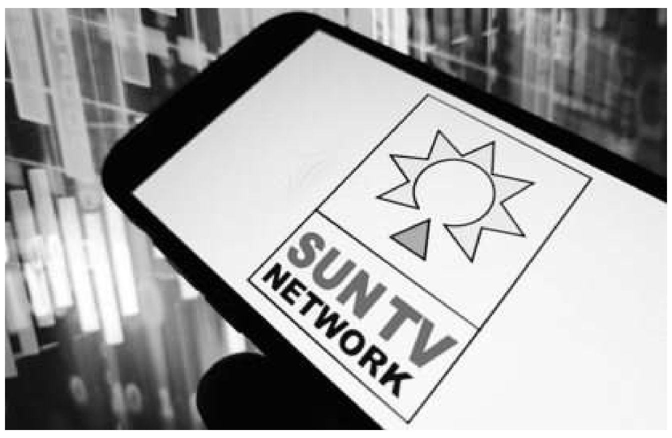
Picture fades on Sun TV's top line

A sports-heavy calendar and digital shift cloud visibility

RAM PRASAD SAHU
New Delhi, 16 June



Sun TV Network's 2024–25 (FY25) January–March quarter (Q4) results mirrored its FY25 trends, with declining advertising (ad) revenues and higher costs denting its revenues and operational performance. After a weak Q4 showing, most brokerages have cut the company's 2025–26 (FY26) and 2026–27 (FY27) earnings estimates by 4–9 per cent.

Gains for the South India-based television (TV) broadcaster will depend on a recovery in revenues, its control over costs, and the impact of competitive pressures. While there are multiple headwinds, what could support the stock is a gradual recovery in ad revenues, high margins, and dividends. The stock has shed about 14 per cent over the past six months and is priced at ₹623 a share. It is trading at 13.7x its FY26 earnings estimates, higher than the 12.5x average price-to-earnings valuation over the past five years.

Revenue for the quarter fell 2 per cent year-on-year (Y-o-Y) due to a 7.3 per cent dip in ad revenues. The decline in ad revenues was on account of a sports-heavy calendar, which included the Champions Trophy as well as the Indian Premier League (IPL). This hit general entertainment channel viewership and, consequently, ad revenue. The fast-moving consumer goods (FMCG) sector, a major contributor to ad revenues, has been allocating a higher share to the digital medium, putting pressure on TV spends.

While the overall ad market remains sluggish, the company expects a pickup in the second half of FY26. FMCG companies are expected to increase their TV spends, given a good monsoon and a pickup in rural consumption.

Subscription revenue fell 1.1 per cent Y-o-Y on a high base and accounted for half of the total revenues. The price hike taken in FY25 is expected to support growth over the next two years, following sub-1 per cent growth in 2023–24 and FY25.

Given the investment in better content for its over-the-top platform and the price hike, Elara Capital expects 2 per cent annual growth over FY25 through 2027–28. In addition to ad and subscriptions, triggers for the stock could include movie releases in FY26/27 (Rajinikanth-starrer Coolie in August this year and Jailer 2 in 2026) and the newly acquired cricket franchise in the UK — Northern Superchargers, points out IIFL Research.

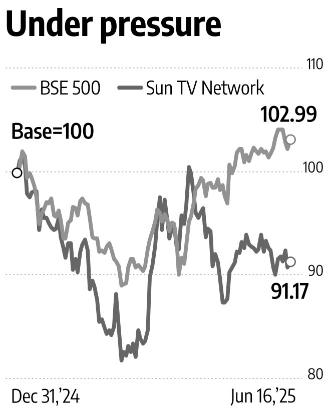
Weak top line and higher costs reflected in the operating performance, with gross margins falling 426 basis points (bps) Y-o-Y and 325 bps sequentially to 76 per cent. With other expenditures rising 27 per cent and staff costs increasing 3.8 per cent, operating profit margins fell 879 bps Y-o-Y to 45.6 per cent.

Moderation in production costs and a recovery in linear ads are key drivers for a margin upgrade, says Elara Capital. Though analyst Karan Taurani of the brokerage has cut operating profit by 3–4 per cent and earnings per share by 5–7 per cent for FY26–27, he points out that the company offers the best margins among peers and maintains a consistent dividend distribution policy. The brokerage has a 'neutral' rating on the stock, with a sum-of-the-parts valuation of ₹750.

While a recovery in ad revenue is the key near-term monitorable, Motilal Oswal Research believes that the Star India–Viacom18 merger poses a potential double whammy for Sun TV.

Analysts at the brokerage, led by Aditya Bansal, believe that higher competition from players for ad revenue in the core business, along with a potential downward revision of IPL media rights in the next renewal cycle (from 2028–29), could sizeably impact the valuation of Sun TV's IPL franchise, Sunrisers Hyderabad.

Under pressure



Source: BSE

YOUR MONEY

PHARMA AND HEALTH CARE FUNDS

Prospects intact, but enter with long horizon after runup

HIMALI PATEL

New fund offers of two health care-themed mutual funds — the DSP Nifty Health care Index Fund and the Baroda BNP Paribas Health and Wellness Fund — are currently open for subscription. The pharma and health care category has delivered a robust average return of 15.8 per cent over the past year.

Structural growth drivers

Life expectancy has tripled over the past century, according to the World Bank. "The longer the lifespan, the greater the propensity to use medicines and allied services," says Sanjay Chawla, chief investment officer – equity, Baroda BNP Paribas Asset Management Company (AMC).

India's health care spend, at less than 4 per cent of GDP, lags behind countries such as Brazil, China, and South Africa, where it ranges between 7 and 9 per cent.

"Spending on health care is expected to grow faster than per capita GDP as India moves towards becoming a middle-income country," says Shibani Sircar Kurian, senior executive vice-president, senior fund manager and head – equity research, Kotak AMC.

Strong prospects across sub-segments

Domestic sales dominate pharma companies' revenues. The Indian branded pharma market generates around $ 27 billion in revenue.

"Rising disposable incomes, awareness, and insurance penetration are expected to be the key drivers for the performance of these funds," says Vrijesh Kasera, fund manager, Mirae Asset Investment Managers (India).

Increased incidence of lifestyle diseases (like hypertension, diabetes, and obesity) is likely to drive domestic sales momentum. Internationally, the US remains the largest market for Indian pharma, accounting for over 40 per cent of the generics sold there by volume. Kasera expects exports to developed markets to grow further, driven by patent expiries and increased filings.

"Indian companies are graduating from suppliers of generic medicines to speciality and complex generics. This should increase their profitability structurally," says Kurian.

India also benefits from a strong base in chemistry-related services, improving intellectual property protection, and better governance. It has the highest number of GMP (good manufacturing practices)-approved plants outside the US.

"Many innovative companies are looking at outsourcing part of their research and development (R&D) and manufacturing to India for cost saving. India, with its respect for patent laws and low-cost manufacturing, may become a key partner in supply chains," says Chawla.

Kurian observes that the demand shift being witnessed in the CDMO sector to India, as an alternative to China, is expected to continue for many years.

Policy risks

External risks include tariffs on Indian pharma exports to the US. These could impact the margins of generics, at least in the near term. Compliance lapses at Indian manufacturing facilities could also disrupt exports.

Several threats exist in the domestic market as well. "The rise of generics in what is primarily a branded market could impact growth and profitability," says Kasera.

"The government has tried to put in a price ceiling for branded products. That accounts for about 18-20 per cent of the portfolio of companies," says Chawla.

Kurian adds that if there is a significant increase in the scope of these price control measures, profitability may be significantly impacted. Future regulation may also extend to hospital pricing. Also, sector valuations are currently elevated.

Should you invest?

These funds are suited for investors with a medium-to-long-term investment horizon.

"Investors may take exposure to these funds as a possible hedge against rising medical costs," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

Dhawan recommends limiting exposure to these funds to 10 per cent of one's equity portfolio, with an investment horizon of 5-10 years.

Pharma funds: Strong performance across horizons

Period	Category avg returns (%)
1-year	15.8
3-year	24.7
5-year	21.8
10-year	13.3

Returns are for direct plans
Source: PBCS.in

EPFO contribution mismatch? How to address discrepancies

Many employees rely on their Employees' Provident Fund (EPF) savings for post-retirement life. So keeping a close eye on monthly contributions is crucial. Discrepancies in the monthly contributions made by employers are not uncommon. Whether it's a missing payment or a lower than expected amount, such issues need to be addressed quickly.

Here's a step-by-step guide on what to do if your EPF contributions don't match up.

Spotting the discrepancy

The first step is to regularly check your EPF passbook, which is available on the EPFO portal. This shows the monthly contributions made by both you and your employer. If there is a mismatch, for instance, the employer's contribution is missing or delayed, you should raise a red flag.

How to raise a complaint?

Employees have multiple options to resolve these issues:

- Talk to your employer first: Often, the issue is a clerical error or technical glitch at the firm's end.
- File a grievance on the EPFiGMS portal (*https://epfigms.gov.in*): You can raise a complaint by selecting the issue and providing relevant details such as UAN (Universal Account Number), the period in question, and a screenshot or proof of discrepancy.
- Contact EPFO directly: You can also visit the nearest EPFO office or call its toll-free number 1800-118-005.

Read full report here: mybs.in/2enmrSX

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