

Sun TV Network-Visit Note

Not Rated

Price Rs150

Market Capitalisation
Rs57,339mn (US\$1,110mn)

52 week range H/L (Rs) 400/122

Shares o/s (mn) 394.09
Daily vol (mn) 0.87

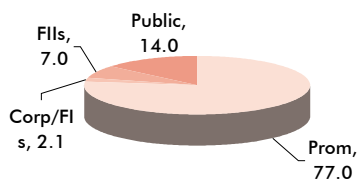
Reuters SUTV.BO
Bloomberg SUNTV IN

Perfm(%)	1M	3M	12M	YTD
Absolute	(15.5)	(12.4)	(51.3)	(19.4)
Relative	(6.1)	(2.1)	(13.8)	(10.4)

BSE Sensex 8,677
Nifty 2,696

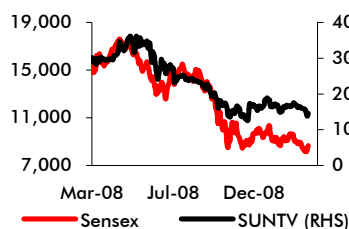
Source: Bloomberg

Shareholding pattern (%)



Source: Capitaline

Price performance



Source: Bloomberg

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We recently met with the Sun TV management, following are the key takeaways

- Q4FY09 revenue growth estimated at 24% YoY
- No impact of slowdown on advertisement revenues
- DTH segment and increasing addressability to bolster revenue growth
- Revenues from analogue cable segment to grow at 4-5% annually

Topline to reach Rs103.8bn in FY09

According to the management, Sun TV's Q4FY09 revenues are expected to grow at 24% YoY to Rs30.6bn. In line with this growth, the company's revenues for FY09 are estimated to touch Rs103.8bn, an upside of 19.3% over FY08.

View on advertisement revenues

- Sun TV claimed that it has not yet witnessed any slowdown in its advertisement revenues
- The company indicated that its advertisement slots were booked two months in advance
- Sun TV believes that if the overall ad revenues for the industry drops, the company will also suffer from lower growth in ad revenues. Nevertheless, according to the management, the company's ad revenues would continue to grow, albeit at a slower pace, but not turn negative in the near term.
- A key positive for the company is that more than 50% its ad revenues come from the FMCG sector that is expected to grow at 10-12% per annum over the next two years.
- Sun TV faces high regional concentration risk as it derives more than 50% of its ad revenues from Tamil Nadu. This remains a key concern.

Radio business

Sun TV expects its radio business to breakeven in FY11; losses for FY10 are estimated to stand at Rs600mn.

Movie Segment

For FY10, Sun TV's movie budget is estimated to be in the Rs700-800mn range for 9-10 small and medium budget movies. In addition, the company is also planning a big budget movie (amounting to Rs700mn) during FY10.

Averse to diversification as of now

As against its earlier stance, Sun TV has abandoned its proposed foray into Hindi GEC space. The company intends to continue its focus on the southern Indian market for future growth.

DTH segment to witness strong growth

As of Q3FY09, Sun TV had 3.3mn DTH subscribers, up from 2.6mn subscribers in Q2FY09, with an ARPU of Rs26 per month. The company continues to remain bullish on the prospects of revenue growth from this segment.

Margins to remain intact

Sun TV's management believes that it has better control over cost items, and is confident of maintaining its margins in the medium term.

Valuation

Currently, at the CMP of Rs150, the stock trades at 12.3X of consensus FY10 earnings of Rs12.2. We do not have a rating on the stock.

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