2	15.7	16.8	15.9	15.8	15.8
Employee costs	8.7	9.2	9.7	8.2	8.1	7.7	7.5	7.4
IPL costs	5.9	3.9	1.6	1.3	1.7	2.7	3.2	3.0
Other [SG&A]	4.6	8.4	10.3	10.9	10.0	12.3	10.9	10.9
<b>Total operating cost</b>	<b>31.1</b>	<b>35.3</b>	<b>34.8</b>	<b>36.2</b>	<b>36.6</b>	<b>38.6</b>	<b>37.4</b>	<b>37.1</b>
Effective tax rate	34.6	23.8	21.4	25.1	25.1	25.1	25.1	25.1
<b>Balance Sheet</b>								
Inventory days of programming cost (%)	99	105	194	371	211	133	113	61
Capex (INR mn)	266	304	2,340	11,300	5,699	1,291	1,311	1,331

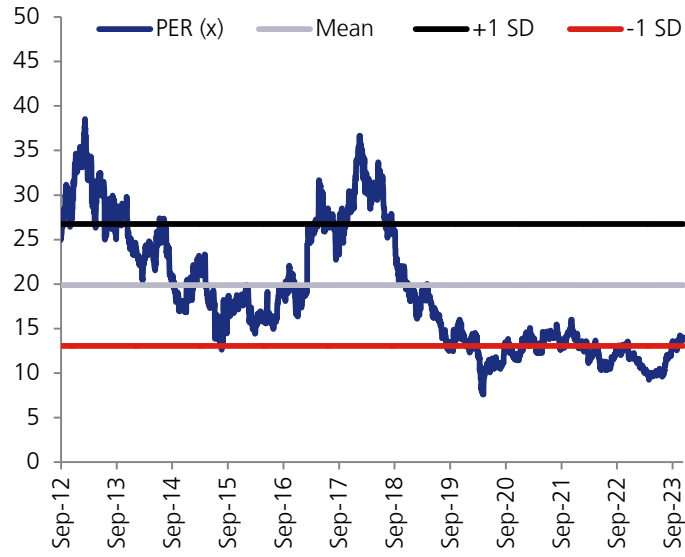
Source: There was sharp jump in movie production business in FY19 and FY22 on a small base making the percentage figure look significantly high; Source: Company, JM Financial

### Exhibit 12. SOTP Valuation

	2023	2024E	2025E	2026E
<b>Core Broadcasting Business [Ex-IPL]</b>	<b>31-Mar-23</b>	<b>31-Mar-24</b>	<b>31-Mar-25</b>	<b>31-Mar-26</b>
<b>Period ending date</b>	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-25
Adjusted EBITDA	20,667	22,368	25,723	27,329
IPL EBITDA	631	2,819	3,224	3,188
Core EBITDA (ex-IPL)	20,037	19,549	22,500	24,141
3-year EBITDA CAGR			3.5	6.4
Target price set on:				11-Nov-23
Target price to be reached on:				10-Nov-24
<b>12-month forward EBITDA forecast on target date (Rs)</b>				<b>23,507</b>
Target 12-month forward Core EV/EBITDA				<b>7.0</b>
<b>1-year forward target Core-EV based on target EV/EBITDA</b>				<b>1,64,547</b>
<b>1-year forward target IPL-EV based on target EV/EBITDA</b>				<b>65,003</b>
<b>1-year forward Consolidated EV</b>				<b>2,29,551</b>
Net debt/(cash)	-56,809	-61,571	-67,206	-73,422
1-year forward Net debt/(cash)				-65,029
1-year forward Equity Value				2,94,580
Shares O/S				394
<b>1-year forward Consolidated EV</b>				<b>750</b>

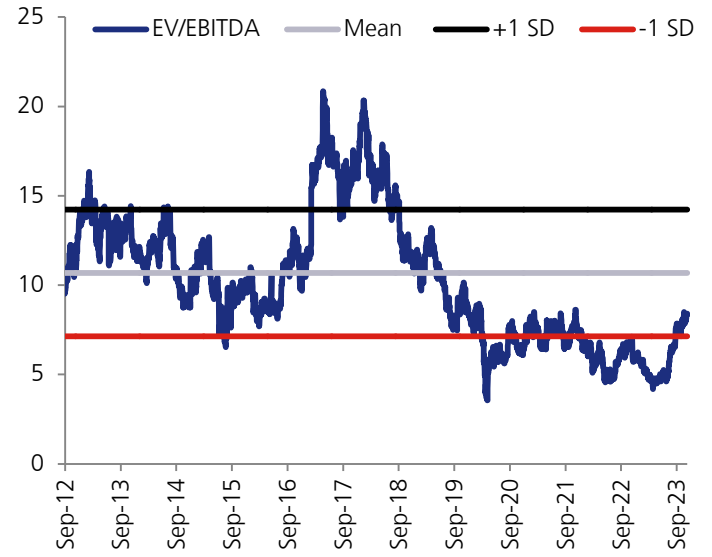
Source: Company, JM Financial estimates

Exhibit 13. Sun TV-1year forward PER



Source: Company, Bloomberg, JM Financial

Exhibit 14. Sun TV- 1year forward EV/EBITDA



Source: Company, Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	35,848	37,721	42,920	46,436	49,717
Sales Growth	12.8%	5.2%	13.8%	8.2%	7.1%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>35,848</b>	<b>37,721</b>	<b>42,920</b>	<b>46,436</b>	<b>49,717</b>
Cost of Goods Sold/Op. Exp	5,635	6,321	6,845	7,341	7,849
Personnel Cost	2,940	3,053	3,307	3,499	3,676
Other Expenses	6,149	7,680	10,400	9,872	10,864
<b>EBITDA</b>	<b>21,124</b>	<b>20,667</b>	<b>22,368</b>	<b>25,723</b>	<b>27,329</b>
EBITDA Margin	58.9%	54.8%	52.1%	55.4%	55.0%
EBITDA Growth	18.2%	-2.2%	8.2%	15.0%	6.2%
Depn. & Amort.	1,311	1,597	1,616	1,697	1,788
EBIT	19,814	19,070	20,752	24,027	25,541
Other Income	2,560	3,771	5,168	5,403	5,715
Finance Cost	333	94	94	94	94
PBT before Excep. & Forex	22,041	22,746	25,827	29,336	31,162
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	22,041	22,746	25,827	29,336	31,162
Taxes	5,535	5,713	6,486	7,367	7,826
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-88	30	30	30	30
Reported Net Profit	16,420	17,074	19,381	22,009	23,377
<b>Adjusted Net Profit</b>	<b>16,420</b>	<b>17,074</b>	<b>19,381</b>	<b>22,009</b>	<b>23,377</b>
Net Margin	45.8%	45.3%	45.2%	47.4%	47.0%
Diluted Share Cap. (mn)	394.1	394.1	394.1	394.1	394.1
<b>Diluted EPS (INR)</b>	<b>41.7</b>	<b>43.3</b>	<b>49.2</b>	<b>55.8</b>	<b>59.3</b>
Diluted EPS Growth	7.6%	4.0%	13.5%	13.6%	6.2%
Total Dividend + Tax	5,419	6,896	8,867	10,049	11,231
Dividend Per Share (INR)	13.8	17.5	22.5	25.5	28.5

Source: Company, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	21,954	22,782	25,862	29,371	31,198
Depn. & Amort.	3,061	4,860	5,586	5,036	5,715
Net Interest Exp. / Inc. (-)	-2,030	-1,693	-4,287	-4,483	-4,754
Inc (-) / Dec in WCap.	-548	2,550	-2,194	-1,647	-1,610
Others	847	-1,770	-35	-35	-35
Taxes Paid	-6,947	-5,809	-6,486	-7,367	-7,826
<b>Operating Cash Flow</b>	<b>16,337</b>	<b>20,920</b>	<b>18,445</b>	<b>20,875</b>	<b>22,687</b>
Capex	-14,634	-11,215	-9,104	-9,674	-9,994
Free Cash Flow	1,703	9,705	9,342	11,201	12,693
Inc (-) / Dec in Investments	2,495	-6,191	0	0	0
Others	2,264	1,868	4,382	4,577	4,848
<b>Investing Cash Flow</b>	<b>-9,875</b>	<b>-15,539</b>	<b>-4,722</b>	<b>-5,096</b>	<b>-5,146</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-5,419	-5,911	-8,867	-10,049	-11,231
Inc / Dec (-) in Loans	-364	-384	0	0	0
Others	-245	-11	-94	-94	-94
<b>Financing Cash Flow</b>	<b>-6,027</b>	<b>-6,306</b>	<b>-8,961</b>	<b>-10,143</b>	<b>-11,326</b>
<b>Inc / Dec (-) in Cash</b>	<b>435</b>	<b>-925</b>	<b>4,762</b>	<b>5,635</b>	<b>6,216</b>
Opening Cash Balance	10,941	6,899	5,986	10,748	16,383
Closing Cash Balance	11,375	5,974	10,748	16,383	22,599

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	81,552	92,716	1,03,230	1,15,190	1,27,335
Share Capital	1,970	1,970	1,970	1,970	1,970
Reserves & Surplus	79,582	90,746	1,01,260	1,13,220	1,25,365
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	0	0	0	0	0
<b>Total - Equity &amp; Liab.</b>	<b>81,552</b>	<b>92,716</b>	<b>1,03,230</b>	<b>1,15,190</b>	<b>1,27,335</b>
Net Fixed Assets	20,307	18,557	22,075	26,712	30,991
Gross Fixed Assets	46,910	49,591	58,338	67,643	77,265
Intangible Assets	4,056	3,989	4,040	4,141	4,292
Less: Depn. & Amort.	33,100	36,336	41,616	46,384	51,879
Capital WIP	2,441	1,313	1,313	1,313	1,313
Investments	35,587	55,122	55,158	55,193	55,228
Current Assets	33,087	27,802	35,102	42,526	50,600
Inventories	0	0	0	0	0
Sundry Debtors	14,346	14,893	16,941	18,202	19,488
Cash & Bank Balances	11,375	5,986	10,748	16,383	22,599
Loans & Advances	0	65	65	65	65
Other Current Assets	7,366	6,858	7,347	7,876	8,448
Current Liab. & Prov.	7,429	8,765	9,104	9,241	9,483
Current Liabilities	2,923	2,982	3,296	3,383	3,574
Provisions & Others	4,506	5,783	5,808	5,859	5,910
Net Current Assets	25,658	19,037	25,998	33,285	41,116
<b>Total - Assets</b>	<b>81,552</b>	<b>92,716</b>	<b>1,03,230</b>	<b>1,15,190</b>	<b>1,27,335</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	45.8%	45.3%	45.2%	47.4%	47.0%
Asset Turnover (x)	0.5	0.4	0.4	0.4	0.4
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	21.6%	19.6%	19.8%	20.2%	19.3%

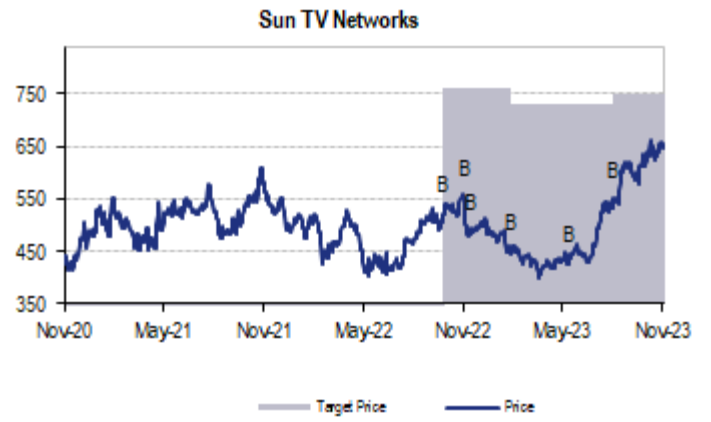
Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	206.9	235.3	261.9	292.3	323.1
ROIC	50.0%	43.1%	45.1%	44.5%	41.1%
ROE	21.6%	19.6%	19.8%	20.2%	19.3%
Net Debt/Equity (x)	-0.5	-0.6	-0.6	-0.6	-0.6
P/E (x)	15.5	14.9	13.2	11.6	10.9
P/B (x)	3.1	2.8	2.5	2.2	2.0
EV/EBITDA (x)	10.0	9.6	8.6	7.3	6.6
EV/Sales (x)	5.9	5.3	4.5	4.0	3.7
Debtor days	146	144	144	143	143
Inventory days	0	0	0	0	0
Creditor days	54	54	50	51	51

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
5-Oct-22	Buy	760	
12-Nov-22	Buy	760	0.0
25-Nov-22	Buy	760	0.0
4-Feb-23	Buy	730	-3.9
21-May-23	Buy	730	0.0
12-Aug-23	Buy	750	2.7

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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