

Sun TV Network

Estimate change	↔
TP change	↔
Rating change	↓

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Bloomberg	SUNTV IN
Equity Shares (m)	394
M.Cap.(INRb)/(USDb)	285.6 / 3.4
52-Week Range (INR)	922 / 568
1, 6, 12 Rel. Per (%)	-2/2/-13
12M Avg Val (INR M)	699

Financials & Valuations (INR b)

INRb	FY24	FY25E	FY26E
Sales	41.5	41.3	44.3
EBITDA	25.8	24.6	26.7
Adj. PAT	18.8	19.0	21.0
EBITDA Margin (%)	62.3	59.7	60.3
Adj. EPS (INR)	47.6	48.2	53.4
EPS Gr. (%)	12.0	1.2	10.9
BV/Sh. (INR)	262.7	290.9	321.8

Ratios

Net D:E	-0.7	-0.8	-0.8
RoE (%)	18.1	16.6	16.6
RoCE (%)	19.3	17.5	17.5
Payout (%)	35.2	41.5	42.1

Valuations

P/E (x)	15.3	15.1	13.6
P/B (x)	2.8	2.5	2.3
EV/EBITDA (x)	8.5	8.4	7.2
Div. Yield (%)	2.3	2.7	3.1
FCF Yield (%)	7.4	7.8	8.1

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	75.0	75.0	75.0
DII	10.0	8.2	4.5
FII	7.2	7.9	10.6
Others	7.8	8.9	10.0

FII includes depository receipts

CMP: INR725 **TP: INR670 (-8%)** **Neutral**
Star-Viacom merger a potential double whammy for SUN

- Sun TV Network (SUNTV) reported a largely in-line 2QFY25, with revenue/EBITDA declining 12%/26% YoY (on a high base). A modest 2% YoY recovery in ad revenue (vs. -5% YoY in 1Q, -8% YoY for Zee) was offset by lower movie production revenue, higher direct costs and other expenses.
- Recovery in ad revenue remains the key near-term monitorable. However, we believe the impending Star-Viacom merger could be a potential double whammy for SUNTV due to: 1) higher competition from deep-pocketed player for ad revenue in the core business and 2) potential downward revision in IPL media rights in the next renewal cycle (from FY28), which would significantly impact SUNTV's IPL franchise (SRH).
- Our FY25-26 earnings estimates are broadly unchanged. We build in a revenue/EBITDA CAGR of ~4% over FY24-27, with core business recording 5%/8% revenue/EBITDA CAGR.
- SUNTV trades at ~15x one-year forward P/E (vs. 12x average PE in last 5 years). We believe the impending Star-Viacom merger could lead to a de-rating. **We maintain our Neutral rating** with a revised TP of INR670, based on 10x Dec'26 EV/Sales for sports, 8x Dec'26 EV/EBITDA for core TV business, and INR92b cash holdings.

Revenue/EBITDA down 12%/26% YoY on a high base

- Overall revenue declined 12% YoY to INR9b (inline) as 2QFY24 had a boost from the release of Jailer.
 - Advertising revenue at INR3.4b (3% ahead) was up **2% YoY** (vs. **-8% YoY** for Zee).
 - Subscription revenue at INR4.4b (2% ahead) was up **4% YoY** (vs. **+9% YoY** for Zee).
- Operating expenses were up 23% YoY to INR3.7b driven by spike in production cost (+29% YoY) and higher other expenses (+34% YoY).
- EBITDA **declined 26% YoY** to INR5.3b (**in line**) as margin contracted 1160bp YoY to 58.8% (220bp below).
- Depreciation inched up sharply QoQ to INR1.9b (vs. our estimate of INR1.2b), while other income grew 53% YoY to INR1.6b (vs. our estimate of INR1.3b).
- Net profit **declined 13% YoY** to INR4b (**3% miss**) as the higher other income and lower tax rate were offset by higher depreciation and slightly lower EBITDA.
- SUNTV declared an interim dividend of INR5/share. (1H dividend at INR10/share).
- For 1HFY25, SUNTV's revenue/EBITDA/PAT declined 7%/18%/9% YoY due to the lower contribution from movie production and higher opex.
- 1HFY25, OCF declined ~19% YoY to IN9.2b due to ~18% decline in EBITDA. Capex decline of ~37% YoY to INR1.7b led to FCF generation of INR7.4b (-13% YoY). Despite paying a dividend of INR2b, SUNTV's **net cash increased to INR76b** (from INR67b at end-Mar'24).

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- For 2HFY25, the ask-rate for revenue/EBITDA growth is 8%/14%, contingent on recovery in ad revenue.

Valuation and view

- The impending Star-Viacom merger could be a potential double whammy for SUNTV due to: 1) higher competition from deep-pocketed player for ad revenue in the core business and 2) potential downward revision in IPL media rights in the next renewal cycle (from FY29), which would significantly impact SUNTV's IPL franchise (SRH).
- Our FY25-26 earnings estimates are broadly unchanged. We build in a revenue/EBITDA CAGR of ~4% over FY24-27, with core business recording 5%/8% revenue/EBITDA CAGR.
- SUNTV trades at ~15x one-year forward P/E (vs. 12x average PE in last 5 years). We believe the impending Star-Viacom merger could potentially lead to a de-rating of multiples.
- We value SUNTV on SoTP; we assign 10x Dec'26 EV/sales for the Sports franchise, 8x EV/EBITDA for the core TV business, and 1x cash holding of INR92b to arrive at our revised TP of INR670 (implying 12x Dec'26 P/E). **We maintain our Neutral rating on SUNTV.**

Standalone - Quarterly Earnings Model

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Revenue	13,178	10,180	8,855	9,271	12,761	9,002	9,907	9,602	41,484	41,272	8,786	2
YoY Change (%)	10.4	18.7	3.3	14.0	-3.2	-11.6	11.9	3.6	13.3	-0.5	-13.7	
Total Expenditure	5,313	3,018	3,117	4,186	5,697	3,712	3,365	3,855	15,634	16,630	3,431	8
EBITDA	7,865	7,162	5,738	5,086	7,064	5,290	6,542	5,747	25,850	24,642	5,355	-1
YoY Change (%)	3.0	25.0	0.1	4.3	-10.2	-26.1	14.0	13.0	10.0	-4.7	-25.2	
Depreciation	852	2,143	1,109	1,036	1,089	1,914	1,423	1,267	5,140	5,693	1,176	63
Interest	22	7	9	8	14	32	21	16	46	82	11	179
Other Income	1,156	1,071	1,293	1,301	1,402	1,640	1,555	1,624	4,821	6,221	1,330	23
PBT	8,147	6,082	5,913	5,343	7,363	4,984	6,653	6,087	25,485	25,088	5,497	-9
Tax	2,319	1,520	1,540	1,355	1,894	1,002	1,674	1,534	6,734	6,104	1,383	
Rate (%)	28.5	25.0	26.0	25.4	25.7	20.1	25.2	25.2	26.4	24.3	25.2	
Reported PAT	5,828	4,562	4,373	3,988	5,469	3,982	4,979	4,554	18,752	18,984	4,114	-3
YoY Change (%)	18.5	9.6	5.0	9.0	-31.7	-12.7	13.9	14.2	12.0	1.2	-9.8	

E: MOFSL Estimates

We ascribe INR670/share valuation to SUNTV

Sun TV	Revenue/EBITDA	Multiple(x)	Value (INR b)	Value (INR/sh)
IPL (SRH)	6.9	10	69	175
Core TV business	13.0	8	103	262
Cash			92	233
Equity value			264	670
CMP (INR/share)				729
Upside/downside (%)				-8

Exhibit 1: Quarterly performance (INR m)

INR m	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s est (%)
Revenue	10,180	12,761	9,002	-11.6	-29.5	8,786	2.5
Operating expenditure	3,018	5,697	3,712	23.0	-34.9	3,431	8.2
EBITDA	7,162	7,064	5,290	-26.1	-25.1	5,355	-1.2
<i>EBITDA margin (%)</i>	70.4	55.4	58.8	-1159bps	341bps	60.9	-218bps
Depreciation & amortization	2,143	1,089	1,914	-10.7	75.7	1,176	62.7
EBIT	5,019	5,974	3,376	-32.7	-43.5	4,178	-19.2
Interest	7	14	32	344.4	137.0	11	179.5
Other income	1,071	1,402	1,640	53.1	16.9	1,330	23.3
PBT	6,082	7,363	4,984	-18.1	-32.3	5,497	-9.3
Tax	1,520	1,894	1,002	-34.1	-47.1	1,383	-27.5
<i>Effective tax rate (%)</i>	25.0	25.7	20.1	-488bps	-561bps	25.2	-505bps
PAT	4,562	5,469	3,982	-12.7	-27.2	4,114	-3.2
Adjusted PAT	4,562	5,469	3,982	-12.7	-27.2	4,114	-3.2

Source: MOFSL, Company

Exhibit 2: Revenue break-up

Revenue Breakup	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s est (%)
Advertising	3,280	3,238	3,354	2.3	3.6	3,247	3.3
Domestic Subscription	4,182	4,258	4,368	4.4	2.6	4,287	1.9
Movies, IPL and Others	2,438	4,992	1,010	-58.6	-79.8	982	2.8
- IPL	10	4,971	1	-91.2	-100.0	11	-91.6
- Likely movie production revenue	2,427	21	1,009	-58.4	4,686.7	971	3.9
Total	10,180	12,761	9,002	-11.6	-29.5	8,786	2.5

Exhibit 3: Breakup of operating expenses (INR m)

Operating Cost	2QFY24	1QFY25	2QFY25	YoY%	QoQ%	2QFY25E	v/s est (%)
Production cost	1,705	1,964	2,196	28.8	11.8	2,012	9.2
Employee cost	727	726	731	0.6	0.6	763	-4.2
Other expenses	586	3,007	785	33.8	-73.9	657	19.5
Total Operating expenses	3,018	5,697	3,712	23.0	-34.9	3,431	8.2

Source: MOFSL, Company

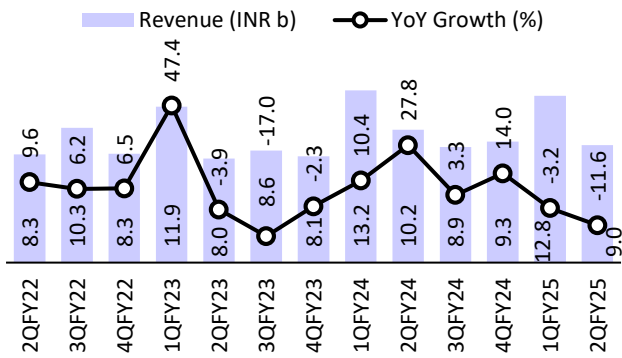
Exhibit 4: Estimate change summary

	FY25E	FY26E	FY27E
Ad Revenue (INRb)			
Old	14.7	15.8	
Actual/New	14.5	15.5	16.6
Change (%)	-1.4	-1.4	
Subscription Revenue (INRb)			
Old	18.8	20.0	
Actual/New	18.6	19.9	21.2
Change (%)	-0.9	-0.9	
Revenue (INRb)			
Old	41.4	44.1	
Actual/New	41.3	44.3	47.2
Change (%)	-0.3	0.5	
Production costs (INRb)			
Old	7.5	8.0	
Actual/New	7.9	8.3	8.7
Change (%)	4.7	3.7	
EBITDA (INRb)			
Old	24.6	26.0	
Actual/New	24.6	26.7	28.7
Change (%)	0.3	2.7	
EBITDA margin (%)			
Old	59.3	59.0	
Actual/New	59.7	60.3	60.7
Change (bp)	38.8	129.5	
PAT (INRb)			
Old	18.8	20.0	
Actual/New	19.0	21.0	23.2
Change (%)	0.9	5.1	
EPS (INR)			
Old	47.7	50.8	
Actual/New	48.2	53.4	58.9
Change (%)	0.9	5.1	

Source: MOFSL, Company

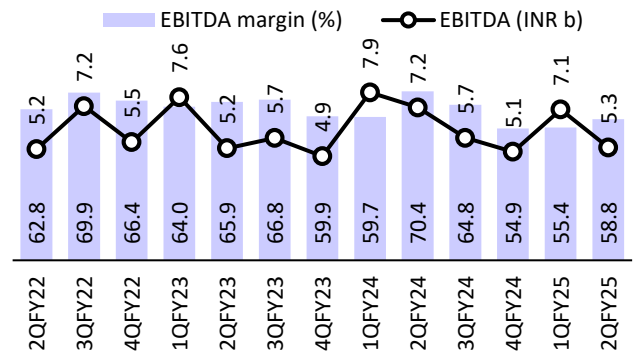
Story in charts

Exhibit 5: Revenue declined 12% YoY on lower revenue from movie production (2QFY24 boosted by Jailer)



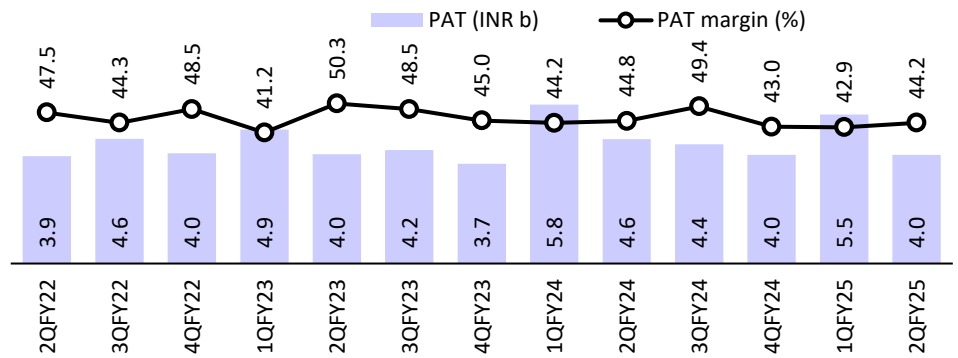
Source: MOFSL, Company

Exhibit 6: EBITDA declined 26% YoY due to higher costs; margin contracted 1160bp YoY



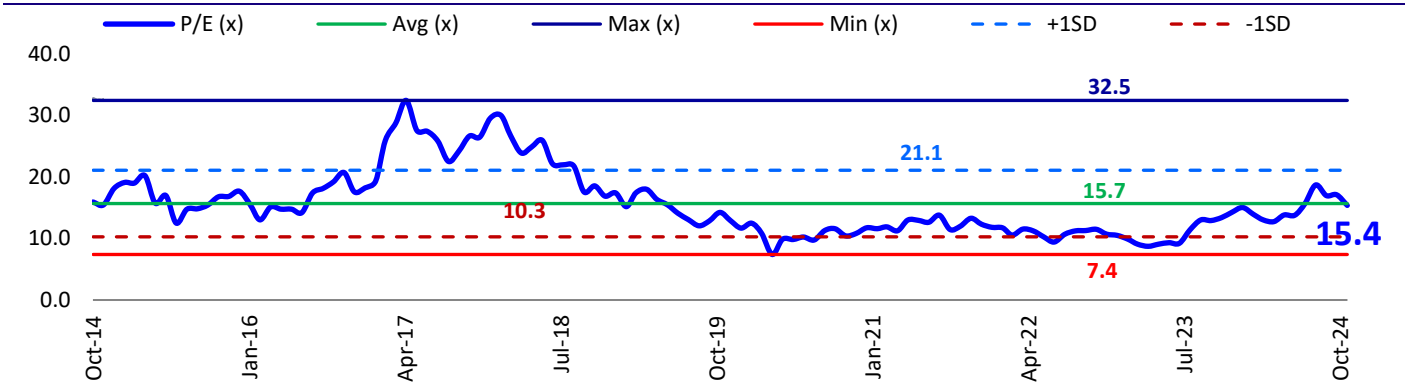
Source: MOFSL, Company

Exhibit 7: PAT declined 13% YoY on account of lower EBITDA and higher depreciation costs



Source: MOFSL, Company

Exhibit 8: SUNTV trades at 15x one-year forward P/E (vs. 12x average in the last five years)



Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	34,044	31,166	35,049	36,614	41,484	41,272	44,286	47,248
Change (%)	-7.1	-8.5	12.5	4.5	13.3	-0.5	7.3	6.7
Production Costs	5,456	4,030	5,450	6,099	7,118	7,901	8,296	8,710
Employees Cost	2,924	2,797	2,674	2,746	2,840	2,939	3,057	3,179
Other Expenses	3,304	3,665	4,287	4,276	5,677	5,790	6,224	6,691
Total Expenditure	11,684	10,492	12,411	13,121	15,634	16,630	17,576	18,580
% of Sales	34.3	33.7	35.4	35.8	37.7	40.3	39.7	39.3
EBITDA	22,361	20,674	22,638	23,493	25,850	24,642	26,709	28,668
Margin (%)	65.7	66.3	64.6	64.2	62.3	59.7	60.3	60.7
Depreciation	6,793	3,821	2,867	4,678	5,140	5,693	5,968	6,268
EBIT	15,567	16,853	19,771	18,815	20,710	18,949	20,741	22,400
Int. and Finance Charges	78	220	287	54	46	82	87	91
Other Income	2,489	2,714	2,448	3,620	4,821	6,221	7,471	8,721
PBT bef. EO Exp.	17,979	19,348	21,931	22,381	25,485	25,088	28,126	31,030
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	17,979	19,348	21,931	22,381	25,485	25,088	28,126	31,030
Total Tax	4,261	4,144	5,483	5,636	6,734	6,104	7,076	7,807
Tax Rate (%)	23.7	21.4	25.0	25.2	26.4	24.3	25.2	25.2
Reported PAT	13,718	15,204	16,448	16,745	18,752	18,984	21,050	23,223
Adjusted PAT	13,718	15,204	16,448	16,745	18,752	18,984	21,050	23,223
Change (%)	-1.7	10.8	8.2	1.8	12.0	1.2	10.9	10.3
Margin (%)	40.3	48.8	46.9	45.7	45.2	46.0	47.5	49.2

Standalone - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1,970	1,970	1,970	1,970	1,970	1,970	1,970	1,970
Total Reserves	54,271	67,520	78,562	89,411	1,01,563	1,12,665	1,24,848	1,38,219
Net Worth	56,241	69,490	80,532	91,381	1,03,534	1,14,636	1,26,818	1,40,189
Total Loans	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	851	0	0	0	0	0	0	0
Capital Employed	57,092	69,490	80,532	91,381	1,03,534	1,14,636	1,26,818	1,40,189
Gross Block	35,302	37,337	48,854	50,911	55,963	58,463	61,463	64,463
Less: Accum. Deprn.	25,839	29,660	32,527	35,000	40,110	45,803	51,772	58,040
Net Fixed Assets	9,463	7,678	16,327	15,911	15,853	12,660	9,691	6,423
Capital WIP	663	1,463	2,441	1,313	1,448	1,448	1,448	1,448
Total Investments	29,490	37,641	38,267	56,308	70,747	70,747	70,747	70,747
Curr. Assets, Loans&Adv.	23,552	30,995	30,299	26,015	23,716	37,853	53,351	70,295
Account Receivables	13,100	13,944	13,945	14,360	12,110	13,003	13,953	14,886
Cash and Bank Balance	5,288	8,753	9,175	4,917	3,596	17,839	31,876	47,383
Loans and Advances	5,164	8,298	7,179	6,738	8,010	7,011	7,523	8,026
Curr. Liability & Prov.	6,074	8,287	6,801	8,166	8,229	8,072	8,418	8,723
Account Payables	2,771	2,594	2,036	2,334	2,560	2,488	2,669	2,848
Other Current Liabilities	3,094	3,290	4,570	5,631	5,450	5,314	5,460	5,566
Provisions	209	2,402	195	201	219	269	289	308
Net Current Assets	17,477	22,709	23,498	17,850	15,486	29,782	44,933	61,572
Appl. of Funds	57,092	69,490	80,532	91,381	1,03,534	1,14,636	1,26,818	1,40,189

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	34.8	38.6	41.7	42.5	47.6	48.2	53.4	58.9
Cash EPS	52.0	48.3	49.0	54.4	60.6	62.6	68.6	74.8
BV/Share	142.7	176.3	204.4	231.9	262.7	290.9	321.8	355.7
DPS	25.0	5.0	20.0	22.0	16.8	20.0	22.5	25.0
Payout (%)	82.9	15.0	47.9	51.8	35.2	41.5	42.1	42.4
Valuation (x)								
P/E	20.9	18.9	17.5	17.2	15.3	15.1	13.6	12.4
Cash P/E	14.0	15.1	14.9	13.4	12.0	11.6	10.6	9.7
P/BV	5.1	4.1	3.6	3.1	2.8	2.5	2.3	2.0
EV/Sales	7.6	8.0	7.0	6.4	5.3	5.0	4.3	5.1
EV/EBITDA	11.6	12.0	10.9	9.9	8.5	8.4	7.2	8.4
Dividend Yield (%)	3.4	0.7	2.7	3.0	2.3	2.7	3.1	3.4
FCF per share	23.4	29.7	10.9	43.3	40.5	40.4	39.2	42.2
Return Ratios (%)								
RoE	24.8	24.2	21.9	19.5	18.1	16.6	16.6	16.6
RoCE	24.9	24.5	22.2	19.5	19.3	17.5	17.5	17.4
RoIC	56.9	61.2	56.7	47.3	53.9	54.8	65.6	77.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Asset Turnover (x)	0.6	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Inventory (Days)	0	0	0	0	0	0	0	0
Debtor (Days)	140	163	145	143	107	115	115	115
Creditor (Days)	30	30	21	23	23	22	22	22
Leverage Ratio (x)								
Current Ratio	3.9	3.7	4.5	3.2	2.9	4.7	6.3	8.1
Net Debt/Equity	-0.6	-0.7	-0.6	-0.7	-0.7	-0.8	-0.8	-0.8

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	17,989	19,348	21,931	22,381	25,485	25,088	28,126	31,030
Depreciation	6,793	3,821	2,867	4,678	5,140	5,693	5,968	6,268
Interest & Finance Charges	78	220	287	54	46	82	87	91
Direct Taxes Paid	-4,254	-5,379	-6,908	-5,706	-6,041	-6,104	-7,076	-7,807
(Inc)/Dec in WC	-2,618	-1,546	-538	2,516	1,453	-52	-1,115	-1,132
CF from Operations	17,988	16,463	17,639	23,924	26,083	24,708	25,990	28,450
Others	-1,885	-2,019	-1,499	-3,352	-4,709	-6,221	-7,471	-8,721
CF from Operating incl EO	16,103	14,444	16,140	20,572	21,374	18,486	18,518	19,729
(Inc)/Dec in FA	-6,579	-2,291	-11,292	-3,219	-5,092	-2,500	-3,000	-3,000
Free Cash Flow	9,524	12,154	4,848	17,352	16,282	15,986	15,518	16,729
(Pur)/Sale of Investments	1,091	-7,587	-923	-13,799	-9,671	0	0	0
Others	1,814	-1,542	2,515	1,774	1,886	6,221	7,471	8,721
CF from Investments	-3,675	-11,419	-9,701	-15,245	-12,878	3,721	4,471	5,721
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	-291	-465	-542	-301	-319	-82	-87	-91
Dividend Paid	-11,877	-1,970	-5,419	-5,911	-6,601	-7,882	-8,867	-9,852
Others	17	0	0	0	0	0	0	0
CF from Fin. Activity	-12,151	-2,435	-5,961	-6,213	-6,920	-7,964	-8,953	-9,943
Inc/Dec of Cash	278	588	487	-886	1,577	14,236	14,036	15,507
Opening Balance	3,747	4,025	4,613	5,099	4,214	5,791	20,034	34,071
Closing Balance	4,025	4,613	5,100	4,214	5,791	20,027	34,071	49,578
Other bank balance	1,263	4,140	4,076	704	-2,195	-2,195	-2,195	-2,195
Closing Balance (incl other bank bal)	5,288	8,753	9,175	4,917	3,596	17,832	31,876	47,383

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NOTES

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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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