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India | Equity Research | Q1FY25 results review

Sun TV Network

Media

Robust performance in a challenging quarter of adverse seasonality

In Q1FY25, advertising revenue slipped 1.9% QoQ/4.5% YoY due to the impact of: 1) a very heavy cricket quarter – ad wallet share skewed towards sports channels; and 2) general elections – ad wallet share skewed towards national news channels. According to management, there are signs of improvement in ad revenue's trajectory; however, the quantum of improvement will be apparent only as the festive season approaches (Sep'24 onwards). Subscription revenues marginally declined in Q1FY25; however, we think it is likely to grow 3–4% for the full year. While IPL revenues were down 3% YoY in Q1FY25, it increased ~15% overall in the 2024 season. We think this is likely to grow further in the 2025 season due to higher sponsorships. We maintain **BUY** and revise our TP to INR 1,140 (earlier INR 1,000).

Q1FY25 performance (consolidated)

Sun TV's revenue was up 36.5% QoQ/down 2.7% YoY to INR 13.1bn. EBITDA was at INR 7.2bn, up 37.5% QoQ/down 10% YoY, with EBITDA margin at 54.8%. Net profit was up 34.9% QoQ/down 5.5% YoY to INR 5.6bn. Income from the holding company's cricket franchises (Sunrisers Hyderabad and Sunrisers Eastern Cape) was down 3% YoY to INR 5bn. The company declared interim dividend of INR 5/share in Q1FY25.

Q1FY25 performance (standalone)

Sun TV's revenue was up 37.6% QoQ/down 3.2% YoY to INR 12.8bn, 4.2% lower than our estimates. EBITDA was at INR 7.1bn (up 38.9% QoQ/down 10.2% YoY), against I-Sec's INR 7.7bn estimate. EBITDA margin was at 55.4% (up 49bps QoQ/down 433bps YoY). Net profit was at INR 5.5bn.

Domestic subscription revenue was down 1.2% QoQ/2% YoY to INR 4.2bn. Advertisement revenue was down 1.9% QoQ/4.5% YoY to INR 3.2bn.

Abhisek Banerjee

abhisek.banerjee@icicisecurities.com
+91 22 6807 7574

Jayram Shetty

jayram.shetty@icicisecurities.com

Market Data

Market Cap (INR)	361bn
Market Cap (USD)	4,303mn
Bloomberg Code	SUNTV IN
Reuters Code	SUTV.BO
52-week Range (INR)	922 /531
Free Float (%)	21.0
ADTV-3M (mn) (USD)	14.2

Price Performance (%)	3m	6m	12m
Absolute	39.6	47.2	71.6
Relative to Sensex	29.5	35.9	50.8

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	42,821	46,201	49,313	52,755
EBITDA	26,381	28,414	30,574	32,708
EBITDA Margin (%)	61.6	61.5	62.0	62.0
Net Profit	19,067	20,502	22,128	23,666
EPS (INR)	48.6	51.9	55.9	59.8
EPS % Chg YoY	12.4	6.9	7.6	7.0
P/E (x)	18.9	17.7	16.4	15.3
EV/EBITDA (x)	13.4	12.1	10.8	9.7
RoCE (%)	20.0	19.6	20.4	21.4
RoE (%)	18.3	17.3	16.6	15.9

Previous Reports

27-05-2024: [Q4FY24 results review](#)

11-11-2023: [Q2FY24 results review](#)

Valuation

Given the broad-based signs of improvement in ad-spends of FMCG companies, we believe ad revenue for Sun TV is poised to grow in FY25 over a weak base. Also, revenue from the cricketing franchise is likely to grow steadily henceforth. We believe there is further room for re-rating given the tailwinds in the media space; hence, we maintain **BUY** on the stock. We value the stock at a revised target price of INR 1,140 (earlier INR 1,000) based on ~20x 1- year forward (earlier ~17.8), as we roll forward its valuation by three months.

Key risks: Slower-than-expected recovery in ad-spends in GEC; and decline in revenue from IPL.

Exhibit 1: Q1FY25 performance review

Standalone (in INR mn)	Q1FY25	Q4FY24	Q1FY24	QoQ (%)	YoY (%)	Q1FY25E	Diff.
Revenue	12761	9271	13178	37.6	-3.2	13326	-4.2
Cost of revenue	1964	1843	1834	6.5	7.1	1880	4.5
Employee Benefit Expenses	726	711	692	2.2	5.0	718	1.2
Other cost	3007	1631	2787	84.3	7.9	2999	0.3
EBITDA	7064	5086	7865	38.9	-10.2	7729	-8.6
EBITDA (%)	55.4%	54.9%	59.7%	49 bps	-433 bps	58.0%	-265 bps
PAT after minority interest	5469	3988	5828	37.2	-6.2	5990	-8.7
PAT (%)	42.9%	43.0%	44.2%	-16 bps	-137 bps	50.5%	-764 bps

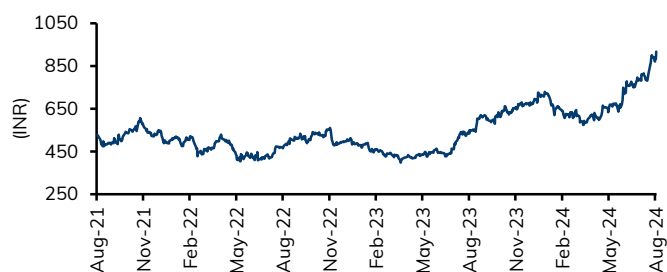
Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	75.0	75.0	75.0
Institutional investors	15.6	15.4	16.1
MFs and others	5.5	5.5	7.2
FIs/Banks	0.0	0.0	0.0
Insurance	1.0	0.9	0.9
FIIIs	9.1	9.0	8.0
Others	9.4	9.6	8.9

Source: Bloomberg

Exhibit 3: Price chart



Source: Bloomberg

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	42,821	46,201	49,313	52,755
Operating Expenses	16,440	17,788	18,739	20,047
EBITDA	26,381	28,414	30,574	32,708
EBITDA Margin (%)	61.6	61.5	62.0	62.0
Depreciation & Amortization	5,317	5,953	6,354	6,797
EBIT	21,064	22,461	24,220	25,911
Interest expenditure	86	92	99	105
Other Non-operating Income	5,050	5,449	5,816	6,222
Recurring PBT	26,028	27,818	29,938	32,027
Profit / (Loss) from Associates	(87)	35	103	103
Less: Taxes	6,873	7,346	7,905	8,457
PAT	19,155	20,472	22,032	23,570
Less: Minority Interest	1	5	7	7
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	19,068	20,507	22,135	23,673
Net Income (Adjusted)	19,067	20,502	22,128	23,666

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	67,984	81,988	95,923	1,10,857
of which cash & cash eqv.	4,008	13,431	25,941	39,300
Total Current Liabilities & Provisions	8,387	10,086	10,765	11,516
Net Current Assets	59,597	71,903	85,158	99,341
Investments	4,399	4,399	4,399	4,399
Net Fixed Assets	8,241	9,269	10,367	11,541
ROU Assets	268	268	268	268
Capital Work-in-Progress	74	74	74	74
Total Intangible Assets	9,658	9,658	9,658	9,658
Other assets	23,586	23,586	23,586	23,586
Deferred Tax Assets	-	-	-	-
Total Assets	1,05,822	1,19,156	1,33,509	1,48,866
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	399	399	399	399
Equity Share Capital	1,970	1,970	1,970	1,970
Reserves & Surplus	1,03,390	1,16,724	1,31,077	1,46,434
Total Net Worth	1,05,360	1,18,694	1,33,047	1,48,404
Minority Interest	63	63	63	63
Total Liabilities	1,05,822	1,19,156	1,33,509	1,48,866

Source Company data, I-Sec research

Exhibit 6: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-23	Jun-24
Net Sales	10,180	9,232	9,613	12,761
% growth (YoY)	27.8	4.0	14.4	(3.2)
EBITDA	7,162	5,893	5,229	7,064
Margin %	70	64	54	55
Other Income	1,117	1,355	1,374	1,402
Net profit	4,648	4,451	4,419	5,469

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	21,713	18,092	21,825	23,321
Working Capital Changes	1,392	(2,883)	(745)	(824)
Capital Commitments	(5,111)	(6,981)	(7,451)	(7,971)
Free Cashflow	16,602	11,112	-	-
Other investing cashflow	(8,023)	5,449	5,816	6,222
Cashflow from Investing Activities	(13,134)	(1,532)	(1,635)	(1,749)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(6,601)	(7,138)	(7,679)	(8,213)
Others	(370)	-	-	-
Cash flow from Financing Activities	(6,971)	(7,138)	(7,679)	(8,213)
Chg. in Cash & Bank balance	1,609	9,423	12,511	13,359
Closing cash & balance	2,930	12,355	24,854	38,213

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	48.6	51.9	55.9	59.8
Adjusted EPS (Diluted)	48.6	51.9	55.9	59.8
Cash EPS	61.9	67.1	72.3	77.3
Dividend per share (DPS)	16.7	18.1	19.5	20.8
Book Value per share (BV)	267.3	301.1	337.6	376.5
Dividend Payout (%)	0.3	0.3	0.3	0.3
Growth (%)				
Net Sales	13.5	7.9	6.7	7.0
EBITDA	10.2	7.7	7.6	7.0
EPS (INR)	12.4	6.9	7.6	7.0
Valuation Ratios (x)				
P/E	18.9	17.7	16.4	15.3
P/CEPS	14.8	13.7	12.7	11.9
P/BV	3.4	3.0	2.7	2.4
EV / EBITDA	13.4	12.1	10.8	9.7
P / Sales	8.4	7.8	7.3	6.9
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	1.0	1.0	1.0	1.0
EBITDA Margins (%)	61.6	61.5	62.0	62.0
Effective Tax Rate (%)	0.3	0.3	0.3	0.3
Net Profit Margins (%)	0.4	0.4	0.4	0.4
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	-	-	-	-
Net Debt / EBITDA (x)	19.8	20.0	21.0	21.8
Profitability Ratios				
RoCE (%)	20.0	19.6	20.4	21.4
RoE (%)	18.3	17.3	16.6	15.9
RoIC (%)	26.3	24.8	23.8	22.8
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	114	148	147	147
Receivables Days	143	143	143	143
Payables Days	24	24	24	24

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122
