

SUN TV NETWORK

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	561
12 month price target (INR)	805
52 Week High/Low	922/506
Market cap (INR bn/USD bn)	221/2.5
Free float (%)	25.0
Avg. daily value traded (INR mn)	150.8

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	75%	75%	75%
FII	6.91%	6.87%	7.11%
DII	10.35%	10.45%	10.17%
Pledge	0%	0%	0%

FINANCIALS

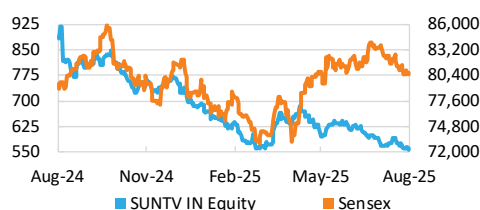
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	40,151	43,188	46,434	49,752
EBITDA	21,327	23,349	25,198	26,911
Adjusted profit	17,587	16,356	16,496	17,173
Diluted EPS (INR)	44.6	41.5	41.9	43.6
EPS growth (%)	(8.7)	(7.0)	0.9	4.1
RoAE (%)	15.9	13.9	13.9	14.3
P/E (x)	12.5	13.5	13.4	12.9
EV/EBITDA (x)	7.5	6.9	6.5	6.0
Dividend yield (%)	5.8	5.6	5.6	5.8

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	43,188	46,434	-2.9%	-3.5%
EBITDA	23,349	25,198	-6.0%	-7.0%
Adjusted profit	16,356	16,496	-4.6%	-5.9%
Diluted EPS (INR)	41.5	41.9	-4.6%	-5.9%

PRICE PERFORMANCE



Sluggish show

Sun TV (Sun) reported a weak performance in Q1FY26. Revenue of INR12.9bn (down 1.7% YoY) is in line with our estimate. EBITDA of INR6.2bn (down 13.8% YoY) beat our estimate. Advertising and Broadcasting revenue decreased 10.4% YoY to INR2.9bn. Domestic subscription revenue grew 6.8% YoY to INR4.7bn. IPL franchise fee fell 6.3% YoY to INR944mn. Staff costs increased 3.1% YoY/3.2% QoQ. Sun's next major theatrical release, *Coolie* starring Rajinikanth, is slated for release on 14th August.

Given Sun's weak Q1 showing, we are cutting FY26E/27E EPS by 4.6%/5.9%, yielding a revised TP of INR805 (earlier INR875); maintain 'BUY'.

Highlights of the quarter

Key highlights: EBITDA margin of 48% contracted 677bp YoY and increased 249bp QoQ. Gross margin of 80.5% contracted 381bp YoY and increased 447bp QoQ. Other expenditure rose sharply by 17.4% YoY/40.7% QoQ to INR2.4bn and staff costs increased 3.1% YoY/3.2% QoQ to INR849mn. The board approved an interim dividend of INR5/share.

Content pipeline: A major theatrical release—*Coolie* starring Rajinikanth—is slated for 14th August 2025. A sequel to *Jailer* also starring Rajinikanth is expected to release in 2026.

Acquisition of Northern Superchargers: The board had approved the acquisition of 100% equity of 'Northern Superchargers' (UK), a part of The Hundred cricket league, for GBP100.5mn (~INR11.5bn)—marking Sun TV's entry into UK sports and further expansion of its global cricket franchise portfolio.

Need of the hour: A multipronged strategy for capturing eyeballs

Be more aggressive in OTT and market share. In our view, Sun TV has a strong regional presence. That said, forays by national players such as Zee into the southern market have been successful while Sun TV's foray into the northern market needs to be more focused. However, in light of increased viewership, we expect the bandwidth to widen; meanwhile, the advertisement revenue base remains robust.

Sun TV also needs to ramp up its presence in the OTT segment. At present, it is recycling linear and movie content to OTT. The company would have to be more aggressive in creating originals and obtaining movie rights for its OTT platform, not to mention aggressive marketing, to benefit from the fast-expanding digital media segment and be a force to reckon with.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	12,903	13,124	(1.7)	9,418	37.0
EBITDA	6,194	7,189	(13.8)	4,286	44.5
Adjusted Profit	5,319	5,572	(4.5)	4,412	20.6
Diluted EPS (INR)	13.5	14.1	(4.5)	11.2	20.6

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	40,151	43,188	46,434	49,752
Gross profit	29,934	31,745	34,133	36,344
Employee costs	3,303	3,448	3,590	3,748
Other expenses	1,353	700	800	800
EBITDA	21,327	23,349	25,198	26,911
Depreciation	5,392	6,855	8,118	8,928
Less: Interest expense	134	130	130	130
Add: Other income	6,975	5,500	5,100	5,100
Profit before tax	22,776	21,864	22,050	22,953
Prov for tax	5,133	5,466	5,512	5,738
Less: Other adj	(49)	(42)	(42)	(42)
Reported profit	17,587	16,356	16,496	17,173
Less: Excp.item (net)	0	0	0	0
Adjusted profit	17,587	16,356	16,496	17,173
Diluted shares o/s	394	394	394	394
Adjusted diluted EPS	44.6	41.5	41.9	43.6
DPS (INR)	32.4	31.1	31.4	32.7
Tax rate (%)	22.5	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Ad revenue growth (%)	5.0	1.0	3.0	3.0
Subscription growth (%)	0	0	0	0
Dom. sub growth (%)	4.0	10.0	10.0	10.0
EBITDA margin (%)	53.1	54.1	54.3	54.1
Net profit margin (%)	43.8	37.9	35.5	34.5
Revenue growth (% YoY)	(6.2)	7.6	7.5	7.1
EBITDA growth (% YoY)	(19.2)	9.5	7.9	6.8
Adj. profit growth (%)	(8.7)	(7.0)	0.9	4.1

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.0	6.0	6.0
Repo rate (%)	4.0	4.0	4.0	4.0
USD/INR (average)	72.0	72.0	72.0	72.0
Direct cost (% of sales)	1.7	1.9	1.9	1.9
Employee Cost (%)	0.2	0.2	0.2	0.2
SG&A expense (%)	9.0	9.7	9.7	9.9
Debtors days	112.6	110.0	118.0	118.0
Inventory days	0.2	0.2	0.2	0.2
Payable days	94.1	90.0	94.0	94.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	12.5	13.5	13.4	12.9
Price/BV (x)	1.9	1.9	1.8	1.8
EV/EBITDA (x)	7.5	6.9	6.5	6.0
Dividend yield (%)	5.8	5.6	5.6	5.8

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,970	1,970	1,970	1,970
Reserves	1,14,502	1,16,069	1,17,650	1,19,295
Shareholders funds	1,16,473	1,18,040	1,19,620	1,21,265
Minority interest	70	70	70	70
Borrowings	2,541	2,041	1,541	1,041
Trade payables	2,697	2,946	3,389	3,517
Other liabs & prov	3,329	1,248	1,248	1,248
Total liabilities	1,26,364	1,25,600	1,27,123	1,28,396
Net block	8,529	8,415	8,261	8,017
Intangible assets	6,935	7,395	6,631	5,147
Capital WIP	3,442	400	400	400
Total fixed assets	18,907	16,210	15,292	13,564
Non current inv	23,111	23,111	23,111	23,111
Cash/cash equivalent	64,402	63,253	61,785	63,549
Sundry debtors	12,224	13,807	16,216	15,952
Loans & advances	0	1,500	3,000	4,500
Other assets	4,150	4,151	4,150	4,150
Total assets	1,26,364	1,25,600	1,27,123	1,28,396

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	17,587	16,356	16,496	17,173
Add: Depreciation	5,392	6,855	8,118	8,928
Interest (net of tax)	134	130	130	130
Others	(7,121)	(5,500)	(5,100)	(5,100)
Less: Changes in WC	638	(4,914)	(3,466)	(1,109)
Operating cash flow	16,631	12,928	16,177	20,022
Less: Capex	5,359	4,158	7,200	7,200
Free cash flow	11,271	8,770	8,977	12,822

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	15.9	13.9	13.9	14.3
RoCE (%)	20.1	18.4	18.4	19.0
Inventory days	0	0	0	0
Receivable days	113	110	118	118
Payable days	94	90	94	94
Working cap (% sales)	186.2	181.8	173.4	167.6
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Interest coverage (x)	118.8	126.9	131.4	138.3

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(8.7)	(7.0)	0.9	4.1
RoE (%)	15.9	13.9	13.9	14.3
EBITDA growth (%)	(19.2)	9.5	7.9	6.8
Payout ratio (%)	72.6	75.0	75.0	75.0

Exhibit 1: Trends at a glance

Particulars	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Revenue (INR bn)	8.4	13.5	10.5	9.2	9.6	13.1	9.3	8.3	9.4	12.9
EBITDA (INR bn)	5.0	8.0	7.3	5.9	5.2	7.2	5.4	4.4	4.3	6.2
PAT (INR bn)	3.8	5.9	4.6	4.5	4.1	5.6	4.1	3.6	3.7	5.3
Ad + Broadcast (INR mn)	3,384	3,391	NA	NA	NA	3,238	3,354	3322	NA	2899
Cost of Rev (INR mn)	1,559	1,911	1,763	1,816	1,903	2,065	2,278	2,259	2,262	2,522
Staff cost (INR mn)	760	783	820	812	788	824	833	829	818	849
Growth rate										
Ad + Broadcast	(12.2)	(1.1)	NM	NM	NM	(4.5)	NM	NM	NM	(10.4)
Cost of revenues	9.2	21.4	14.7	9.8	22.1	8.1	29.2	24.4	18.9	22.1
Staff cost	6.0	2.9	6.6	6.4	3.7	5.2	1.6	2.1	3.8	3.1
% of revenues										
Cost of revenues	18.5	18.5	16.8	19.7	19.8	15.7	24.4	27.3	24.0	19.5
Staff cost	9.0	9.0	7.8	8.8	8.2	6.3	8.9	10	8.7	6.6
Other expenditure	11.2	11.2	5.9	7.5	13.9	15.5	8.8	9	18.0	18.6
EBITDA margin	59.2	59.2	69.4	63.8	54.4	54.8	57.9	53.7	33.2	48.0

Source: Company, Nuvama Research

Exhibit 2: Consolidated financial snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change
Revenues	12,903	13,124	(1.7)	9,418	37.0
Cost of revenues	2,522	2,065	22.1	2,262	11.5
Staff cost	849	824	3.1	823	3.2
IPL franchise fee	944	1,007	(6.3)	345	NM
Other expenditure	2,395	2,039	17.4	1,702	40.7
Total expenditure	6,709	5,935	13.0	5,132	30.7
EBITDA	6,194	7,189	(13.8)	4,286	44.5
Depreciation/Amortization	1,075	1,133	(5.1)	1,181	(9.0)
EBIT	5,118	6,056	(15.5)	3,105	64.8
Less: Interest Expense	36	23	55.7	37	(4.1)
Add: Other income	1,889	1,468	28.7	2,403	(21.4)
Add: Exceptional items	-	-	NM	(558.00)	NM
Profit Before Tax	6,972	7,501	(7.1)	4,913	41.9
Less: Provision for Tax	1,652	1,929	(14.3)	1,059	56.0
Less: Minority Interest	1	4	NM	3	NM
Add: Share of profit from associates	-27	26	(205.8)	-144	81.0
Reported Profit	5,291	5,594	(5.4)	3,707	42.7
Adjusted Profit	5,291	5,594	(5.4)	4,145	27.7
No. of Diluted shares outstanding (mn)	394	394		394	
Adjusted Diluted EPS	13.4	14.2	(5.4)	10.5	27.7
As % of net revenues					
Cost of revenues	19.5	15.7	381	24.0	-447
Staff cost	6.6	6.3	30	8.7	-215
Other expenditure	18.6	15.5	302	18.1	49
EBITDA	48.0	54.8	-677	45.5	249
EBIT	39.7	46.1	-647	33.0	670
Net profit margins	41.0	42.7	-164	44.0	-302

Source: Company, Nuvama Research

Company Description

Sun TV Network is an Indian mass media company headquartered in Chennai, Tamil Nadu. It is part of the Sun Group and one of Asia's largest TV networks. The company was established on April 14, 1992 by Kalanithi Maran. Sun TV is a leading player in South India with a bouquet of channels in four states: Tamil Nadu, Karnataka, Andhra Pradesh, and Kerala. The flagship channel Sun TV commands a market share of more than 40% in the Tamil GEC genre. The company earlier operated only Tamil and Malayalam channels; and later added Kannada and Telugu to its bouquet with the acquisition of Udaya TV and Gemini TV, respectively. Sun TV was the first channel to introduce mega soaps in South India and the first to use digital broadcasting. Currently, it has a presence in the Tamil, Telugu, Kannada, Malayalam and Bangla markets. Apart from the television broadcasting business, the company has a strong presence in radio broadcasting. The company ventured into film production in 2009. The film production business is structured as a division of the company. Owing to the increasing internet penetration, the company has presence in OTT segment with its own platform - SUN NXT.

Investment Theme

Sun TV's strong foothold in the competitive southern market poses tough entry barrier. At INR4, the company's analogue revenue per month per subscriber is one tenth DTH revenue (INR40), which provides huge upside potential over the long term. The company benefits from a conducive distribution environment, since Sun Direct (a promoter group company), has considerable presence in South India's distribution (DTH) market. The company's direct costs are exceptionally low, as it has successfully managed to run a sponsored programming model.

Key Risks

- Economic slowdown
- Challenging advertising market
- Competition from digital, OTT Aggression

Additional Data

Management

Executive Chairman	Kalanithi Maran
Managing Director	R. Mahesh Kumar
CFO	V. C. Unnikrishnan
CTO	S. Kannan
Auditor	SR Batliboi LLP and Deloitte Haskins & Sells LLP

Holdings – Top 10*

	% Holding		% Holding
Quant Money Man	4.69	Dimensional Fun	0.57
Selvi Selvam	3.47	Tata Asset Mana	0.49
Kotak Mahindra	2.20	Blackrock Inc	0.46
ICICI Prudentia	1.83	Nordea Bank Abp	0.37
Vanguard Group	0.87	Norges Bank	0.24

*Latest public data

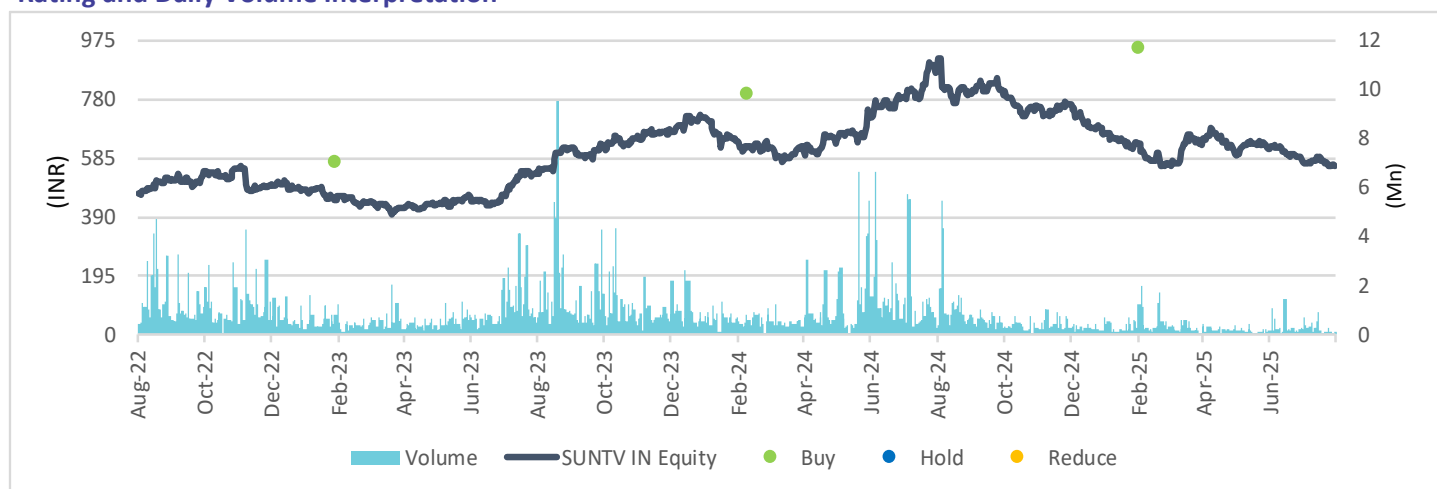
Recent Company Research

Date	Title	Price	Reco
30-May-25	A muted show; <i>Result Update</i>	632	Buy
07-Feb-25	Big miss on EBITDA; <i>Result Update</i>	632	Buy
13-Nov-24	Muted quarter along expectations; <i>Result Update</i>	725	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
06-Aug-25	PVR INOX	OTT fatigue spurring BO revival; <i>Result Update</i>
01-Aug-25	SAREGAMA INDIA	Music licensing returns to growth; <i>Result Update</i>
31-Jul-25	SAREGAMA INDIA	Subdued quarter; <i>Oven fresh</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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