

14 November 2024

India | Equity Research | Q2FY25 results review

## Sun TV Network

Media

### Some green shoots, but still a long way to go

In Q2FY25, Sun TV's ad revenue grew 2.1% YoY, which we believe is higher than the sector (Linear TV sector (GEC) ad revenues were down 2-3% YoY). Our channel checks reveal linear broadcasters had decent festive season ad revenue recovery. However, there has been some pullback post Diwali as concerns regarding demand slowdown in consumption have increased. This continues to be a key monitorable for the stock in H2FY25. Subscription revenue continued to grow at 4.4% YoY and ~INR 1bn in revenue came in from movie production due to strong performance of 'Raayan'. IPL revenue was negligible in Q2FY25. We estimate cash & equivalent of ~ INR 75bn as on H1FY25. We believe Sun TV is likely to be a key beneficiary if ad spends recover, and given the inexpensive valuations, core EV/EBITDA of ~5x (40-50% lower than its own historical average), we reiterate **BUY**.

### Q2FY25 performance (consolidated)

Sun TV's revenue was down 28.8% QoQ/10.9% YoY (in line with I-Sec est.) to INR 9.3bn due to lack of IPL revenue and absence of large movie releases. EBITDA was INR 5.4bn, down 24.8% QoQ/25.7% YoY, with EBITDA margin at 57.9%. Net profit was down 26.9% QoQ/11.9% YoY to INR 4.1bn. The company declared interim dividend of INR 5.00/sh in Q2FY25.

### Q2FY25 performance (standalone)

Domestic subscription revenue was up 2.6% QoQ/4.4% YoY to INR 4.4bn. Advertisement revenue was up 3.6% QoQ/2.1% YoY to INR 3.4bn. Sun TV's revenue was down 29.5% QoQ/11.6% YoY to INR 9.0bn, in line with our estimates. EBITDA was INR 5.3bn (down 25.1% QoQ/26.1% YoY), against I-Sec's INR 5.6bn estimate. EBITDA margin was 58.8% (up 341bps QoQ/down 1159bps YoY). Net profit was INR 4.0bn.

### 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 cricketing franchise is likely to grow steadily henceforth. We believe given the inexpensive valuations; the stock is likely to rerate once there are signs of recovery in ad revenue; hence, we maintain **BUY** on the stock. We value the stock at a revised target price of INR 1,111 (earlier INR 1,140) based on ~20x 1-year forward, 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.

### Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26A	FY27A
Net Revenue	42,821	45,070	47,956	51,275
EBITDA	26,381	27,267	29,253	31,278
EBITDA Margin (%)	61.6	60.5	61.0	61.0
Net Profit	19,067	19,669	21,169	22,627
EPS (INR)	48.6	49.8	53.5	57.2
EPS % Chg YoY	12.4	2.5	7.3	6.9
P/E (x)	14.9	14.5	13.6	12.7
EV/EBITDA (x)	10.5	9.8	8.8	7.8
RoCE (%)	20.0	18.7	19.5	20.4
RoE (%)	18.3	16.7	16.1	15.4

### Abhisek Banerjee

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

### Jayram Shetty

jayram.shetty@icicisecurities.com

### Market Data

Market Cap (INR)	286bn
Market Cap (USD)	3,384mn
Bloomberg Code	SUNTV IN
Reuters Code	SUTV.BO
52-week Range (INR)	922 /568
Free Float (%)	22.0
ADTV-3M (mn) (USD)	6.8

Price Performance (%)	3m	6m	12m
Absolute	(11.6)	8.2	7.8
Relative to Sensex	(10.0)	1.4	(11.8)

ESG Score	2022	2023	Change
ESG score	48.3	60.9	12.6
Environment	36.0	43.6	7.6
Social	32.7	62.8	30.1
Governance	62.3	65.8	3.5

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	-2.4	-2.8
EBITDA	-4.0	-4.3
EPS	-4.1	-4.3

### Previous Reports

11-08-2024: [Q1FY25 results review](#)

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

### Exhibit 1: Q2FY25 performance review

Standalone (in INR mn)	Q2FY25	Q1FY25	Q2FY24	QoQ (%)	YoY (%)	Q2FY25E	Diff.
<b>Revenue</b>	<b>9002</b>	<b>12761</b>	<b>10180</b>	<b>-29.5</b>	<b>-11.6</b>	<b>8915</b>	<b>1.0</b>
Cost of revenue	2196	1964	1705	11.8	28.8	2000	9.8
Employee Benefit Expenses	731	726	727	0.6	0.6	730	0.2
Other cost	785	3007	586	-73.9	33.8	550	42.7
<b>EBITDA</b>	<b>5290</b>	<b>7064</b>	<b>7162</b>	<b>-25.1</b>	<b>-26.1</b>	<b>5635</b>	<b>-6.1</b>
EBITDA (%)	58.8%	55.4%	70.4%	341 bps	-1159 bps	63.2%	-445 bps
<b>PAT after minority interest</b>	<b>3982</b>	<b>5469</b>	<b>4562</b>	<b>-27.2</b>	<b>-12.7</b>	<b>4420</b>	<b>-9.9</b>
PAT (%)	44.2%	42.9%	44.8%	137 bps	-59 bps	-3.1%	4735 bps

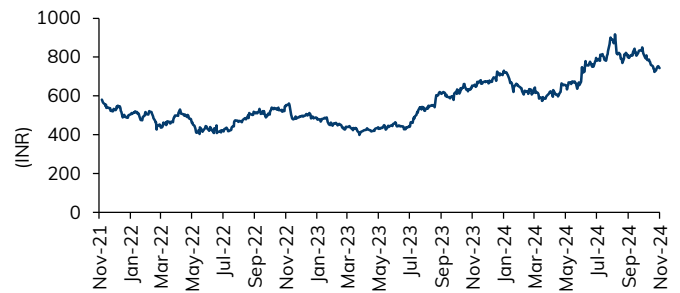
Source: I-Sec research, Company data

### Exhibit 2: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	75.0	75.0	75.0
Institutional investors	15.4	16.1	17.2
MFs and others	5.5	7.2	9.0
FIs/Banks	0.0	0.0	0.1
Insurance	0.9	0.9	0.8
FIIIs	9.0	8.0	7.2
Others	9.6	8.9	7.8

Source: Bloomberg

### Exhibit 3: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26A	FY27A
<b>Net Sales</b>	<b>42,821</b>	<b>45,070</b>	<b>47,956</b>	<b>51,275</b>
Operating Expenses	16,440	17,803	18,703	19,997
<b>EBITDA</b>	<b>26,381</b>	<b>27,267</b>	<b>29,253</b>	<b>31,278</b>
EBITDA Margin (%)	61.6	60.5	61.0	61.0
Depreciation & Amortization	5,317	5,807	6,179	6,606
EBIT	21,064	21,460	23,075	24,671
Interest expenditure	86	90	96	103
Other Non-operating Income	5,050	5,315	5,656	6,047
<b>Recurring PBT</b>	<b>26,028</b>	<b>26,686</b>	<b>28,635</b>	<b>30,616</b>
<b>Profit / (Loss) from Associates</b>	<b>(87)</b>	<b>35</b>	<b>103</b>	<b>103</b>
Less: Taxes	6,873	7,047	7,561	8,085
PAT	19,155	19,639	21,073	22,532
Less: Minority Interest	1	5	7	7
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>19,068</b>	<b>19,674</b>	<b>21,176</b>	<b>22,634</b>
<b>Net Income (Adjusted)</b>	<b>19,067</b>	<b>19,669</b>	<b>21,169</b>	<b>22,627</b>

Source Company data, I-Sec research

### Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26A	FY27A
Total Current Assets	67,984	81,223	94,512	1,08,774
of which cash & cash eqv.	4,008	13,183	25,151	37,895
Total Current Liabilities & Provisions	8,387	9,839	10,469	11,193
<b>Net Current Assets</b>	<b>59,597</b>	<b>71,384</b>	<b>84,043</b>	<b>97,581</b>
Investments	4,399	4,399	4,399	4,399
Net Fixed Assets	8,241	9,244	10,311	11,452
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	-	-	-	-
<b>Total Assets</b>	<b>1,05,822</b>	<b>1,18,612</b>	<b>1,32,339</b>	<b>1,47,018</b>
<b>Liabilities</b>				
<b>Borrowings</b>	-	-	-	-
<b>Deferred Tax Liability</b>	-	-	-	-
provisions	-	-	-	-
other Liabilities	399	399	399	399
Equity Share Capital	1,970	1,970	1,970	1,970
Reserves & Surplus	1,03,390	1,16,180	1,29,907	1,44,585
<b>Total Net Worth</b>	<b>1,05,360</b>	<b>1,18,150</b>	<b>1,31,877</b>	<b>1,46,556</b>
Minority Interest	63	63	63	63
<b>Total Liabilities</b>	<b>1,05,822</b>	<b>1,18,612</b>	<b>1,32,339</b>	<b>1,47,018</b>

Source Company data, I-Sec research

### Exhibit 6: Quarterly trend

(INR mn, year ending March)

	Dec-23	Mar-23	Jun-24	Sep-24
Net Sales	9,232	9,613	13,124	9,345
% growth (YOY)	4.0	14.4	(2.7)	(10.9)
EBITDA	5,893	5,229	7,189	5,408
Margin %	64	54	55	58
Other Income	1,355	1,374	1,468	1,716
Net profit	4,539	4,147	5,596	4,091

Source Company data, I-Sec research

### Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26A	FY27A
<b>Operating Cashflow</b>	<b>21,713</b>	<b>17,518</b>	<b>20,905</b>	<b>22,296</b>
Working Capital Changes	1,392	(2,613)	(691)	(795)
Capital Commitments	(5,111)	(6,810)	(7,246)	(7,748)
<b>Free Cashflow</b>	<b>16,602</b>	<b>10,708</b>	-	-
<b>Other investing cashflow</b>	<b>(8,023)</b>	<b>5,315</b>	<b>5,656</b>	<b>6,047</b>
Cashflow from Investing Activities	(13,134)	(1,494)	(1,590)	(1,700)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(6,601)	(6,849)	(7,347)	(7,853)
Others	(370)	-	-	-
Cash flow from Financing Activities	(6,971)	(6,849)	(7,347)	(7,853)
<b>Chg. in Cash &amp; Bank balance</b>	<b>1,609</b>	<b>9,175</b>	<b>11,968</b>	<b>12,743</b>
Closing cash & balance	2,930	12,107	24,064	36,807

Source Company data, I-Sec research

### Exhibit 8: Key ratios

(Year ending March)

	FY24A	FY25A	FY26A	FY27A
<b>Per Share Data (INR)</b>				
Reported EPS	48.6	49.8	53.5	57.2
Adjusted EPS (Diluted)	48.6	49.8	53.5	57.2
Cash EPS	61.9	64.6	69.4	74.2
Dividend per share (DPS)	16.7	17.4	18.6	19.9
Book Value per share (BV)	267.3	299.8	334.6	371.8
Dividend Payout (%)	0.3	0.3	0.3	0.3
<b>Growth (%)</b>				
Net Sales	13.5	5.3	6.4	6.9
EBITDA	10.2	3.4	7.3	6.9
EPS (INR)	12.4	2.5	7.3	6.9
<b>Valuation Ratios (x)</b>				
P/E	14.9	14.5	13.6	12.7
P/CEPS	11.7	11.2	10.4	9.8
P/BV	2.7	2.4	2.2	1.9
EV / EBITDA	10.5	9.8	8.8	7.8
P / Sales	6.7	6.3	6.0	5.6
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Operating Ratios</b>				
Gross Profit Margins (%)	1.0	1.0	1.0	1.0
EBITDA Margins (%)	61.6	60.5	61.0	61.0
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)	(0.1)	(0.1)	(0.2)	(0.3)
Net Debt / EBITDA (x)	(0.3)	(0.6)	(1.0)	(1.4)
<b>Profitability Ratios</b>				
RoCE (%)	20.0	18.7	19.5	20.4
RoE (%)	18.3	16.7	16.1	15.4
RoIC (%)	26.3	23.9	22.9	22.0
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	114	146	147	147
Receivables Days	143	143	143	143
Payables Days	24	24	24	24

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

#### ANALYST CERTIFICATION

I/We, Abhisek Banerjee, MBA; Jayram Shetty, CA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

#### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

---

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

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

For any queries or grievances: [Mr. Bhavesh Soni](mailto:Mr. Bhavesh Soni) Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

---