

Sun TV Network Ltd

Relative to sector: **Outperformer**

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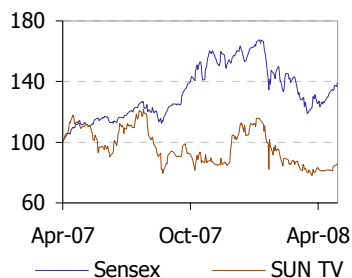
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 394mn
Market cap	: Rs 123bn
52 week high/low	: Rs 458/ Rs 260
Avg. daily vol. (6mth)	: 321,600 shares
Bloomberg code	: SUNTV IB
Reuters code	: SUTV.BO

Shareholding (%) Mar-08 QoQ chg

Promoters	: 77.0	0.0
FIIs	: 7.4	(0.2)
MFs / UTI	: 1.0	0.1
Banks / FIs	: 0.0	0.0
Others	: 14.6	0.1

Financial summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS# (Rs)	EPS^ (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2006	3,220	1,313	-	3.3	69	-	35.6	40.7	-
2007	6,780	2,469	-	6.3	88	-	41.1	54.9	-
2008E	8,546	3,571	9.6	9.1	45	35.1	34.1	52.5	19.7
2009E	11,381	5,526	12.5	14.0	55	22.7	36.8	55.3	13.5

Source: # Consensus broker estimates, Company, ENAM estimates; *Note: Current yr/period balances & amounts included the effect of the amalgamation of Gemini TV Pvt Ltd (GTPL), & the Demerged Undertaking of Udaya TV Pvt Ltd (UTPL) and therefore, are not comparable with those of the previous year/period. Previous period's/year's figures have been regrouped / reclassified wherever necessary. ^Adjusted for stock split. Excludes radio business

UNHINDERED DOMINANCE

Our recent interaction with Sun TV Network Ltd's (Sun) management has reinforced our positive outlook on the company's growth prospects. **The recent ad rate hikes and increased addressability from DTH** resulting in a growth in subscription revenues have ensured Sun's continued dominance. Further, the **initial signs of reconciliation** with the DMK also augur well for the company.

Key highlights

- **Ad revenues** are expected to grow by ~37% CAGR by FY10E on account of ad rate hikes (10-15% per annum), better inventory utilization (10-15%) and launch of new flanking channels (5-10%). Sun recently effected a 10-15% ad rate hike in February 2008 across all its channels.
- **Subscription revenues** are expected to grow faster (~50%+ CAGR) with Sun targeting a DTH subscriber base of >5mn by FY09 (1.1mn as on Mar 2008).
- Recent media reports (Deccan Chronicle & The Indian Express – 2 March 2008; *See Annexure*) on **Mr Maran's visit to the 56th birthday celebrations of the DMK chief's younger son, M K Stalin** indicate a **possible reconciliation** between the two parties.
- Rollout of Sun's radio stations is on track with **36 of the 44 radio stations currently operational**. Sun's balance stations are expected to go on stream by mid-FY09.

Outlook and valuations

Sun's strong and profitable growth, driven by increased addressability and its ability to monetize its ratings deserves a premium valuation. Further, we believe, anxieties related to political risk following the rift with the DMK have been alleviated. At CMP of Rs 318, the stock trades at 22x FY09E EPS of Rs 14. We maintain our **Outperformer** rating on the stock with a target price of **Rs 420**.

Annexure I

Buzz as Kalanidhi greets Stalin on his birthday

By R. BHAGWAN SINGH

Chennai, March 1: All those who mattered, barring his political opponents, either called on him or called in their greetings to wish the DMK's emperor-in-the-making and local administration minister M. K. Stalin who celebrated his 56th birthday here on Saturday. The biggest draw at his ministerial bungalow *Kurinji* was nephew Kalanidhi Maran of Sun TV, raising

speculation on whether the sour relations between the two families were beginning to heal.

It was perhaps the longest procession of garlands and bouquets witnessed outside anyone's gates in Tamil Nadu for any occasion, as ministers, MPs, MLAs, senior bureaucrats and DMK functionaries vied with each other to catch his eye.

The usual crowd of wayside banners and full-page newspa-

per advertisements carrying birthday greetings were not there this time because of the stern diktat from his father, *Kalaignar* Karunanidhi that partymen refrain from such extravagant shows of loyalty as they ended up being a public nuisance. But the huge gathering of party members and officials outside *Kurinji* (it is said that each district DMK unit had brought busloads of birthday cheerers) threw normal life

■ Turn to Page 2



SEND OFF: Udayanidhi, son of local administration minister M.K. Stalin seeing off Kalanidhi Maran, the CMD of Sun Network who visited the minister's residence to greet him on his 56th birthday. A DC photograph.

Buzz as Kalanidhi greets Stalin on his birthday

■ Continued from Page 1

out of gear in and around the posh Greenways Road of east Chennai. The arrival of Mr Kalanidhi Maran at *Kurinji* caused huge excitement in media and political circles, coming at the peak of the cable war between the SCV of the Marans' Sun group and the *Kalaignar* TV of the DMK's first family, which seemed to be a second battle between the two families after the exit of the younger Maran, Dayanidhi, from the Union Cabinet in May last year following the violent attack on his *Dinakaran* office in Madurai for printing an opinion poll humiliat-

ing Mr Stalin's elder brother, Azhagiri.

Mr Kalanidhi Maran came with his aunt Selvi to wish Mr Stalin on his birthday. It is said that she has been trying for a patch-up between the families for a long time. The minister's doting sister is married to the late Murasoli Maran's younger brother Murasoli Selvam. Interestingly, Mr Stalin had spent a few days with his sister Selvi at her Bangalore home last week and the "patch-up" was reportedly finalised then. Mr Stalin is supposedly sympathetic to the Maran brothers but had to go slow on Selvi's peace moves because of Mr

Azhagiri's open hostility to them. DMK sources said Mr Azhagiri had telephoned his brother in the morning to wish him and was upset when he learnt about the visit of Mr Kalanidhi Maran and Selvi later in the day.

The aunt and nephew had earlier called on Mr Karunanidhi at his Gopalapuram house, where it is said the grandnephew reverentially touched the feet of the octogenarian *thatha* (grandfather). It remains to be seen whether Mr Stalin's birthday celebrations will lead to the healing of fractured relations for the Marans and safeguard the interests of their Sun TV group.

Source: Deccan Chronicle, 02 March 2008

Annexure II

B'DAY BOY REUNITES TN FIRST FAMILY

In a turn-around reportedly initiated by Stalin, Kalanithi calls on Karunanidhi, Stalin; sources say rapprochement is in the offing

By KN ARUN &
T MURUGANANDHAM

Chennai, March 1: In a dramatic turn of events, Kalanithi Maran, Sun TV group chairman and brother of former Union Minister Dayananidhi Maran, called on his estranged granduncle and DMK patriarch M Karunanidhi and later met Local Administration Minister MK Stalin, signalling the beginning of the process of reconciliation in the first family of Tamil Nadu politics.

The turn-around seems to have been partly initiated by Stalin himself, helped along the way by his sister Selvi, who is also the aunt of the Maran brothers, and the occasion of Stalin's 57th birthday.

Though Dayanidhi kept himself in the background, Kalanithi, accompanied by his grandmother Shanmuganagathammal, met Karunanidhi at the latter's CIT colony residence for over an hour. After the meeting, during which he is believed to have tried to assuage the feelings of his granduncle, Kalanithi drove straight to the Stalin's residence in Greenways Road. Meanwhile, Selvi was already in Stalin's residence preparing the ground for the meeting between Kalanithi and her brother, which went on for more than an hour.

"The initiative has come from both sides. Of course, Karunanidhi is deeply hurt by some of the things that have happened, but sooner than later everything will be sorted out," sources closed to the family said.

In fact, Stalin seems to have taken a special interest in settling the family feud. He reportedly spoke to Dayanidhi a few days ago from Selvi's residence in Bangalore, advising him not to do anything that would aggravate the soured relations and at the same time assuring him that "things will work out soon."

TIME LINE

May 9, 2007: *Dinakaran*, owned by Kalanithi Maran, publishes results of an opinion poll giving 2 per cent vote to MK Azhagiri as Karunanidhi's political heir. *Dinakaran* office attacked in Madurai, 3 employees killed

May 13, 2007: DMK authorises Karunanidhi to seek Dayanidhi's removal from Union Cabinet. Dayanidhi resigns

Feb 16, 2008: Dayanidhi complains to Chennai Police Commissioner alleging strong arm tactics against SCV cable operators

Feb 25, 2008: Dayanidhi meets Sonia Gandhi seeking security cover for himself and his brother Kalanithi

Feb 28, 2008: Karunanidhi writes poem attacking Dayanidhi

Source: The Indian Express, 02 March 2008

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