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India Research

Sector: Media

Initiating Coverage

Sun TV Network Ltd. *(SUNTV.IN/SUTV.BO)*

Market Perform *(CMP: Rs.308.7, Mkt. Cap: Rs.121.7 bn $2.5 bn, Sept 18, '09)*

Relevant Index: S&P CNX Nifty Index: 4976.1 (Sept 18, '09)

Implementation of CAS in remaining parts of three metros & 55 other cities, coupled with increased penetration of DTH, to be next likely big positive trigger…

Quality content sourced from independent producers & huge movie library to help maintain dominant position in South Indian broadcasting space…

September 19, 2009

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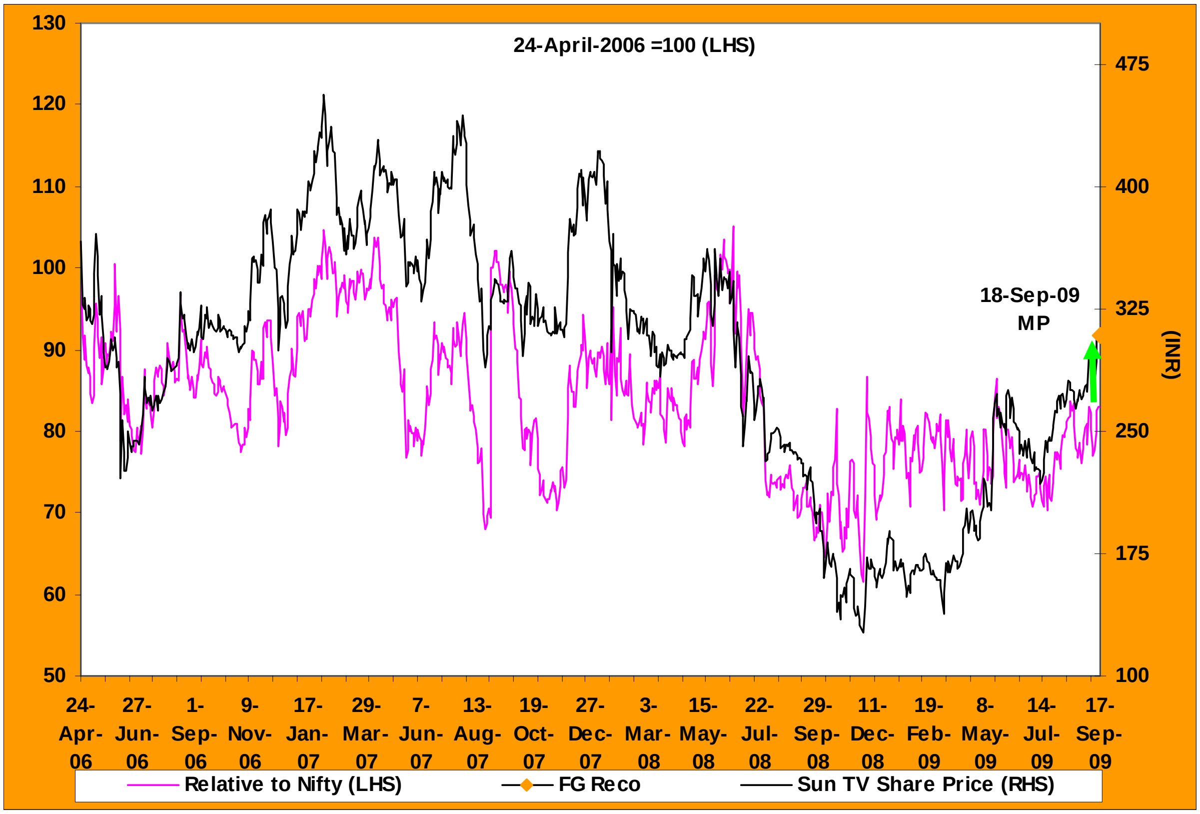
Ratings Key

Positive Ratings	B = Buy	BD = Buy at Declines	OP = Outperform
	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Ratings	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP = Sector Underperform

ST: Short Term **MT: Medium Term** **LT: Long Term**

Sun TV Network Ltd. (SUNTV.IN/SUTV.BO)



Represents an Upgrade

Represents a Downgrade

Represents Reiteration of Existing Rating

Details of First Global's Rating System given at the end of the report

Financial Snapshot (Consolidated)

Key Financials

(YE March 31st) (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Total Revenue	**6,780**	**8,699**	**10,394**	**12,728**	**15,241**
Revenue Growth (Y-o-Y)	*110.6%*	*28.3%*	*19.5%*	*22.5%*	*19.7%*
EBIDTA	**4,742**	**5,975**	**7,368**	**9,578**	**11,703**
EBIDTA Growth (Y-o-Y)	*91.2%*	*26.0%*	*23.3%*	*30.0%*	*22.2%*
Net Profit	**2,460**	**3,262**	**3,456**	**4,438**	**5,519**
Net Profit Growth (Y-o-Y)	*95.2%*	*32.6%*	*6.0%*	*28.4%*	*24.4%*
Shareholders Equity	**11,934**	**14,486**	**17,016**	**21,051**	**25,418**
Number of Diluted shares(mn)	**393**	**394**	**394**	**394**	**394**

Key Operating Ratios

(YE March 31st)	FY07	FY08	FY09	FY10E	FY11E
EPS (Rs) (Diluted)	**6.27**	**8.29**	**9.35**	**11.3**	**14.0**
EPS Growth (Y-o-Y)	*22.0%*	*32.2%*	*12.7%*	*20.5%*	*24.4%*
CEPS (Rs.)	9.4	11.4	14.9	18.9	23.1
EBIDTA (%)	**69.9%**	**68.7%**	**70.9%**	**75.3%**	**76.8%**
NPM (%)	36.3%	37.6%	35.4%	**34.9%**	**36.2%**
Tax/PBT (%)	36.2%	39.2%	40.3%	38.2%	36.9%
RoE (%)	**31.3%**	**23.7%**	**21.2%**	**22.6%**	**23.2%**
RoCE (%)	**27.3%**	**24.8%**	**23.2%**	**24.2%**	**24.4%**
Return on Op. Assets (%)	41.5%	37.1%	28.1%	32.4%	43.1%
Book Value per share (Rs.)	30.4	36.8	43.2	53.4	64.5
Debt/Equity (x)	0.1	0.0	0.0	0.0	0.0
Dividend Payout (%)	28.3%	35.3%	31.3%	26.0%	20.9%

Free Cash Flow Analysis

(YE March 31st) (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Operating Cash Flow	3,409	3,050	4,922	5,373	7,400
Free Cash Flow	543	-1,734	-9	4,247	6,072

Valuation Ratios

(YE March 31st)	FY07	FY08	FY09	FY10E	FY11E
P/E (x)				**27.4**	**22.0**
P/BV (x)				5.8	4.8
P/CEPS (x)				16.3	13.3
EV/EBIDTA (x)				**11.9**	**9.3**
Net Cash/Market Cap (%)				7.4%	11.8%
Market Cap./ Sales (x)				9.6	8.0
Dividend Yield				0.8%	0.8%

Market Cap. and Enterprise Value Data as on Sept 18, 2009

Current Market Price (Rs.)		308.7
No. of Basic Shares outstanding (mn)		394.1
	Rs. bn	**US$ bn**
Market Cap	**121.7**	**2.52**
Total Debt**	0.72	0.01
Cash & Cash Equivalents**	7.93	0.16
Enterprise Value	**114.4**	**2.38**

***Projected figures for FY10, Exchange rate: US$1=Rs.48.18**

DuPont Model

(YE March 31st)	FY07	FY08	FY09	FY10E	FY11E
EBIDTA/Sales (%)	69.9%	68.7%	70.9%	75.3%	76.8%
Sales/Operating Assets (x)	1.3	1.1	0.9	1.0	1.3
EBIDTA/Operating Assets (%)	**87.5%**	**77.1%**	**67.1%**	**76.5%**	**98.7%**
Operating Assets/ Net Assets(x)	0.6	0.5	0.6	0.6	0.5
Net Earnings/ EBIDTA (%)	52%	55%	47%	46%	47%
Net Assets/ Equity (x)	1.2	1.0	1.0	1.1	1.1
Return on Equity (%)	**31.3%**	**23.7%**	**21.2%**	**22.6%**	**23.2%**

Common Sized Profit & Loss Account

(YE March 31st)	FY07	FY08	FY09	FY10E	FY11E
Total Revenues	**100%**	**100%**	**100%**	**100%**	**100%**
Cost of Revenues	11.5%	8.8%	10.7%	7.9%	6.9%
Employees Remuneration & Benefits	10.3%	11.0%	11.1%	10.9%	10.6%
Administration & other expenses	8.2%	11.5%	7.3%	6.0%	5.7%
EBIDTA	**69.9%**	**68.7%**	**70.9%**	**75.3%**	**76.8%**
Depreciation and Amortization	18.0%	14.2%	21.2%	23.7%	23.6%
Interest	0.9%	1.8%	1.3%	1.1%	1.0%
Non-Operating Income	6.1%	6.3%	4.2%	3.6%	3.7%
Extraordinary Income	0.0%	0.1%	2.2%	0.0%	0.0%
PBT	**57.1%**	**59.0%**	**54.8%**	**54.0%**	**55.9%**
Tax	20.7%	23.2%	22.1%	20.6%	20.6%
PAT	**36.3%**	**37.6%**	**35.4%**	**34.9%**	**36.2%**

Source: Company Report, FG estimates.

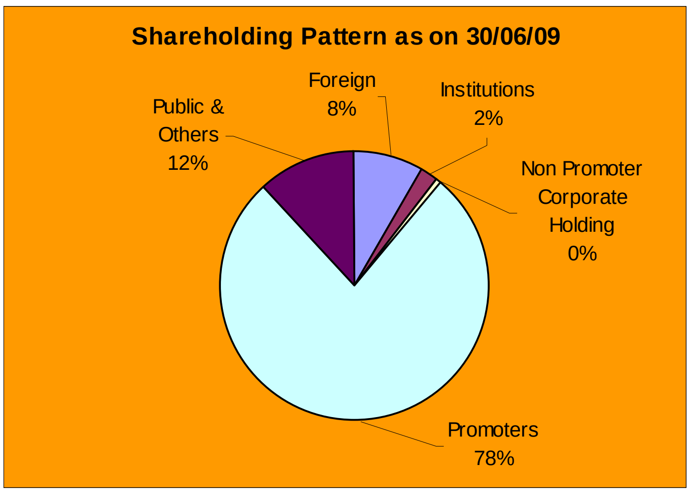
Top Management Team

Designation	Name
Chairman & Managing Director	Kalanithi Maran
Joint Managing Director	Kavery Kalanithi
Director	S Sridharan
Director	M K Harinarayanan
Director	J Ravindran
Director	Nicholas Martin Paul
Company Secretary	R Ravi
Additional Director	S Selvam

Capital Issue History

Date	Equity Capital	Reason
27/03/1997	4	Equity shares issued
11/3/2002	8	Bonus Issue
15/09/2003	20	Preferential Issue Of Shares
23/12/2005	620	Bonus Issue
20/04/2006	688.9	Public Issue
9/4/2007	985.2	Scheme of Arrangement/Amalgamation
23/07/2007	1970.4	Bonus Issue

Key Statistics



Industry:	Media
52 Week Hi:Lo:	Rs309/126.1
CMP:	Rs.308.7
Avg Daily Vol (20 days):	0.27mn
Avg Daily Val (20 days):	Rs.77.9mn

Performance over 52 weeks:	
Sun TV :	Up 44.5%
Nifty :	Up 23.2%

Key Ratios (Consolidated)

(YE March 31st)	FY07	FY08	FY09	FY10E	FY11E
Operation & Maintenance / Sales (%)	11.5%	8.8%	10.7%	7.9%	6.9%
Other Income/EBT (%)	10.6%	10.7%	7.7%	6.7%	6.5%
EBITDA Margin (%)	**69.9%**	**68.7%**	**70.9%**	**75.3%**	**76.8%**
Tax / PBT (%)	36.2%	39.2%	40.3%	38.2%	36.9%
Net Profit Margin (%)	36.3%	37.6%	35.4%	34.9%	36.2%
RoE (%)	**31.3%**	**23.7%**	**21.2%**	**22.6%**	**23.2%**
RoCE (%)	**27.3%**	**24.8%**	**23.2%**	**24.2%**	**24.4%**
Sales/Operating Assets (x)	1.3	1.1	0.9	1.0	1.3
Optg. Assets/Total Assets (x)	0.6	0.5	0.6	0.6	0.5
Return on Optg. Assets (%)	41.5%	37.1%	28.1%	32.4%	43.1%
Total Loans / Equity (%)	7.3%	4.8%	4.2%	3.4%	2.8%
Interest Coverage (times)	73.8	37.6	53.4	65.9	80.2
Interest / Debt (%)	4.0%	20.4%	19.5%	20.3%	20.4%
Growth in Gross Block (%)	**93.5%**	**67.0%**	**46.4%**	**6.7%**	**6.3%**
Sales Growth (%)	**110.6%**	**28.3%**	**19.5%**	**22.5%**	**19.7%**
Operating (EBITDA) Profit Growth (%)	**91.2%**	**26.0%**	**23.3%**	**30.0%**	**22.2%**
Net Profit Growth (%)	**93.1%**	**32.8%**	**12.7%**	**20.5%**	**24.4%**
Debtors (Days of net sales)	111.5	108.1	86.0	106.0	106.0
Creditors (Days of Raw Materials)	156.2	166.7	162.7	146.0	146.0
Inventory (Days of Optg. Costs)	0.3	0.4	0.2	0.5	0.5
Current Ratio	5.7	3.4	3.8	5.0	6.7
Net Current Assets/Capital Employed (%)	61.7%	39.5%	36.0%	54.0%	70.5%
Shares Outstanding (Diluted) (mn)	392.6	394.1	394.1	394.1	394.1
Fully Diluted EPS (Rs.) (Reported)	6.3	8.3	8.8	11.3	14.0
Fully Diluted EPS (Rs.) Proforma)	6.3	8.3	9.3	11.3	14.0
EPS Growth (%) (Proforma)	23.3%	32.1%	6.0%	28.4%	24.4%
Dividend Payout (%)	28.3%	35.3%	31.3%	26.0%	20.9%
Fully diluted Cash EPS (Rs.)	9.4	11.4	14.9	18.9	23.1
Book Value per share (Rs.)	30.4	36.8	43.2	53.4	64.5

Source: Company Report, FG estimates.

SUN TV's Business in Pictures… (FY09) (Consolidated)

(All figures are in Rs. Mn except where stated otherwise. All percentages are percent of revenues, unless stated otherwise)

Operations/ Value added
Total Revenues: Rs.10, 394 mn (100%)

FY09:
Advertisement: Rs.6, 057.4 mn (58.3%)
Broadcasting: Rs.1, 303.6 mn (12.5%)
Program Licensing: Rs. 540.4 mn (5.2%)
Subscription: Rs. 2,151.4 mn (20.7%)
Content Trading: Rs.15.8 mn (0.2%)
Movie Distribution: Rs. 282.3 mn (2.7%)
Aircraft Charter Service: Rs.42.7 mn (0.4%)

TV Broadcasting
(Tamil - 5 Channels)
Competition:
Kalaignar TV, Raj TV, Jaya TV, Star Vijay, Zee Tamizh

TV Broadcasting
(Malayalam - 2 Channels)
Competition:
Asianet, Amrita TV

TV Broadcasting
(Telugu - 4 Channels)
Competition:
Eenadu TV, Maa Telugu, Zee Telugu

TV Broadcasting
(Kannada - 4 Channels)
Competition:
ETV Kannada, Zee Kannada

Radio Broadcasting (43 Stations)
Competition:
ENIL (Radio Mirchi), Adlabs (Big FM), Mid Day (Radio One), HT Media (Fever 104), MBPL (Radio City), Radio Today (Meow FM)

Cost of Revenues: Rs.1, 114 mn (10.7%)
Employees Cost: Rs.1, 155 mn (11.1%)
Other Expenses: Rs.757 mn (7.3%)

EBIDTA
Rs.7,368 mn (70.9%)

Below Operating Line

Depreciation: Rs.2, 205mn (21.2%)
Interest Paid: Rs.138 mn (1.3%)
Non- Operating Income: Rs.668 mn (6.4%)

Profit before Tax
Rs.5, 693 mn (54.8%)

Taxes
Rs.2, 293 mn (22.1%)

Profit after Tax before Minority Interest
Rs.3, 400mn (32.7%)

Minority Interest
Rs.283 mn (2.7%)

Profit after Tax
Rs.3, 683 mn (35.4%)

Balance Sheet (FY09)

Assets
Rs.20, 721 mn

Fixed Assets: Rs.8, 146 mn (39.3%)
Capital WIP: Rs.1, 572 mn (7.6%)
Investments: Rs.1, 805 mn (8.7%)
Loans & Advances: Rs.2, 860 mn (13.8%)
Debtors: Rs.2, 449 mn (11.8%)
Inventory: Rs.1 mn (0.005%)
Cash & Bank Balance: Rs.3, 654 mn (17.6%)
Miscellaneous Assets: Rs.1 mn (0.005%)
Others: Rs.233 mn (1.1%)

Liabilities
Rs.20, 721 mn

Debt: Rs.716 mn (3.5%)
Sundry Creditors: Rs.496 mn (2.4%)
Provisions: Rs.1, 846 mn (8.9%)
Reserves: Rs.15, 046 mn (72.6%)
Equity: Rs.1, 970 mn (9.5%)
Minority Interest: Rs.385 mn (1.9%)
Deferred Tax Liability: Rs.261 mn (1.3%)

The Story…

Sun TV Network Ltd. (SUNTV.IN/SUTV.BO) is the largest media conglomerate in South India, with interests in the Television and Frequency Modulation (FM) Radio broadcasting business. The company operates 20 TV channels across various genres, such as General Entertainment (GEC), News, Movies and Kids in four languages, namely Tamil, Malayalam, Telugu and Kannada. It also owns licenses to operate 44 radio stations across the country, out of which 42 stations have been already launched, while the remaining two stations are expected to be launched soon. Sun TV, through its subsidiary, South Asia FM Ltd. (SAFL), has entered into a strategic alliance with Red FM in order to further drive the growth in its FM Radio broadcasting business and operates three FM stations in Delhi, Mumbai and Kolkata. Sun TV has also re-branded 38 of its radio stations operating under SAFL, Kal Radio and Udaya FM as Red FM, which will provide it with pricing advantage due to the good brand equity enjoyed by Red FM among the advertising fraternity. The company has established itself as a dominant player in each of its markets, which has provided it with tremendous pricing power in South India. Also, Sun TV's unique content sourcing arrangement with producers has led to lower content costs for the company, which has enabled it to record the highest consolidated EBIDTA margin in the industry at 70.9% in FY09. Over the last three years, Sun TV's consolidated revenues have grown at a CAGR of 47.8% from Rs.3.22 bn in FY06 to Rs.10.39 bn in FY09, while the proforma EPS increased at a CAGR of 22.1% from Rs.5.14 to Rs.9.35 over the same period. However, the start up costs incurred by the company towards its radio operations led to a marginal slowdown in the growth in proforma net profit for FY09.

The company has established itself as a dominant player in each of its markets, which has provided it with tremendous pricing power in South India. Also, Sun TV's unique content sourcing arrangement with producers has led to lower content costs for the company, which has enabled it to record the highest consolidated EBIDTA margin in the industry at 70.9% in FY09

Going forward, the implementation of CAS in the remaining parts of the three metros and 55 other cities, coupled with higher penetration of DTH, will be the next likely big positive trigger for the company, as well as the stock, as there will be a decline in under reporting of subscribers, which will lead to an increase in subscriber base and, consequently revenues. One of Sun TV's radio subsidiaries, Kal Radio Ltd., is expected to turn EBIDTA positive by FY10, while its overall radio business is expected to break even at the EBIDTA level by FY11, thus leading to an improvement in the company's financial performance over the longer term. ***On the valuation front, the stock currently trades at a P/E of 27.4x our FY10 estimates and an EV/EBIDTA of 11.9x our FY10 estimates, which appears expensive in comparison to its peers. We initiate coverage on SUN TV with a rating of 'Market Perform'***.

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Comparative valuations – Indian peers

Company	Year	EPS (x)		P/E (x)		P/S (x)		P/BV (x)		EV/Sales (x)		EV/EBITDA (x)		EBITDA (%)	ROE (%)	ROE (%)	Annual EPS Growth (%)	Annual Sales Growth (%)
	End	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY10E	FY11E	11E/10E	11E/10E
SUN TV	**Mar**	**11.3**	**14.0**	**27.4**	**22.0**	**9.6**	**8.0**	**5.8**	**4.8**	**9.0**	**7.2**	**11.9**	**9.3**	**22.6%**	**24.2%**	**75.3%**	**24.4%**	**19.7%**
Zee Entertainment	**Mar**	9.23	9.89	22.6	21.1	4.4	3.9	2.5	2.3	4.4	3.8	17.7	15.7	24.6%	11.5%	10.3%	7.1%	12.0%

Source: FG estimates

Outlook

We believe that Sun TV will be able to maintain its dominant position in the South Indian broadcasting space on account of its quality content sourced from independent producers and its huge movie library, which is able to attract higher viewership. We believe that Sun TV will be able to monetise its five newly launched channels, two in the kids genre and three in the comedy genre, over the long term, thus bringing in higher ad revenues. The company also plans to soon launch the remaining two radio stations for which it owns the license. The radio business is investment driven and hence, takes around 18-24 months to break even. We expect the company's radio business to breakeven at the EBIDTA level by FY11. The company's movie division, Sun Pictures, plans to produce 8-10 films every year at a cost of Rs.700-800 mn.

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We expect Sun TV to record overall revenues of Rs.12.73 bn for FY10 and Rs.15.24 bn for FY11, marking a growth of 22.5% Y-o-Y and 19.7% Y-o-Y respectively. We expect the EBIDTA margin to increase 437 bps Y-o-Y to 75.3% in FY10 and further improve to 76.8% in FY11 due to the radio business achieving break-even. We expect Sun TV to record a proforma EPS of Rs.11.26 and Rs.14.01 for FY10 and FY11 respectively.

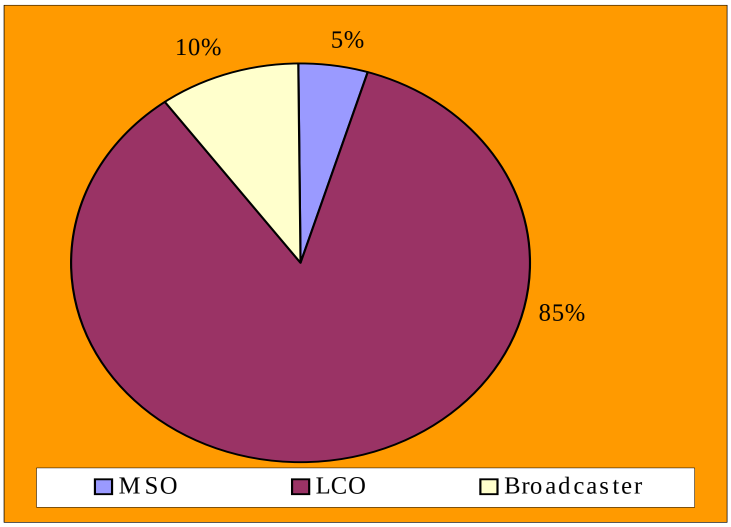
Key Growth Drivers

Arrival of new delivery platforms to drive faster growth in subscription revenues

Subscription revenues are expected to grow at a faster pace than advertising revenues, on the back of the government-mandated transition to CAS in cable and the emergence of the Direct-To-Home (DTH) satellite industry

Subscription revenues are expected to grow at a faster pace than advertising revenues, on the back of the government-mandated transition to CAS in cable and the emergence of the Direct-To-Home (DTH) satellite industry. The transition to digital provides a solution to the perennial under declaration of subscribers, which has been negatively impacting broadcasters for years.

Distribution of subscription revenues



Source: Company

Currently only 10% of revenues generated by C&S homes reach the broadcaster, while the rest is pocketed by cable operators. The arrival of new delivery platforms, such as CAS and DTH, provides broadcasters with the chance to cash in on the lost opportunity.

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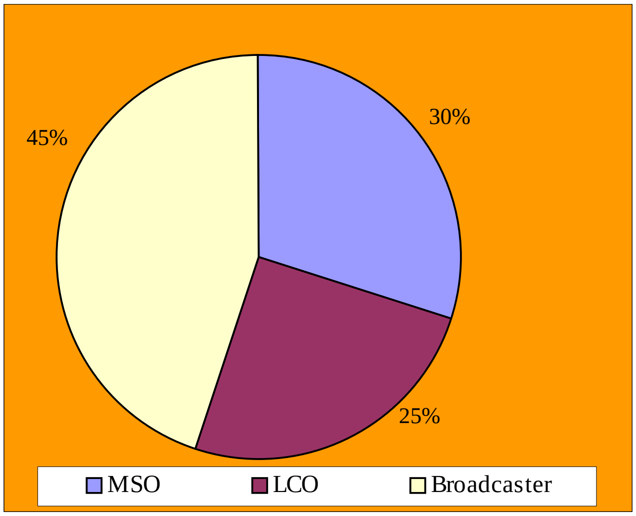

Source: Company

As per the TRAI's notification on interconnection agreements in the CAS notified areas, broadcasters will receive 45% of the subscription revenues and Multi System Operators (MSOs) will receive 30%, while Local Cable Operators (LCOs) will receive 25%. With Sun TV's 11 out of 15 TV channels being paid, we believe that the move will drive an increase in subscription revenues for the company, as the precise number of subscribers will be revealed, and it will also command a higher revenue share.

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Shift from fixed fee to a per subscriber model to drive overseas subscription revenues

The Sun TV Network is available in Malaysia, Singapore, Sri Lanka, Australia, Middle East, South Africa, Europe, Canada, US, China, Japan and Korea, through a combination of programme licensing and DTH in tie up with international operators. Overseas revenues contributed 4.4% to the company's total revenues in FY08. Sun TV has entered into a tie-up with Comcast, the biggest cable operator along with Echostar, a DTH service provider, which could lead to an increase in its subscriber base, going forward. International operations work on a revenue-sharing model. In Sri Lanka, the company shares its advertisement revenues, while in Malaysia, it has shifted from a fixed fee to a per subscriber model. ***We believe that such a shift will drive overseas subscription revenues due to an increase in the subscriber base, taking into account the vast South Indian population abroad.***

Company Background

Sun TV Network Ltd. is India's second largest television network operating 20 TV channels and 42 FM Radio Stations. The company was incorporated as Sumangali Publications Pvt. Ltd. on December 18, 1985. Sun TV Network originally commenced operations as a Tamil satellite channel and expanded further by offering other channels in various languages, including Telugu, Malayalam and Kannada. The channels offered by the company are Sun TV, KTV, Adithya TV, Sun Music, Sun News, Chutti TV, Surya TV, Kiran TV, Gemini TV, GCV, Kushi TV, Gemini News, Gemini Music, Teja TV, Udaya TV, Ushe TV, Chintu TV, Udaya Movies, Udaya Varthegalu and Udaya 2. The company has its own earth station, which beams programs directly to the satellite. The Sun TV Network is also available in Asia, South Africa, Middle East, Australia, Europe and the US.

On April 14, 1993, Sun TV entered Tamil homes for the first time, though for four-and-a-half hours a day initially, on a time-sharing arrangement with ATN. Over a period of time, Sun TV became a 24-hour channel by January 1995. With the commencement of its domestic up linking from Chennai through VSNL in September 1998, the company launched its first Malayalam channel, Surya TV in October 1998. In March 2000, domestic up linking through its own teleport began from Chennai, accompanied by the start of fully digital transmission of all TV channels. Subsequently, Sun TV Network launched Sun News, a news & current affairs based channel, in May 2000. The company bagged the Indian Television Academy award for the best Tamil, Malayalam, Kannada and Telugu TV channel for the year 2001. It launched KTV, a 24-hour film based Tamil channel with a focus on films and film-based programme in October 2002. Sun Music, the first 24-hour Tamil music channel, was launched in September 2004. As on January 2005, Sun TV Network had launched a film and music based 24-hour Malayalam language channel under the name Kiran TV.

In the year 2003, the company forayed into the Radio business and its first radio FM channel in Tamil came into existence in three major cities of Tamil Nadu, i.e., Chennai, Coimbatore and Tirunelveli. The company holds licenses for 44 FM radio stations across India. In 2005, Kal Radio Ltd. and South Asia FM Ltd. were incorporated for the purpose of bidding for FM licenses under the Phase II Policy of Ministry of Information & Broadcasting (MIB). In 2006, Sun TV Ltd. launched three more FM Radio stations under the brand S FM through its subsidiaries Kal Radio Ltd. and South Asia FM Ltd. The company acquired its current name, ‘Sun TV Network Ltd.’ after the merger of Gemini and Udaya on April 24, 2007. Sun TV Network Ltd., through its subsidiary, South Asia FM Ltd. (SAFL), has entered into a strategic alliance with Red FM in order to further drive the growth in its FM Radio broadcasting business in the North, West and East Indian markets.

Section I

Business Highlights

Operating 20 TV channels across genres in four different languages

Sun TV is the undisputed leader in the South Indian regional broadcasting space. The company operates 20 TV channels across genres in four languages, namely Tamil, Malayalam, Telugu and Kannada.

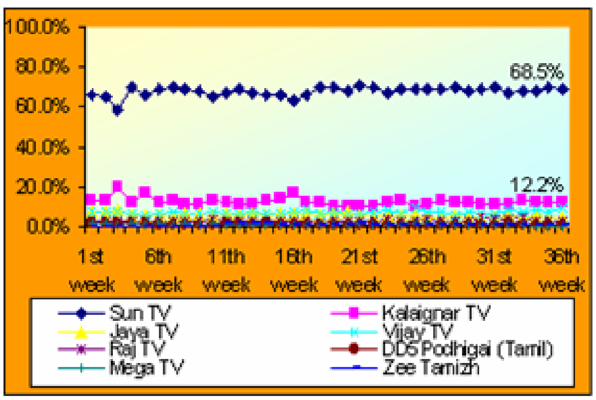
TV channels across various genres in different languages

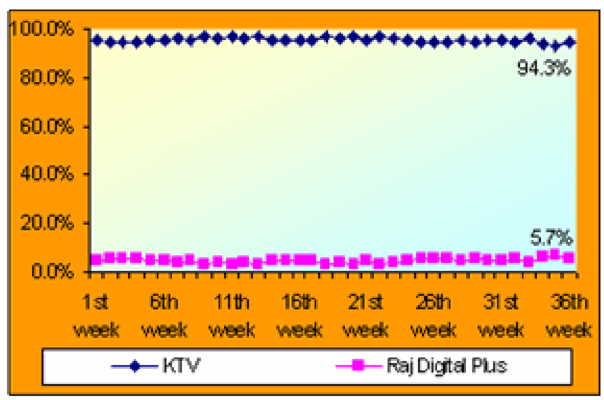
Genre/Language	Tamil	Malayalam	Telugu	Kannada
General Entertainment	Sun TV	Surya TV	Gemini TV	Udaya TV
Comedy	Adithya TV		GCV	Ushe TV
News	Sun News		Gemini News	Udaya Varthegalu
Movies	K TV	Kiran TV	Teja TV	Udaya Movies
Music	Sun Music		Gemini Music	Udaya 2
Kids	Chutti TV		Kushi TV	Chintu TV

Source: Company, FG Research

Not only does Sun TV operate across genres in four languages in the four states of Tamil Nadu, Kerala, Andhra Pradesh and Karnataka, but it is also a market leader in three of these four states.

Market share of Tamil GEC and Tamil movie channels in 2009

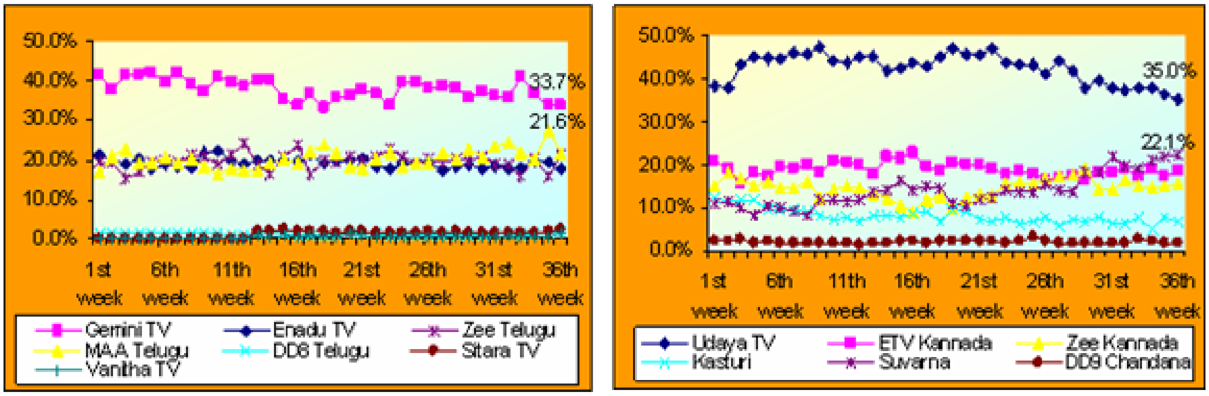




Source: Telepedia

Sun TV, the flagship channel of the Sun Group, is the market leader in Tamil Nadu, with a share of 68.5% in Week 36 of 2009, as against its closest competitor Kalaignar TV, which has a market share of 12.2%, while its movie channel, K TV is the market leader with a share of 94.3% in the Tamil movie channels genre.

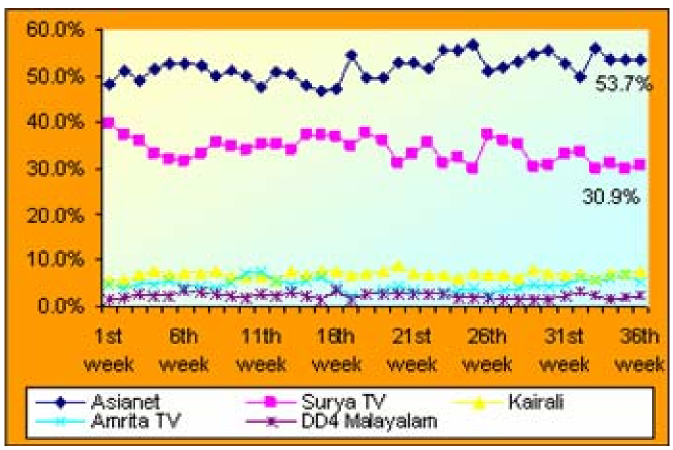
Market share of Telugu GEC & Kannada GEC in 2009



Source: Telepedia

Gemini TV, the GEC channel, is the market leader in Andhra Pradesh, with a share of 33.7% in Week 36 of 2009 and competes with Zee Telugu, Maa Telugu and Eenadu TV. Udaya TV also continues to be the market leader in Karnataka, with a share of 35.0%, while the movie channel, Udaya Movies is the leader in the movie genre.

Market share of Malayalam GEC in 2009



Source: Telepedia

In Kerala, Surya TV occupies the No 2 position, with a market share of 30.9% in Week 36 of 2009 and competes with Asianet for the No 1 position.

In FY08, the company launched Chutti TV, the first regional language (Tamil) channel for kids, which received a good response from audience and now competes with some of the other mainstream Tamil channels. Sun TV plans to extend the success of this channel and has, therefore, launched two kids channels, Kushi TV and Chintu TV, in Telugu and Kannada languages respectively in April 2009. The content for the kids channels will largely comprise of dubbed foreign TV programmes, thus leading to lower programming costs, as Sun TV will have to pay only the licence fees. The company also launched three comedy channels, namely Adithya TV in Tamil, GCV in Telugu and Ushe TV in Kannada recently.

We expect Sun TV to sustain its leadership position, despite increasing competition, due to its loyal audience built over the past years, and its clear competitive edge in terms of the low cost content sourcing business model

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Unique low cost content sourcing business model

Sun TV has entered into a unique sourcing arrangement with content providers, whereby it sells half an hour time slots for five hours on its general entertainment channels to independent producers in the prime time band of 6.00-10.30 pm and the morning & afternoon slot of 10.30-11.00 am and 2.30-3.00 pm respectively. The content is mostly in house in the non prime time band.

Distribution of content in prime time

Content	Hours
News	0.5
Outsourced	4.0

Source: Company

The producer pays a fixed broadcasting fee to Sun TV's channels for each half an hour episode telecasted and earns four minutes of advertisement time in return, which the producer is allowed to sell while the company sells the remaining two minutes of time slots on its own. The company also retains the right to sell the titles and other types of sponsorship for the programs. This is in contrast to the model followed by other broadcasting channels, which pay a fixed commission to the content provider. The model is beneficial to the company, as the entire risk of the content is borne by the producer, thus ensuring that the programming id of the highest quality and enabling the company to charge high ad rates. Sun TV also reserves the right to remove the programme at any time if it fails to draw viewer interest.

Broadcasting rates

Channels	Rates (Rs. per half an hour)	
	Prime Time	Non Prime Time
Sun TV	190,000-210,000	70,000-90,000
Surya TV	40,000-60,000	8,000-12,000
Udaya TV	45,000-65,000	15,000-25,000
Gemini TV	150,000-170,000	40,000-60,000

Source: Company

We believe that this arrangement not only reduces Sun TV's content costs, but also lowers its programming cost. The company's unique sourcing model is highly successful with the producers, due to the channels' dominant market share and higher advertisement rates, thus enabling it to book its prime broadcasting slots for the next two years. The content providers have entered into an exclusivity contract with Sun TV Network, whereby the former cannot produce content for any other channel, which is to be broadcasted in the time band booked with the company and it also cannot broadcast the content produced for the company with any other channel for two years.

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Strong movies library the key content contributor in broadcast business

Movies and movie related content generates high viewership in South India. Thus, Sun TV has built a strong movies library and acquired the telecast rights for about 8,500 titles, which constitute about 82-85% of the movies released in South India across all the four languages, and holds perpetual rights for 95% of its movies. The company's strong library of movies acts as a major content contributor for its broadcasting business. Sun TV has also recently started a new division for movie production, as the movie acquisition cost is on the rise in South India due to intense competition. The company plans to produce about 10-12 movies every year at an investment of Rs.700-800 mn with an expected return of 20-25%. We believe that the move will help Sun TV increase its revenues, as the company will also hold the rights for theatrical distribution, apart from other rights until perpetuity.

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Pricing power in South India

Sun TV enjoys the highest advertisement rates in South India vis-à-vis the competition, due to a steady flow of highly popular programs and its dominant share in audience viewership among the channels it operates in. Following the earlier hike in January 2007, Sun TV once again raised its ad rates by 5-25% in February 2008, depending upon the time slot and channel.

Sun TV's advertising rates

Channels	New Rates (Rs. per 10 sec)-2008		Old Rates (Rs. per 10 sec)-2007	
	Prime Time	Non Prime Time	Prime Time	Non Prime Time
Sun TV	15,500-21,000	6,500-9,700	14,000-19,000	5,800-8,700
Surya TV	7,000-9,000	4000	7,000-8,500	3,500
Udaya TV	11,500-15,500	7,000-8,000	10,000-14,000	6,000
Gemini TV	15,000-20,750	8,800-11,000	12,000-18,000	8,000-10,000

Source: Company

The company's ad rates are low in comparison to that of the Hindi general entertainment channels, thus providing scope for an upward revision in ad rates, going forward. The low ad rates also acts as an entry barrier, as it forces competitors to keep their ad rates low, which makes it difficult for them to invest in high quality content.

Second largest radio broadcaster in India

Sun TV has also expanded into the FM radio industry and has acquired the maximum number of FM licenses in India after Adlabs Films. Sun TV owns three licenses for providing FM services in Chennai, Coimbatore and Tirunelveli. In addition, the company also owns licenses for 23 stations through its 59.2% owned subsidiary, South Asia FM, which has licenses to operate all over India, except the Southern states, and owns licenses for 18 stations through another 97.8% owned subsidiary, Kal Radio, which has licenses to operate in South India. Out of these 44 stations, 42 are already operational and the remaining two stations are expected to become operational soon. In FY08, the company acquired a 48.9% stake in RED FM in exchange for a 35% stake in South Asia FM. The arrangement has brought three metro stations of RED FM (Delhi, Mumbai and Kolkata) under Sun TV's umbrella. RED FM is the No 2 player in Mumbai, while it holds the No.5 position in both Delhi and Kolkata. Sun TV has also re-branded 38 of its radio stations operating under SAFL, Kal Radio and Udaya FM as Red FM, which will provide it with a pricing advantage, due to the good brand equity enjoyed by Red FM among the advertising fraternity.

The radio business takes about 18-24 months to breakeven and though the gestation losses of the company's radio business will be a drag on its profitability, we believe that funding the business should not be a problem, on account of the strong cash flows from its television business

M/s. South Asia Multimedia Technologies Limited, which owns a stake of 6.98% in one of the company's radio subsidiaries, South Asia FM Limited, recently enhanced its stake to 20.00% through further cash infusion of Rs.750-1000 mn, which led to a dilution of about 5% in Sun TV's stake to 59.15%.

The radio business takes about 18-24 months to breakeven and though the gestation losses of the company's radio business will be a drag on its profitability, we believe that funding the business should not be a problem, on account of the strong cash flows from its television business. We expect Sun TV's radio stations to become strong contenders for the No.1 slot in the four southern states of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh, though it will be tougher for the company to figure among the top three radio stations in the other highly competitive markets.

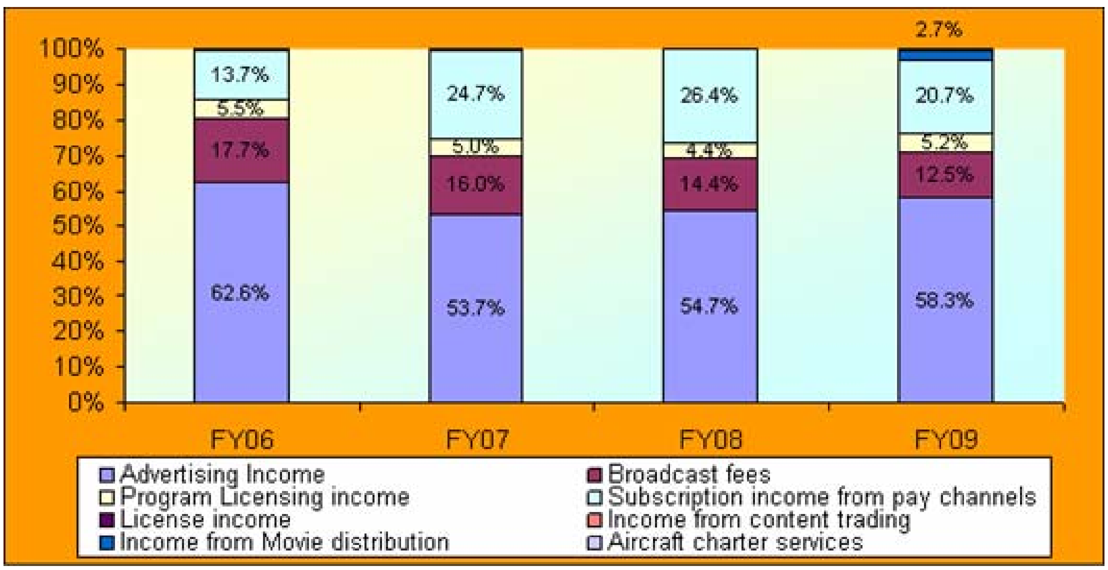
Section II

Financial Highlights

Revenue Mix

In FY09, SUN TV's consolidated revenues stood at Rs.10.39 bn, out of which advertisement contributed Rs.6.06 bn (58.3% of total revenues), while subscription contributed around 20.7%. ***The company expects the next phase of growth to come from subscription revenues due to an increase in DTH subscribers, which is evident from the increasing share of subscription revenues in the total revenues, up from 13.7% in FY06 to 20.7% in FY09.***

Revenue mix (Consolidated)

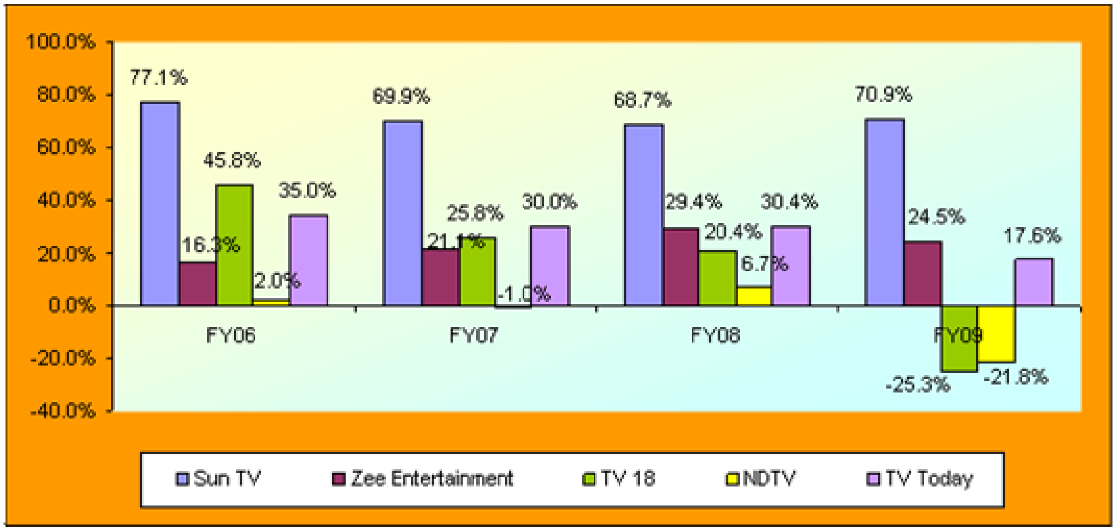


Source: Company

EBIDTA margin marginally impacted by losses from radio operations… but still remains highest in industry

Sun TV's unique content sourcing model has benefited the company by way of lower content costs. Also, the company's dominant position in the Southern markets has allowed it to demand higher ad rates, resulting in an increase in ad revenues. With its vast bouquet of channels, the company's subscription revenues are also on an upward trend. All these factors together have enabled Sun TV to record the highest EBIDTA margin in the television broadcasting industry.

EBIDTA margin trend



Source: Company Reports, FG Research
Note: EBIDTA margins are on a consolidated basis for all the company's except for NDTV

In FY09, Sun TV's reported consolidated EBIDTA margin stood at of 70.9%, while the standalone EBIDTA margin came in at 76.5%.

Standalone & consolidated sales and EBIDTA margin trend

(YE March 31) (Rs. Mn)	Standalone				Consolidated			
	FY06	FY07	FY08	FY09	FY06	FY07	FY08	FY09
Sales	3,219	6,770	8,611	10,082	3,219	6,780	8,699	10,394
Total Cost	738	1,951	2,392	2,366	738	2,037	2,724	3,026
EBIDTA	2,481	4,818	6,219	7,716	2,481	4,742	5,975	7,368
EBIDTA Margin (%)	77.1%	71.2%	72.2%	76.5%	77.1%	69.9%	68.7%	70.9%

Source: Company

Sun TV owns licenses to operate 44 radio stations on its own and through its subsidiaries, Kal Radio Ltd. and South Asia FM Ltd., out of which 42 radio stations are currently operational. A radio station usually takes 18-24 months to breakeven and hence, the company's consolidated margins have been adversely impacted by gestation losses.

Negative cash cycle helps generate positive operating cash flows

Historically, the broadcasting business is very working capital intensive, mainly due to a longer debtor collection period, as well as the need for huge content backup. The company does not have to store huge content, as its usability is valid for only a few hours/days in the news business, while the content for entertainment channels is outsourced to producers, thus leading to low inventory days.

Working capital ratios

(YE March 31)	FY 06	FY 07	FY 08	FY 09
Debtors (Days)	109	111	108	86
Creditors (Days)	133	156	167	163
Inventory (Days)	0.8	0.3	0.4	0.2
Cash Cycle	-24	-44	-58	-77

Source: Company

A decline in the company's debtor days from 111 in FY07 to 86 in FY09, partially offset by an increase in creditor days from 156 in FY07 to 163 in FY09, led to a negative cash cycle of 77 days in FY09 as against negative cash cycle of 44 days in FY07.

Free Cash Flow

(YE March 31) (Rs. Mn)	FY 06	FY 07	FY 08	FY 09
EBITA	**1,896**	**3,524**	**4,736**	**5,163**
Less: Adjusted Taxes	668	1,276	1,859	2,079
NOPLAT	**1,228**	**2,248**	**2,878**	**3,084**
Depreciation	585	1,218	1,239	2,205
Gross Cash flow	1,813	3,467	4,116	5,288
Increase in Working Capital	871	58	1,066	367
Operating Cash flow	**942**	**3,409**	**3,050**	**4,922**
Net Capex	2,032	2,945	4,145	4,254
Increase in Net Other Assets	(256)	(79)	(1,161)	811
FCF From Operation	**(834)**	**543**	**66**	**(143)**

Source: Company

Historically, the company has been consistently generating cash (pre-capex), due to a favourable working capital cycle.

Return Ratios

An increase in the company's operating cost, coupled with a decline in leverage, resulted in the Return on Equity declining from 26.8% in FY06 to 21.2% in FY09.

DuPont Model

(YE March 31)	FY 06	FY 07	FY 08	FY 09
EBIDTA/Sales (%)	77.1%	69.9%	68.7%	70.9%
Sales/Operating Assets (x)	0.9	1.3	1.1	0.9
EBIDTA/Operating Assets (%)	67.1%	87.5%	77.1%	67.1%
Operating Assets/ Net Assets (x)	0.74	0.59	0.54	0.6
Net Earnings/ EBIDTA (%)	51%	52%	55%	47%
Net Assets/ Equity (x)	1.06	1.17	1.04	1.0
Return on Equity (%)	**26.8%**	**31.3%**	**23.7%**	**21.2%**

Source: Company

Key Concerns

Subscription fees caped by TRAI

Broadcasters receive subscription fees from subscribers through cable operators, DTH operators, and IPTV operators. Currently, the TRAI has fixed subscription fees for pay channels at up to Rs.5.35 per channel on a la carte basis for cable operators providing service through CAS. However, broadcasters are charging higher subscription fees from DTH operators for providing their channels. Following the failure to come up with any solution on pricing of channels to DTH operators, the TRAI recently issued a notification stating that broadcasters are not allowed to charge more than 50% of the price charged to cable operators in non-CAS areas. Any further intervention could lead to more price control by the TRAI, which will put a cap on the company's subscription revenues.

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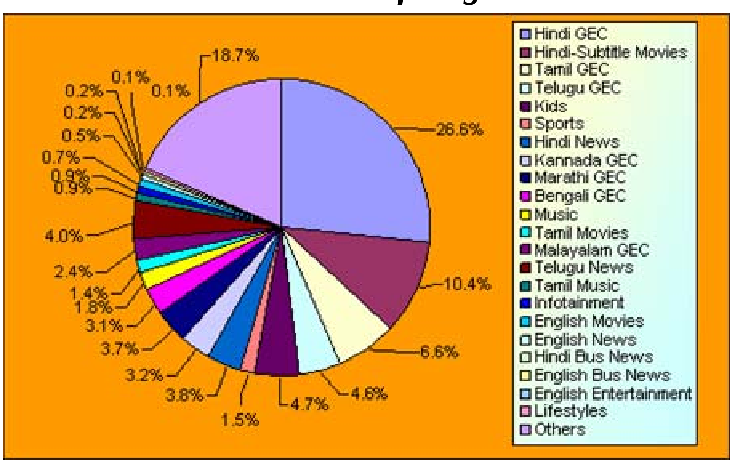
Competition to intensify in regional markets

Sun TV's continued dominance in South India due to its presence across languages and genres, such as GEC, music, movies and news, has provided tremendous pricing power to the company in comparison to its competitors. However, ***the competition in the South Indian television industry is set to intensify with the entry of Zee Group with its Tamil GEC and launch of Asianet in South Indian languages other than Malayalam, which might impact Sun TV's pricing power as well as its ad revenues.*** The Star Group is also in talks with Asianet for making a regional entry into South India and plans to launch a Telugu channel.

Market share of all genres



Source: Telepedia, Period: Week 36, 2009 (30 August, 09 - 05 September, 09)

South regional channels comprise 23.1% of the overall Indian television market, as against the Hindi GEC's share of 29.0%. South regional channels are further fragmented in terms of Tamil, Telugu, Kannada and Malayalam languages. ***The intensifying competition within such a small segment raises concerns over the business model of new players and we believe that only players with deep pockets and diverse content will be able to ultimately survive.***

Quarterly Result Analysis (Standalone)

(YE March 31st) (Rs. mn)	FY 10 Q1	FY 09 Q1	*Y-o-Y Change*	FY 09 Q4	*Sequential Q-o-Q Change*
Net Sales	**2,877**	**2,236**	***28.7%***	**2,759**	***4.3%***
a) Cost of Revenues	208	198	*5.3%*	132	*57.6%*
b) Employees Cost	311	245	*26.8%*	263	*18.2%*
c) Other Expenditure	122	110	*10.3%*	107	*13.4%*
Total Cost	**640**	**553**	***15.8%***	**502**	***27.6%***
EBIDTA	**2,236**	**1,683**	***32.9%***	**2,257**	***-0.9%***
Less: Depreciation	550	278	*97.6%*	662	*-16.9%*
EBIT	**1,686**	**1,405**	***20.1%***	**1,595**	***5.7%***
Less: Interest	6	0	*2000.0%*	10	*-35.1%*
Non operating income	142	164	*-13.1%*	154	*-7.3%*
PBT	**1,822**	**1,568**	***16.2%***	**1,739**	***4.8%***
Less: Total Tax	624	543	*15.0%*	599	*4.2%*
Profit After Tax	**1,198**	**1,025**	***16.8%***	**1,140**	***5.1%***
Earnings Per Share	3.04	2.60	*16.8%*	2.89	*5.1%*
Weighted Average No. of Shares	394	394		394	
			Bps		**Bps**
EBIDTA Margin (%)	77.7%	75.3%	**247**	81.8%	**-407**
EBIT Margin (%)	58.6%	62.8%	**-420**	57.8%	**80**
PBT Margin (%)	63.4%	70.1%	**-679**	63.0%	**32**
NPM (%)	41.6%	45.9%	**-422**	41.3%	**32**
Effective Tax Rate (%)	34.3%	34.6%	**-35**	34.4%	**-18**

Source: Company Reports

- Total sales grew 28.7% Y-o-Y and 4.3% sequentially in Q1 FY10 to Rs.2.88 bn, on the back of an accelerated growth in subscription revenues from the DTH platform and revenues of Rs.230 mn from its movie division, Sun Pictures, while total costs increased by 15.8% Y-o-Y and 27.6% sequentially to Rs.640 mn in the quarter. The lower than proportionate increase in total costs led to a rise of 32.9% Y-o-Y in the EBIDTA to Rs.2.24 bn and an increase of 246 bps Y-o-Y in the EBIDTA margin to 77.7%.

- An increase of 97.6% Y-o-Y in depreciation expense due to amortization of films released in Q1 FY10, coupled with a decline of 13.1% Y-o-Y in Other income, led to an increase of 16.8% Y-o-Y in the net profit to Rs.1.20 bn. The company posted an EPS of Rs.3.04 for Q1 FY10, as against Rs.2.60 in Q1 FY09.

Financials (Consolidated)

Earnings Model (Standalone)

(YE March 31st) (Rs. mn)	Q1 FY09	Q2 FY09	Q3 FY09	Q4 FY09	FY09	Q1 FY10	Q2E FY10	Q3E FY10	Q4E FY10	FY10E
Total Revenue	**2,236**	**2,379**	**2,708**	**2,759**	**10,082**	**2,877**	**3,076**	**3,274**	**3,050**	**12,276**
a) Cost of Revenues	198	219	268	132	817	208	200	213	152	774
b) Employees Cost	245	256	257	263	1,020	311	317	318	305	1,250
c) Other Expenditure	110	141	171	107	529	122	163	164	122	570
Total Cost	**553**	**616**	**696**	**502**	**2,366**	**640**	**680**	**694**	**579**	**2,594**
EBIDTA	**1,683**	**1,763**	**2,013**	**2,257**	**7,716**	**2,236**	**2,396**	**2,580**	**2,470**	**9,682**
Less: Depreciation	278	464	446	662	1,849	550	692	716	704	2,662
EBIT	**1,405**	**1,300**	**1,567**	**1,595**	**5,867**	**1,686**	**1,704**	**1,864**	**1,766**	**7,021**
Less: Interest	0	21	8	10	39	6	12	11	15	45
Non operating income	164	372	144	154	833	142	163	164	174	643
PBT	**1,568**	**1,650**	**1,703**	**1,739**	**6,661**	**1,822**	**1,855**	**2,016**	**1,925**	**7,618**
Less: Total Tax	543	567	581	599	2,290	624	640	695	664	2,624
Profit After Tax	**1,025**	**1,083**	**1,122**	**1,140**	**4,371**	**1,198**	**1,215**	**1,320**	**1,261**	**4,994**
Number of diluted share	**394**	**394**	**394**	**394**	**394**	**394**	**394**	**394**	**394**	**394**
EPS (Rs)	2.60	2.75	2.85	2.89	11.1	3.04	3.08	3.35	3.20	12.7
EBIDTA Margin (%)	75.3%	74.1%	74.3%	81.8%	76.5%	77.7%	77.9%	78.8%	81.0%	78.9%
EBIT (%)	62.8%	54.6%	57.9%	57.8%	58.2%	58.6%	55.4%	56.9%	57.9%	57.2%
PBT Margin (%)	70.1%	69.4%	62.9%	63.0%	66.1%	63.4%	60.3%	61.6%	63.1%	62.1%
NPM (%)	45.9%	45.5%	41.4%	41.3%	43.4%	41.6%	39.5%	40.3%	41.3%	40.7%
Effective Tax Rate (%)	34.6%	34.4%	34.1%	34.4%	34.4%	34.3%	34.5%	34.5%	34.5%	34.4%

Profit & Loss A/c

(YE March 31st) (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Total Revenue	**6,780**	**8,699**	**10,394**	**12,728**	**15,241**
Operation & Maintenance	782	766	1,114	999	1,055
Employees Remuneration & Benefits	698	958	1,155	1,386	1,615
Administration & other expenses	557	1,000	757	764	868
Total Cost	**2,037**	**2,724**	**3,026**	**3,149**	**3,539**
EBIDTA	**4,742**	**5,975**	**7,368**	**9,578**	**11,703**
Less: Depreciation	1,218	1,239	2,205	3,017	3,600
EBIT	**3,524**	**4,736**	**5,163**	**6,562**	**8,103**
Less: Interest	64	159	138	145	146
Extraordinary Income	1	5	227.2	0	0
Non-Operating Income	411	551	441	462	556
Profit Before Tax	**3,871**	**5,133**	**5,693**	**6,878**	**8,513**
Less: Total Tax	1,401	2,015	2,293	2,626	3,140
Profit After Tax before Minority Interest	**2,469**	**3,119**	**3,400**	**4,252**	**5,373**
Minority Interest	(9)	148	283	185	146
Profit After Tax	**2,461**	**3,267**	**3,683**	**4,438**	**5,519**

Commonsized Profit & Loss A/c

(YE March 31st)	FY07	FY08	FY09	FY10E	FY11E
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Operation & Maintenance	11.5%	8.8%	10.7%	7.9%	6.9%
Employees Remuneration & Benefits	10.3%	11.0%	11.1%	10.9%	10.6%
Administration & other expenses	8.2%	11.5%	7.3%	6.0%	5.7%
Total Cost	**30.1%**	**31.3%**	**29.1%**	**24.7%**	**23.2%**
EBIDTA	**69.9%**	**68.7%**	**70.9%**	**75.3%**	**76.8%**
Less: Depreciation	18.0%	14.2%	21.2%	23.7%	23.6%
EBIT	**52.0%**	**54.4%**	**49.7%**	**51.6%**	**53.2%**
Less: Interest	0.9%	1.8%	1.3%	1.1%	1.0%
Extraordinary Income	0.0%	0.1%	2.2%	0.0%	0.0%
Non-Operating Income	6.1%	6.3%	4.2%	3.6%	3.7%
Profit Before Tax	**57.1%**	**59.0%**	**54.8%**	**54.0%**	**55.9%**
Less: Total Tax	20.7%	23.2%	22.1%	20.6%	20.6%
Profit After Tax before Minority Interest	**36.4%**	**35.9%**	**32.7%**	**33.4%**	**35.3%**
Minority Interest	-0.1%	1.7%	2.7%	1.5%	1.0%
Profit After Tax	**36.3%**	**37.6%**	**35.4%**	**34.9%**	**36.2%**

Balance Sheet

(YE March 31st) (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
LIABILITIES					
Equity Capital	985	1,970	1,970	1,970	1,970
Reserves & Surplus	10,949	12,515	15,046	19,081	23,448
Net Worth	**11,934**	**14,486**	**17,016**	**21,051**	**25,418**
Net Deferred tax liability/(Asset)	0	11	261	261	261
Loans	867	695	716	716	716
Other Non-Current Liability	41	604	385	891	1,067
Capital Employed	**12,842**	**15,796**	**18,378**	**22,920**	**27,462**
ASSETS					
Gross Block	6,099	10,187	14,914	15,914	16,914
Less: Depreciation	3,508	4,736	6,768	9,785	13,385
Net Block	**2,590**	**5,450**	**8,146**	**6,129**	**3,529**
Capital WIP	2,172	2,218	1,572	2,387	2,537
Investments	1	1,803	1,805	1,805	1,805
Others	158	85	233	233	233
Current Assets					
Inventories	2	3	1	4	5
Sundry Debtors	2,071	2,576	2,449	3,696	4,426
Cash and Bank Balance	6,494	4,297	3,654	7,926	13,301
Loans and Advances	1,047	1,923	2,860	3,818	5,030
Less: Current Liabilities and Provisions					
Sundry Creditors	335	350	496	400	422
Provisions	467	1,167	468	1,153	1,153
Others	892	1,042	1,378	1,527	1,829
Total current liabilities & provisions	1,693	2,559	2,343	3,080	3,404
Net Current assets	**7,919**	**6,239**	**6,622**	**12,365**	**19,358**
Miscellaneous Assets	2	1	1	0	0
Capital Employed	**12,842**	**15,796**	**18,378**	**22,920**	**27,462**

Common sized Balance Sheet

(YE March 31st)	FY07	FY08	FY09	FY10E	FY11E
LIABILITIES					
Equity Capital	7.7%	12.5%	10.7%	8.6%	7.2%
Reserves & Surplus	85.3%	79.2%	81.9%	83.3%	85.4%
Net Worth	**92.9%**	**91.7%**	**92.6%**	**91.8%**	**92.6%**
Net Deferred tax liability/(Asset)	0.0%	0.1%	1.4%	1.1%	1.0%
Loans	6.8%	4.4%	3.9%	3.1%	2.6%
Capital Employed	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
ASSETS					
Gross Block	47.5%	64.5%	81.2%	69.4%	61.6%
Less: Depreciation	27.3%	30.0%	36.8%	42.7%	48.7%
Net Block	**20.2%**	**34.5%**	**44.3%**	**26.7%**	**12.9%**
Capital WIP	16.9%	14.0%	8.6%	10.4%	9.2%
Investments	0.0%	11.4%	9.8%	7.9%	6.6%
Current Assets					
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%
Sundry Debtors	16.1%	16.3%	13.3%	16.1%	16.1%
Cash and Bank Balance	50.6%	27.2%	19.9%	34.6%	48.4%
Loans and Advances	8.1%	12.2%	15.6%	16.7%	18.3%
Less: Current Liabilities and Provisions					
Sundry Creditors	2.6%	2.2%	2.7%	1.7%	1.5%
Provisions	3.6%	7.4%	2.5%	5.0%	4.2%
Others	6.9%	6.6%	7.5%	6.7%	6.7%
Total current liabilities & provisions	13.2%	16.2%	12.7%	13.4%	12.4%
Net Current assets	**61.7%**	**39.5%**	**36.0%**	**54.0%**	**70.5%**
Miscellaneous Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Employed	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Cash Flow Statement

(YE March 31st) (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
From Operations					
Profit Before Tax	3,871	5,133	5,693	6,878	8,513
Depreciation	1,218	1,239	2,205	3,017	3,600
Less:					
Dividend Payout	697	1,153	1,153	1,153	1,153
Tax Paid	1,401	2,015	2,293	2,626	3,140
Operating cashflow	**2,991**	**3,205**	**4,452**	**6,117**	**7,820**
Changes in Capital Structure					
Increase in Equity Share capital	365	985	0	0	0
Increase in Share premium	5,703	(985)	0	0	0
Increase in other reserves	1,022	586	283	935	146
Increase in Pref Capital	0	0	0	0	0
Increase in Others	(32)	11	250	0	0
Inc/(Dec) in Loans	(1,468)	(172)	21	0	0
Inc/(Dec) in Minority Interest	9	563	(220)	506	176
Inc/(Dec) in Equity/Loans/MI	**5,600**	**988**	**334**	**1,442**	**322**
Adjustments					
Prior Period Adjustments					
Diff.in Dep.	329	(11)	(173)	0	0
Total Inflows	**8,920**	**4,182**	**4,614**	**7,558**	**8,143**
CASH OUTFLOWS					
Working Capital Changes					
Inc/(Dec) in Provisions	309	700	(699)	684	0
Inc/(Dec) in Current Liabilities	651	166	482	53	324
Less:					
Inc/(Dec) in Inventory	0	1	(1)	3	1
Inc in Debtors	1,108	505	(127)	1,247	730
Inc/(Dec) in Loans & Adv.	276	843	268	1,133	858
Inc/(Dec) in other Current Assets	(524)	34	669	(174)	353
Inc/(Dec) in Working Capital	**(100)**	**516**	**1,026**	**1,472**	**1,618**
Capex/Investments					
Inc/(Dec) in Investments	0	1,803	2	0	0
Addition to Gross Block	2,947	4,088	4,728	1,000	1,000
Inc/(Dec) in Capital WIP	327	46	(646)	815	150
Inc/(Dec) in other assets	(17)	(73)	148	0	0
Inc. in Misc. Assets	2	(1)	(0)	(0.7)	0
Inc/(Dec) in Fixed assets/ Investments	**3,259**	**5,863**	**4,231**	**1,814**	**1,150**
Inc/(Dec) in Cash/Bank Balance	5,762	(2,196)	(643)	4,272	5,375
Total Outflows	**8,920**	**4,182**	**4,614**	**7,558**	**8,143**

Commonsized Cash Flow Statement

(YE March 31st)	FY07	FY08	FY09	FY10E	FY11E
From Operations					
Profit Before Tax	43.4%	122.7%	123.4%	91.0%	104.6%
Depreciation	13.7%	29.6%	47.8%	39.9%	44.2%
Less:	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Payout	7.8%	27.6%	25.0%	15.3%	14.2%
Tax Paid	15.7%	48.2%	49.7%	34.7%	38.6%
Operating cashflow	**33.5%**	**76.6%**	**96.5%**	**80.9%**	**96.0%**
Changes in Capital Structure	0.0%	0.0%	0.0%	0.0%	0.0%
Increase in Equity Share capital	4.1%	23.6%	0.0%	0.0%	0.0%
Increase in Share premium	63.9%	-23.6%	0.0%	0.0%	0.0%
Increase in other reserves	11.5%	14.0%	6.1%	12.4%	1.8%
Increase in Pref Capital	0.0%	0.0%	0.0%	0.0%	0.0%
Increase in Others	-0.4%	0.3%	5.4%	0.0%	0.0%
Inc/(Dec) in Loans	-16.5%	-4.1%	0.5%	0.0%	0.0%
Inc/(Dec) in Minority Interest	0.1%	13.5%	-4.8%	6.7%	2.2%
Inc/(Dec) in Equity/Loans/MI	**62.8%**	**23.6%**	**7.2%**	**19.1%**	**4.0%**
Adjustments	0.0%	0.0%	0.0%	0.0%	0.0%
Prior Period Adjustments	0.0%	0.0%	0.0%	0.0%	0.0%
Diff.in Dep.	3.7%	-0.3%	-3.7%	0.0%	0.0%
Total Inflows	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
CASH OUTFLOWS					
Working Capital Changes					
Inc/(Dec) in Provisions	3.5%	16.7%	-15.1%	9.1%	0.0%
Inc/(Dec) in Current Liabilities	7.3%	4.0%	10.4%	0.7%	4.0%
Less:	0.0%	0.0%	0.0%	0.0%	0.0%
Inc/(Dec) in Inventory	0.0%	0.0%	0.0%	0.0%	0.0%
Inc in Debtors	12.4%	12.1%	-2.7%	16.5%	9.0%
Inc/(Dec) in Loans & Adv.	3.1%	20.2%	5.8%	15.0%	10.5%
Inc/(Dec) in other Current Assets	-5.9%	0.8%	14.5%	-2.3%	4.3%
Inc/(Dec) in Working Capital	**-1.1%**	**12.3%**	**22.2%**	**19.5%**	**19.9%**
Capex/Investments					
Inc/(Dec) in Investments	0.0%	43.1%	0.0%	0.0%	0.0%
Addition to Gross Block	33.0%	97.8%	102.5%	13.2%	12.3%
Inc/(Dec) in Capital WIP	3.7%	1.1%	-14.0%	10.8%	1.8%
Inc/(Dec) in other assets	-0.2%	-1.8%	3.2%	0.0%	0.0%
Inc. in Misc. Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Inc/(Dec) in Fixed assets/ Investments	**36.5%**	**140.2%**	**91.7%**	**24.0%**	**14.1%**
Inc/(Dec) in Cash/Bank Balance	64.6%	-52.5%	-13.9%	56.5%	66.0%
Total Outflows	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Free Cash Flow

(YE March 31st) (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
EBITA	**3,524**	**4,736**	**5,163**	**6,562**	**8,103**
Less: Adjusted Taxes	1,276	1,859	2,079	2,505	2,989
NOPLAT	**2,248**	**2,878**	**3,084**	**4,057**	**5,114**
Depreciation	1,218	1,239	2,205	3,017	3,600
Gross Cash flow	3,467	4,116	5,288	7,073	8,714
Increase in Working Capital	58	1,066	367	1,701	1,314
Operating Cash flow	**3,409**	**3,050**	**4,922**	**5,373**	**7,400**
Net Capex	2,945	4,145	4,254	1,815	1,150
Increase in Net Other Assets	(79)	(1,161)	811	(689)	178
FCF From Operation	**543**	**66**	**(143)**	**4,247**	**6,072**
Less: Inc./(Dec.) in Investment	0	1,803	2	0	0
FCF after Investment	**543**	**(1,737)**	**(145)**	**4,247**	**6,072**
Plus: Gain/(loss) on Extraordinary Items	0	3	136	0	0
Plus: Foreign currency Translation Effect	0	0	0	0	0
Total FCF	**543**	**(1,734)**	**(9)**	**4,247**	**6,072**
Financing Cash Flow					
Interest Exp/(inc) After Tax, Net	(221)	(238)	(181)	(196)	(259)
Inc/(dec) in Excess Cash and Marketable Securities	5,691	(2,235)	(677)	4,225	5,325
Dec/(Inc) in Debt	1,468	172	(21)	0	0
Dividends	697	1,153	1,153	1,153	1,153
Share Repurchase/(Issues)	(7,091)	(586)	(283)	(935)	(146)
Total financing flow	**543**	**(1,734)**	**(9)**	**4,247**	**6,072**

IMPORTANT DISCLOSURES

Price Target

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and non-financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, and its stock price history.

The risks that may impede achievement of the price target/investment thesis are –

- **More than expected favourable changes in the economic climate**
- **Increase in Viewership share**
- **Decline in the competition of business news and general news channels**
- **Higher than expected offtake in subscription revenues**

First Global's Rating System

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

Rating in this report is relative to: CNX Nifty Index

Positive Ratings

(i) Buy (B) – *This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

(ii) Buy at Declines (BD) – *This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.*

(iii) Outperform (OP) – *This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

Neutral Ratings

(i) Hold (H) – *This rating means that we expect no substantial move in the stock price over the specified time period.*

(ii) Marketperform (MP) – *This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

Negative Ratings

(i) Sell (S) – *This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

(ii) Sell into Strength (SS) – *This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

(iii) Underperform (UP) – *This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.*

(iv) Avoid (A) – *This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.*

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