



Sun TV Network Ltd

Relative to sector: **Outperformer**

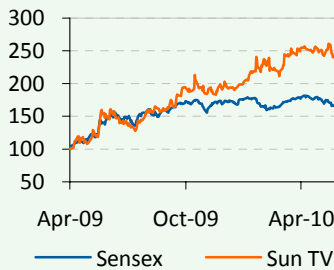
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 394mn
Market cap : Rs 161 bn
52 week high/low : Rs 453/ Rs 210
Avg. daily vol. (6mth) : 351,500 shares
Bloomberg code : SUNTV IB
Reuters code : SUTV. BO

Shareholding (%) Mar-10 QoQ chg

Promoters	: 77.0	0.0
FIIs	: 8.0	(0.7)
MFs / UTI	: 4.5	0.8
Banks / FIs	: 0.1	(0.1)
Others	: 10.4	(0.0)

POSITIVE SURPRISE ON DTH REVENUES

Sun TV Network Ltd (Sun) declared standalone revenue of Rs 3.92 bn (up 42% YoY), EBITDA of Rs 3.3 bn (up 47% YoY) and PAT of Rs 1.65 bn (up 45% YoY) for Q4FY10. EBITDA margin expanded to 84% driven by 1) strong ad revenue growth of ~59% YoY and 2) sustained DTH revenue growth momentum (up 79% YoY). FY10 Consolidated rev: Rs 14.5 bn; EBITDA Rs 10.9 bn; Adj PAT Rs 5.2 bn.

Key highlights: Q4FY10

- Sun clocked strong **ad revenue growth of ~59% YoY** to Rs 2.22 bn owing to 1) impact of blended 15% ad rate hikes effective Jan 2010, 2) improved utilization in morning and afternoon slots and 3) maturing of new channel launches in kids and comedy genres.
- **DTH revenue showed significant growth (43% QoQ)** to ~Rs 628 mn as payments from new operators such as Bharti and Reliance ramped up. At end-Q4FY10, Sun’s channels were viewed by ~6 mn subscribers (5.6 mn at end-Q3FY10).
- **Domestic cable revenue** also showed strong growth (up 19% QoQ) resulting from the establishment of focused teams for south and non-south areas.
- **Personnel expenses** declined 36% YoY as the directors capped their remuneration for FY10 at FY09 levels. However, this may not be sustainable as the cap applies only to FY10.

Outlook and valuations

We expect ad revenue growth in FY11 to be driven largely by full-year impact of ad rate hikes and maturing of new launches. The additional new pay channels in the bouquet (Surya & Kiran) will help drive DTH revenue growth. Given the improved ad and DTH revenue outlook, we increase our FY11E and FY12E EPS to Rs 16.0 (Rs 14.5) and Rs 19.0 (Rs 16.9) respectively and increase our target price to Rs 457 (Rs 389), while upgrading the stock to sector **Outperformer**.

Financial Summary (Consolidated)

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2009	10,394	3,499	-	8.9	7	-	21.5	33.3	-
2010	14,530	5,202	-	13.2	49	-	27.2	40.6	-
2011E	18,898	6,320	16.2	16.0	22	25.5	27.4	42.1	10.5
2012E	20,980	7,502	19.4	19.0	19	21.5	26.9	41.3	9.3

Source: *Consensus broker estimates, Company, ENAM estimates

Results Update

(Rs mn)	Quarter ended *					12 months ended		
	Mar-10	Mar-09	% Chg	Dec-09	% Chg	Mar-11E	Mar-10	% Chg
Net Sales	3,919	2,759	42.0	3,951	(0.8)	18,898	14,530	30.1
EBITDA	3,309	2,257	46.6	3,125	5.9	14,704	10,910	34.8
Other income	85	154	(44.9)	84	1.3	540	352	53.2
PBIDT	3,393	2,411	40.8	3,209	5.7	15,244	11,262	35.4
Depreciation	848	662	28.2	885	(4.2)	5,270	3,208	64.3
Interest	2	10	(76.3)	2	43.8	70	50	40.2
PBT	2,542	1,739	46.2	2,322	9.5	9,904	8,005	23.7
Tax	892	599	48.8	803	11.1	3,665	2,991	22.5
Minority Interest	-	-	-	-	-	(81)	(188)	(56.9)
PAT	1,651	1,140	44.8	1,519	8.6	6,320	5,202	21.5
No. of shares (mn)	394	394	-	394	-	394	394	-
EBIDTA margin (%)	84.4	81.8	-	79.1	-	77.8	75.1	3.6
PBIDT margin (%)	86.6	87.4	-	81.2	-	80.7	77.5	4.1
EPS - annualized (Rs.)	16.8	11.6	44.8	15.4	8.6	16.0	13.2	21.5

Source: Company, ENAM Research; *Quarterly numbers are on a standalone basis (i.e. ex-radio subsidiaries)

Other highlights

- ❑ The pricing of Sun's bouquet has also increased to max. Rs 52 per sub as the Malayalam channels and the new launches were added to the bouquet.
- ❑ Sun Pictures contributed ~Rs 80 mn to revenues in Q4FY10. Q1FY11 will see two movie launches.
- ❑ The two radio subsidiaries clocked combined revs of ~Rs 570 mn in FY10 with Kal radio achieving EBITDA breakeven with profits of Rs 82 mn.
- ❑ Sun declared a final dividend of Rs 6 per share (120% on Face value Rs 5 per share) in addition to the interim dividend of Rs 1.5 per share.

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