Sun Direct Tv Private Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	88.00 (Reduced from 100.00)	CARE A; Stable	Reaffirmed
Short-term bank facilities	12.00	CARE A1	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Sun Direct TV Private Limited (SDPL) continues to derive strength from the vast experience of promoters in the media industry with established presence in South India and SDPL's comfortable financial risk profile marked by healthy debt coverage indicators and nil external debt in the company. Rating also notes the slowing down of activation revenue due to industry-wide slowdown, however, this is offset by a stable subscription income driven by price hikes. However, rating is constrained by the highly regulated industry, competition faced from its peers and other alternative technology platforms.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in free operating cash flows.
- Higher-than-envisaged improvement in net subscriber base and subscription income leading to total operating income (TOI) growth of ~15% consistently.

Negative factors

- Significant loss of market share or loss of subscriber base to other competing platforms.
- Any Adverse regulatory change that may impact the operations of the company.
- Any Change in stance of extending need-based support by the promoters.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes SDPL will continue benefitting from its established presence in the direct-to-home (DTH) market and maintain a healthy financial profile.

Detailed description of key rating drivers

Key strengths

Group's strong standing in the media industry

The Sun TV group is among the largest media conglomerates in the country and has a presence across forms of media, including television, radio, dailies, weekly magazines, and channel distribution. The flagship company – Sun TV Network Limited (Sun Network) – operates six regional language channels and is among the largest television networks in India. Sun Network also operates FM radio stations. The Sun TV group has a presence in print media through its daily, weekly, and fortnightly publications in Tamil, and also in movie production and distribution through Sun Pictures. The group also has the license to operate Indian Premier League (IPL) franchise, Sun Risers Hyderabad, and SunRisers Eastern Cape Cricket in South Africa's T20 League. Sun TV group promoters hold 80% stake in SDPL, while South Asia Entertainment Holdings Limited (SAEHL) holds the balance 20% stake. SDPL's day-to-day operations are managed by well-qualified professionals with long experience in the media industry

Established presence in southern India

SDPL is one of the four players in the country. As part of the 'Sun' Brand, which has a high recall in the south, SDPL remains a dominant player in the southern market. It has been focusing its operations mainly in the southern region, with the share of south India in the subscriber base high at ~85% in FY24. However, as part of its expansion, SDPL has launched its services in states such as West Bengal, Odisha, and Maharashtra and has seen an increase in subscriber acquisitions from the rest of India as well.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Continued financial support from promoters and healthy debt coverage

The DTH business in India is characterised by a longer payback period due to intense competition, heavy capital investments, and the funding pattern of customer premise equipment (CPE, known as set-top boxes [STBs] and its accessories). SDPL started DTH services in December 2007. The business generated losses at the profit before interest, lease rentals, depreciation and taxation (PBILDT) level up to FY11 and cash losses up to FY12. Promoters have been continuously providing financial support to the company by infusing equity in the past for funding operations and for purchasing STBs. The company started reporting cash profits from FY13 and net profits from FY17. Earlier, the company had also availed external bank borrowings (ECBs) for purchasing STBs. However, in FY21, the company fully closed bank borrowings out of funds availed as non-convertible debentures (NCDs) from promoters, effectively making it free of bank borrowings. Promoters infused NCDs of ₹350 crore and the group company extended inter-corporate deposits (ICDs) of ₹90 crore in FY21. With strong cash flows, SDPL has been actively prepaying its NCDs from promoters. As on March 31, 2024, the outstanding NCD balance stood at ₹50.00 crore, which has been fully repaid in the current financial year (FY25). Interest coverage ratio (ICR) remains healthy at 25.50x for FY24 against 16.07x in FY23 and total debt to gross cash accrual (TD/GCA) is comfortable at 0.21x as of March 2024. Going forward, capex requirements for CPE addition, among others, are expected to be of ₹400-500 crore and with gross cash accruals (GCA) of ~₹600-650 crore, the company is not expected to rely on further funding from promoters or bank loans.

Key weaknesses

Slowing down of subscriber additions

SDPL's total operating income (TOI) marginally declined in FY24 to ₹1346 crore from ₹1366 crore in FY23. The company reported continued drop in activation income in the last few years considering changing customer preferences, with increased competition from OTT, and other streaming services which has resulted in lower demand. While FY20 saw a sharp addition in subscribers, the subscriber addition on year-over-year (y-o-y) basis has been dropping since then. Consequently, the activation income has also declined. Even though the active subscriber base has moderated, the subscription income remained largely stable driven by increase in ARPU in FY24 owing to implementation of NTO 3 and resulting upward price revision by broadcasters. The subscription income is expected to be stable over the medium term, however, activation income is expected to continue facing headwinds due to slowing down of subscriber additions.

SDPL has implemented price hikes, aligned with the industry, post implementing the NTO 3.0 in February 2023. Driven by the upward price revisions the margins have improved to 47% in FY24 (45% in FY23) and further to 49% in 9M FY25.

Regulated industry

The DTH industry is highly regulated, and operators operate under a license from the Government of India (GoI). In April 2021, the Ministry of Information and Broadcasting (MIB) had issued provisional licenses for 20 years to DTH operators, including Sun Direct, subject to their fulfilling terms and conditions mentioned in guidelines issued by the ministry on December 30, 2020, for license renewal. In December 2020, the MIB sent a demand notice to DTH operators for clearing all dues and fulfilling obligations under terms and conditions of the current license and those arising of legal cases pending before courts of law; however, the matter is still under dispute. The demand raised on SDPL stands at ₹1051.84 crore (excluding interest) as of March 2024. While the outcome of this dispute is still sub judice, given the financial flexibility of promoters, they are expected to support the company in case of liability devolving on the company. Higher-than-expected outgo will be a key monitorable.

The company's profitability and pricing power is also susceptible to regulatory changes. In the recent past, the industry witnessed some reforms such as transition to the goods and services tax (GST) regime and new tariff order.

Industry and prospects

With the lockdown restricting people's access to traditional entertainment forms such as movie theatres and daily TV shows, the acceptance and growth of the over-the-top (OTT) platform saw a steep increase. Considering this, DTH operators continue facing the risk of change in consumer behaviour and obsolescence in technology. The industry has seen a drop in active subscriber base in the last few quarters from 64.18 million active subscribers in September 2023 to 59.91 million as of September 2024.

However, while the drop in subscribers is an industry-wide phenomenon and despite the overall market shrinking, SDPL has been able to marginally improve its market share in the last three years from 17.41% as of June 2021 to 18.83% as of June 2024 and 19.10% in September 2024. Going forward, the continued growth in subscriber base and higher average revenue per user (APRU) would be key to its prospects.

Liquidity: Strong

In the past, the entire cost towards procurement of fixed assets (Customer Premise Equipment, CPE) was funded by term loans and promoter funds. ~80-85% procurement of CPE is from Kal Airways Private Limited, an entity controlled by the same promoters, and the company also enjoys a credit period of up to one year from CPE suppliers towards these capital additions. With healthy GCA, the planned capex for CPE is expected to be covered by internal accruals.

In terms of day-to-day operations, SDPL operates on a cash and carry basis for its receivables while it enjoys long credit period for the content of up to six months resulting in a negative operating cycle over the years. The company also receives subscription charges in advance and advance from distributors which also helps fund the working capital requirement. The company does not have fund-based working capital facilities with banks. It has healthy cash accruals of ₹600- 650 crore against nil term loan repayments. SDPL has free cash and bank balance of ₹52.67 crore as on March 31, 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Media, Entertainment and Publication	Entertainment	TV Broadcasting and Software Production

SDPL is a DTH operator promoted by Kalanithi Maran. Kalanithi Maran and his wife, Kavery Kalanithi, together hold 80% stake in the company as on March 31, 2024. South Asia Entertainment Holdings Limited (SAEHL), a 100% subsidiary of Astro All Asia Networks Limited (Astro), holds the balance 20% stake. Astro is a leading DTH operator in Malaysia. SDPL started DTH TV services in December 2007, concentrating mainly in South India, and expanded its services to the rest of India in September 2008.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9M FY25 (UA)
Total operating income	1366.25	1346.23	938.03
PBILDT	615.50	636.20	464.10
PAT	-5.42	9.37	18.69
Overall gearing (times)	2.58	0.97	0.50
Interest coverage (times)	16.07	25.50	74.85

A: Audited UA: Unaudited; Note: these are latest financial results available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - ST-Bank Overdraft		-	-	-	12.00	CARE A1
Non-fund-based - LT-BG/LC		-	-	-	88.00	CARE A; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Non-fund-based - LT-BG/LC	LT	88.00	CARE A; Stable	-	1)CARE A; Stable (03-Apr-24)	1)CARE A; Stable (06-Apr-23)	1)CARE A; Stable (04-Apr-22)
2	Fund-based - ST-Bank Overdraft	ST	12.00	CARE A1				

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Bank Overdraft	Simple
2	Non-fund-based - LT-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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