

CMP: ₹308
Target: ₹343
Rating: ACCUMULATE
August 2, 2011
Stock Info

Face Value (₹)	5
Shares O/S (mn)	394
Market Cap (₹ bn)	120
52-Week Range(H/L)	557 / 260
1-Year Avg Vol (mn)	1.6
Nifty	5457
Bloomberg Code	SUNTV IN
Year End	Mar

1QFY12 revenues below expectations

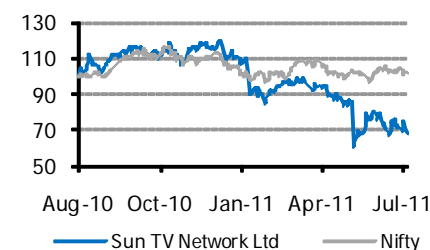
Sun TV's 1QFY12 revenues grew 3% to ₹4,540mn, 7% below our expectations, due to lower-than-expected ad growth of 4%. We expect EPS to be ₹21.4 in FY12 and ₹24.5 in FY13, a growth of 18% CAGR from the FY10 levels. At the CMP, the stock is trading at a P/E of 15x FY12E and 13x FY13E. The stock is trading at a sharp discount to its five-year average forward P/E due to the political risk attached to the company. We value the stock at 14x FY13E earnings, which is at 30% discount to ZEEL, and maintain an ACCUMULATE rating with a target price of ₹343.

Share Holding Pattern (%) June' 11

Promoters	77.0
FII	13.5
DII	2.0
Others	7.5

Ad revenues grew 4%; new channels to boost ad inventory

Sun TV's 1QFY12 revenues grew 3% to ₹4,540mn against ₹4,404mn in 1QFY11. DTH and international subscription revenues grew 25% each, in line with our expectations. Analogue cable business grew 10% and movie business was down 54% YoY. Advertising revenues grew 4%, from the highs of over 25% in FY11, due to higher base effect and slowdown seen particularly in the non-GEC channels.

Relative Price Performance


During the festive season, advertising revenues will bounce back. The network also plans to launch 5-6 new channels in September-October, which will help boost its ad inventory. It has a license to launch 12 channels. The company released two movies in the 1Q and will release one at the end of 2Q. The management has reduced its FY12 advertising growth outlook from 15-18% to 12-15%.

Segment Wise Revenues

Quarterly	Q4FY10	3QFY11	4QFY11
Advt.Income	2,220	2,610	2,580
BroadcastFee	360	420	370
ProgramLicenseInc(IntRev)	150	200	170
SubsIncome-Analogue	470	530	560
SubsIncome-DTH	620	700	820
Others(InclMovies)	100	1,510	120

Operating profit margin firm at 80.6%

Operating profit margin was 80.6 %, down 110bps YoY. Operating profit was up 2% at ₹3,659mn and PAT was ₹1876mn, up 10% YoY.

Maintaining its leadership position in the Southern broadcast markets

The company continues to lead Tamil, Telugu and Kanada GEC markets with an average market share of 70%, 43% and 42%, respectively. Going ahead, the company is looking at exploiting the growth potential in the regional non-GEC channels with the launch of 5-6 new channels. It plans to produce 6-8 movies in FY12. Its capex for FY12 is ₹1,500mn mainly for acquiring satellite rights of new movies and is sitting on cash of ₹8bn.

Key Financials

Y/E Mar (₹Mn)	Net Sales	Growth (%)	EBITDA	Margin (%)	PAT	Growth (%)	EPS (₹)	P/E (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY09	10,393	19.5	7,368	70.9	3,684	12.8	9.3	33.7	16	22	33
FY10	14,528	39.8	11,318	77.9	5,199	41.1	13.2	23.9	11	26	43
FY11	20,135	38.6	15,779	78.4	7,698	48.1	19.5	16.1	7	32	48
FY12E	22,006	9.3	16,944	77.0	8,436	9.6	21.4	14.7	6	32	47
FY13E	24,841	12.9	19,128	77.0	9,658	14.5	24.5	12.9	5	31	47

Source: SBICAP Securities Research

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Valuation

We expect EPS to be ₹21.4 in FY12 and ₹24.5 in FY13, a growth of 18% CAGR from the FY10 levels. At the CMP, the stock is trading at a P/E of 15x FY12E and 13x FY13E. The stock is trading at a sharp discount to its five-year average forward P/E due to the political risk attached to the company. We value the stock at 14x FY13E earnings, which is at 30% discount to ZEEL, and maintain an **ACCUMULATE** rating with a target price of ₹343.

Quarterly Financials

Y/E March (₹ mn)	1QFY12	1QFY11	YoY (%)	4QFY11	QoQ (%)
Total Revenues	4,540	4,404	3	4,605	(1)
Expenses					
Operating & Prog. Cost	242	268	(10)	235	3
% of revenue	5	6		5	
Staff cost	440	399	10	453	(3)
% of revenue	10	9		10	
Other expenses	199	139	43	276	(28)
% of revenue	4	3		6	
Total Expenditure	881	806	9	965	(9)
EBITDA	3,659	3,599	2	3,640	1
EBIDTA Margin	81	82		79	
EBIT	2,598	2,452	6	2,962	(12)
% of Revenues	57	56		64	
Interest	2	1	64	14	(84)
Other income	173	113	53	172	1
PBT	2,769	2,563	8	3,120	(11)
% of Revenues	61	58		68	
Tax	892	854	5	1,035	(14)
Effective Tax Rate	32	33		33	
PAT	1,877	1,710	10	2,085	(10)
EPS(₹)	5	4	10	5	(10)

Source: SBICAP Securities Research

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