

SUN TV NETWORK

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	632
12 month price target (INR)	875
52 Week High/Low	922/506
Market cap (INR bn/USD bn)	249/2.9
Free float (%)	25.0
Avg. daily value traded (INR mn)	174.1

SHAREHOLDING PATTERN

	Mar-25	Dec-25	Sep-25
Promoter	75%	75%	75%
FII	6.87%	7.11%	7.23%
DII	10.46%	10.17%	10.0%
Pledge	0%	0%	0%

FINANCIALS

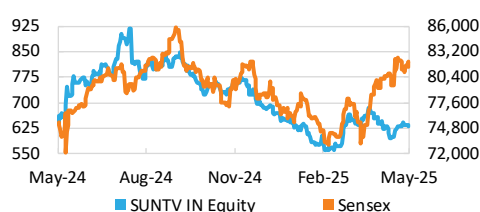
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	42,821	40,151	44,475	48,135
EBITDA	26,381	21,327	24,832	27,083
Adjusted profit	19,258	17,587	17,149	17,526
Diluted EPS (INR)	48.9	44.6	43.5	44.5
EPS growth (%)	12.8	(8.7)	(2.5)	2.2
RoAE (%)	19.4	15.9	14.6	14.7
P/E (x)	12.9	14.1	14.5	14.2
EV/EBITDA (x)	7.6	8.8	7.6	7.0
Dividend yield (%)	5.8	5.1	5.2	5.3

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	45,433	49,104	-2.1%	-2.0%
EBITDA	27,323	29,935	-9.1%	-9.5%
Adjusted profit	18,621	19,282	-7.9%	-9.1%
Diluted EPS (INR)	47.3	48.9	-7.9%	-9.1%

PRICE PERFORMANCE



A muted show

Sun TV (Sun) reported Q4FY25 with revenue of INR9.4bn (down 2.2% YoY) and EBITDA of INR4.3bn (down 18% YoY), below our estimates. PAT decreased 10.4% YoY to INR3.7bn. Gross margin of 76% contracted 426bp YoY/increased 325bp QoQ while EBITDA margin of 45.6% fell sharply by 879bp YoY/810bp QoQ. Other expenditure shot up 26.6% YoY/127.5% QoQ. Staff costs increased 3.8% YoY/inched down 1.2% QoQ. The company has declared an interim dividend of INR5/share.

Given Sun's weak Q4 showing, we are cutting FY26E/27E EPS by 7.9%/9.1%, yielding a revised TP of INR875 (earlier INR955); maintain 'BUY'.

Highlights of the quarter

- Gross margin contracted 426bp YoY/increased 325bp QoQ to 76%.
- EBITDA margin contracted 879bp YoY/810bp QoQ to 45.6%.
- Other expenditure shot up 26.6% YoY/127.5% QoQ to INR1,690mn.
- Staff costs increased 3.8% YoY/decreased 1.2% QoQ to INR818mn.
- Other income jumped 74% YoY/70.9% QoQ to INR2,392mn.
- Sun declared an interim dividend of INR2.5/share. This is in addition to a dividend of INR2.5/share declared at its board meeting in Feb 2025.

Need of the hour: A multipronged strategy for capturing eyeballs

Be more aggressive in OTT and market share. In our view, Sun TV has a strong regional presence. That said, forays by national players such as Zee into the southern market have been successful while Sun TV's foray into the northern market needs to be more focused. However, in light of increased viewership, we expect the bandwidth to widen; meanwhile, the advertisement revenue base remains robust.

Sun TV also needs to ramp up its presence in the OTT segment. At present, it is recycling linear and movie content to OTT. The company would have to be more aggressive in creating originals and obtaining movie rights for its OTT platform, apart from marketing, to benefit from the fast-expanding digital media segment and be a force to reckon with.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	9,406	9,613	(2.2)	8,276	13.7
EBITDA	4,290	5,229	(18.0)	4,445	(3.5)
Adjusted Profit	4,419	4,100	7.8	3,569	23.8
Diluted EPS (INR)	11.2	10.4	7.8	9.1	23.8

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	42,821	40,151	44,475	48,135
Gross profit	34,003	29,934	33,288	35,930
Employee costs	3,203	3,303	3,429	3,566
Other expenses	1,425	1,353	800	800
EBITDA	26,381	21,327	24,832	27,083
Depreciation	5,317	5,392	6,855	8,118
Less: Interest expense	86	134	120	195
Add: Other income	5,050	6,975	5,500	5,100
Profit before tax	26,028	22,776	23,357	23,870
Prov for tax	6,873	5,133	6,166	6,302
Less: Other adj	103	(49)	(42)	(42)
Reported profit	19,258	17,587	17,149	17,526
Less: Excp.item (net)	0	0	0	0
Adjusted profit	19,258	17,587	17,149	17,526
Diluted shares o/s	394	394	394	394
Adjusted diluted EPS	48.9	44.6	43.5	44.5
DPS (INR)	36.7	32.4	32.6	33.4
Tax rate (%)	26.4	22.5	26.4	26.4

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Ad revenue growth (%)	0	5.0	2.0	5.0
Subscription growth (%)	0	0	0	0
Dom. sub growth (%)	5.4	4.0	10.0	10.0
EBITDA margin (%)	61.6	53.1	55.8	56.3
Net profit margin (%)	45.0	43.8	38.6	36.4
Revenue growth (% YoY)	13.5	(6.2)	10.8	8.2
EBITDA growth (% YoY)	10.2	(19.2)	16.4	9.1
Adj. profit growth (%)	12.8	(8.7)	(2.5)	2.2

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.0	6.0	6.0	6.0
Repo rate (%)	4.0	4.0	4.0	4.0
USD/INR (average)	72.0	72.0	72.0	72.0
Direct cost (% of sales)	1.6	1.7	1.8	1.8
Employee Cost (%)	0.2	0.2	0.2	0.2
SG&A expense (%)	8.0	9.0	9.2	9.3
Debtors days	116.3	112.6	110.0	118.0
Inventory days	0.2	0.2	0.2	0.2
Payable days	105.1	94.1	90.0	94.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	12.9	14.1	14.5	14.2
Price/BV (x)	2.4	2.1	2.1	2.1
EV/EBITDA (x)	7.6	8.8	7.6	7.0
Dividend yield (%)	5.8	5.1	5.2	5.3

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	1,970	1,970	1,970	1,970
Reserves	1,03,390	1,14,502	1,16,145	1,17,824
Shareholders funds	1,05,360	1,16,473	1,18,116	1,19,795
Minority interest	63	70	70	70
Borrowings	3,441	2,541	2,041	1,541
Trade payables	2,570	2,697	2,820	3,466
Other liabs & prov	2,376	3,329	1,248	1,248
Total liabilities	1,14,210	1,26,364	1,25,550	1,27,375
Net block	8,510	8,529	8,415	8,261
Intangible assets	8,284	6,935	7,395	6,631
Capital WIP	1,448	3,442	400	400
Total fixed assets	18,241	18,907	16,210	15,292
Non current inv	23,469	23,111	23,111	23,111
Cash/cash equivalent	51,423	64,402	62,427	61,712
Sundry debtors	12,543	12,224	14,583	16,541
Loans & advances	0	0	1,500	3,000
Other assets	4,018	4,150	4,151	4,150
Total assets	1,14,210	1,26,364	1,25,550	1,27,375

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	19,258	17,587	17,149	17,526
Add: Depreciation	5,317	5,392	6,855	8,118
Interest (net of tax)	86	134	120	195
Others	(4,340)	(7,121)	(5,500)	(5,100)
Less: Changes in WC	1,392	638	(5,816)	(2,812)
Operating cash flow	21,713	16,631	12,808	17,928
Less: Capex	5,185	5,359	4,158	7,200
Free cash flow	16,528	11,271	8,650	10,728

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	19.4	15.9	14.6	14.7
RoCE (%)	25.6	20.1	19.6	19.9
Inventory days	0	0	0	0
Receivable days	116	113	110	118
Payable days	105	94	90	94
Working cap (% sales)	147.2	186.2	176.7	167.6
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Interest coverage (x)	246.1	118.8	149.8	97.3

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	12.8	(8.7)	(2.5)	2.2
RoE (%)	19.4	15.9	14.6	14.7
EBITDA growth (%)	10.2	(19.2)	16.4	9.1
Payout ratio (%)	75.0	72.6	75.0	75.0

Exhibit 1: Trends at a glance

Particulars	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Revenue (INR bn)	8.9	8.4	13.5	10.5	9.2	9.6	13.1	9.3	8.3	9.4
EBITDA (INR bn)	5.8	5.0	8.0	7.3	5.9	5.2	7.2	5.4	4.4	4.3
PAT (INR bn)	4.3	3.8	5.9	4.6	4.5	4.1	5.6	4.1	3.6	3.7
Ad + Broadcast (INR mn)	3,800	3,384	3,391	NA	NA	NA	3,238	3,354	3322	NA
Cost of Rev (INR mn)	1,654	1,559	1,911	1,763	1,816	1,903	2,065	2,278	2259	2262.1
Staff cost (INR mn)	763	760	783	820	812	788	824	833	829	818.3
Growth rate										
Ad + Broadcast	0.4	(12.2)	(1.1)	NM	NM	NM	(4.5)	NM	NM	NM
Cost of revenues	1.2	9.2	21.4	14.7	9.8	22.1	8.1	29.2	24.4	18.9
Staff cost	4.4	6.0	2.9	6.6	6.4	3.7	5.2	1.6	2.1	3.8
% of revenues										
Cost of revenues	18.7	18.5	18.5	16.8	19.7	19.8	15.7	24.4	27.3	24.0
Staff cost	8.6	9.0	9.0	7.8	8.8	8.2	6.3	8.9	10	8.7
Other expenditure	6.9	11.2	11.2	5.9	7.5	13.9	15.5	8.8	9	18.0
EBITDA margin	65.9	59.2	59.2	69.4	63.8	54.4	54.8	57.9	53.7	33.2

Source: Company, Nuvama Research

Exhibit 2: Consolidated financial snapshot (INR mn)

Year to March	Q4FY25	Q4FY24	% change	Q3FY25	% change
Revenues	9,406	9,613	(2.2)	8,276	13.7
Cost of revenues	2,262	1,903	18.9	2,259	0.1
Staff cost	818	788	3.8	829	(1.2)
IPL franchise fee	345	357	(3.3)	0	NM
Other expenditure	1,690	1,336	26.6	743	127.5
Total expenditure	5,116	4,384	16.7	3,831	33.5
EBITDA	4,290	5,229	(18.0)	4,445	(3.5)
Depreciation/Amortization	1,169	1,081	8.1	1,133	3.1
EBIT	3,122	4,148	(24.8)	3,311	(5.7)
Less: Interest Expense	35	19	83.5	36	(3.9)
Add: Other income	2,392	1,374	74.0	1,400	70.9
Add: Exceptional items	(558)	-	NM	-	NM
Profit Before Tax	4,921	5,504	(10.6)	4,676	5.3
Less: Provision for Tax	1,060	1,404	(24.5)	1,106	(4.2)
Less: Minority Interest	2	0	NM	0	NM
Add: Share of profit from associates	-144	49	(390.7)	63	(327.2)
Reported Profit	3,716	4,149	(10.4)	3,633	2.3
Adjusted Profit	4,154	4,149	0.1	3,633	14.3
No. of Diluted shares outstanding (mn)	394	394		394	
Adjusted Diluted EPS	10.5	10.5	0.1	9.2	14.3
As % of net revenues					
Cost of revenues	24.0	19.8	426	27.3	-325
Staff cost	8.7	8.2	50	10.0	-131
Other expenditure	18.0	13.9	408	9.0	899
EBITDA	45.6	54.4	-879	53.7	-810
EBIT	33.2	43.2	-997	40.0	-683
Net profit margins	44.2	43.2	101	43.9	28

Source: Company, Nuvama Research

Company Description

Sun TV Network is an Indian mass media company headquartered in Chennai, Tamil Nadu. It is part of the Sun Group and one of Asia's largest TV networks. The company was established on April 14, 1992 by Kalanithi Maran. Sun TV is a leading player in South India with a bouquet of channels in four states: Tamil Nadu, Karnataka, Andhra Pradesh, and Kerala. The flagship channel Sun TV commands a market share of more than 40% in the Tamil GEC genre. The company earlier operated only Tamil and Malayalam channels; and later added Kannada and Telugu to its bouquet with the acquisition of Udaya TV and Gemini TV, respectively. Sun TV was the first channel to introduce mega soaps in South India and the first to use digital broadcasting. Currently, it has a presence in the Tamil, Telugu, Kannada, Malayalam and Bangla markets. Apart from the television broadcasting business, the company has a strong presence in radio broadcasting. The company ventured into film production in 2009. The film production business is structured as a division of the company. Owing to the increasing internet penetration, the company has presence in OTT segment with its own platform - SUN NXT.

Investment Theme

Sun TV's strong foothold in the competitive southern market poses tough entry barrier. At INR4, the company's analogue revenue per month per subscriber is one tenth DTH revenue (INR40), which provides huge upside potential over the long term. The company benefits from a conducive distribution environment, since Sun Direct (a promoter group company), has considerable presence in South India's distribution (DTH) market. The company's direct costs are exceptionally low, as it has successfully managed to run a sponsored programming model.

Key Risks

- Economic slowdown
- Challenging advertising market
- Competition from digital, OTT Aggression

Additional Data

Management

Executive Chairman	Kalanithi Maran
Managing Director	R. Mahesh Kumar
CFO	V. C. Unnikrishnan
CTO	S. Kannan
Auditor	SR Batliboi LLP

Holdings – Top 10*

% Holding		% Holding	
Quant Money Man	4.69	Vanguard Group	0.86
Kotak Mahindra	2.37	Tata Asset Mana	0.72
Selvi Selvam	1.78	Dimensional Fun	0.54
Selvam Shanmuga	1.72	Blackrock Inc	0.42
ICICI Prudentia	1.21	Nordea Bank Abp	0.37

*Latest public data

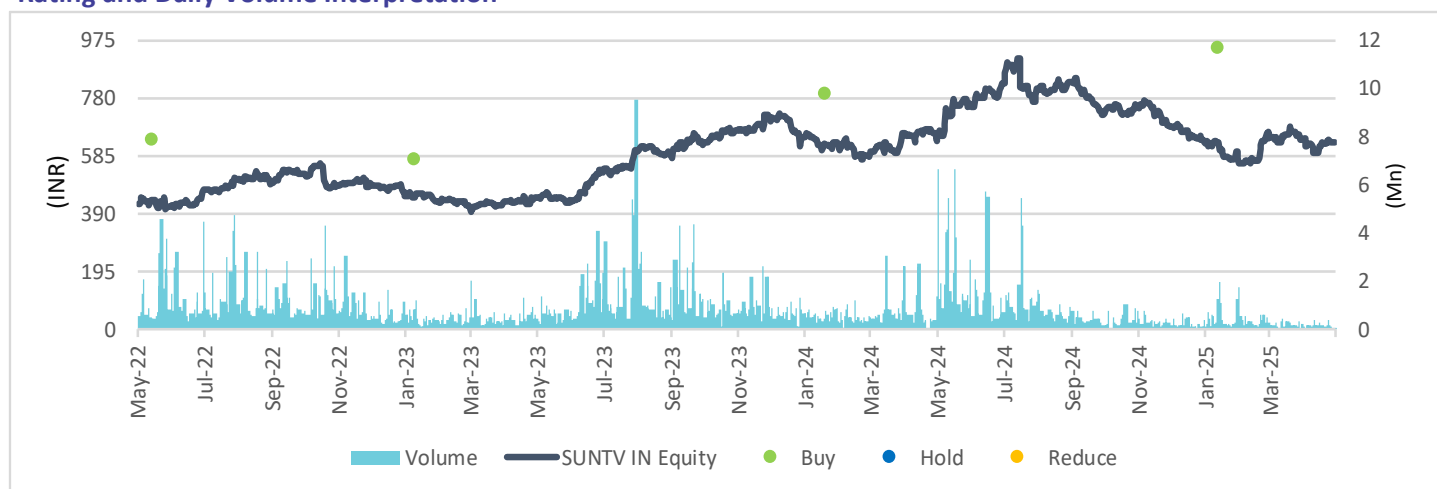
Recent Company Research

Date	Title	Price	Reco
07-Feb-25	Big miss on EBITDA; <i>Result Update</i>	632	Buy
13-Nov-24	Muted quarter along expectations; <i>Result Update</i>	725	Buy
09-Aug-24	Slow onset; steady progress anticipated; <i>Result Update</i>	917	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
16-May-25	SAREGAMA INDIA	Aggressive content acquisition to contin; <i>Result Update</i>
15-May-25	SAREGAMA INDIA	Strong cost control; <i>Oven fresh</i>
12-May-25	PVR INOX	More visibility in Regional and Hollywoo; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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