

09 February 2025

India | Equity Research | Results update

Sun TV Network

Media

Another muted quarter as ad revenue growth remains elusive

Ad revenue declined 6.4% YoY in Q3FY25 as there was a sharp cut in ad spends by FMCG companies in Nov'24 and Dec'24. Subscription grew 2% YoY, lower than our estimated 4% YoY, as pricing hikes by the company are taking time to implement. There were no movie releases/IPL revenues in the quarter; hence, revenue/ PAT declined 10.4% YoY/ 20% YoY. Q4FY25E is also likely to be muted given ad spends by brands may get diverted towards IPL. IPL starts from 21 Mar'25; therefore, attribution of IPL revenue in Q4FY25E will be less. However, FY26 is likely to see broad-based recovery in ad spends, as income tax cuts announced in India's recent Union Budget should boost consumption. Sun has a cash balance of INR 75bn. Given its inexpensive valuations, we maintain **BUY**.

Q3FY25 performance (consolidated)

Sun TV's revenue was down 11.4% QoQ/10.4% YoY to INR 8.3bn. EBITDA was INR 4.4bn, down 17.8% QoQ/24.6% YoY with EBITDA margin at 53.7%. Net profit was down 11.3% QoQ/20.0% YoY to INR 3.6bn. The company declared an interim dividend of INR 2.50/share in Q3FY25.

Q3FY25 performance (standalone)

Domestic subscription revenue was flattish QoQ/up 2.0% YoY to INR 4.3bn. Advertisement revenue was down 1% QoQ/6.4% YoY to INR 3.3bn. Sun's revenue was down 11.8% QoQ/10.4% YoY to INR 7.9bn, 6.6% below our estimates. EBITDA was INR 4.3bn (down 18.3% QoQ/24.7% YoY), against I-Sec's INR 4.8bn estimate. EBITDA margin was 54.5% (down 432bps QoQ/ 1,035bps YoY). Net profit was INR 3.5bn.

Valuation

Given the broad-based signs of an uptick in ad spends of FMCG companies, we believe ad revenue for Sun is poised to grow in FY26E over a weak base. Also, revenue from cricketing franchise is should grow steadily henceforth.

We believe, given Sun's inexpensive valuations, the stock is likely to re-rate once there are signs of recovery in ad revenue; hence, we maintain **BUY**. We value the stock at a revised TP of INR 865 (vs. INR 1,111) based on ~18x 1-year forward (FY27E), as we cut our estimates and roll over 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	FY25E	FY26E	FY27E
Net Revenue	42,821	40,492	41,578	42,855
EBITDA	26,381	24,498	25,362	26,142
EBITDA Margin (%)	61.6	60.5	61.0	61.0
Net Profit	19,067	17,674	18,366	18,927
EPS (INR)	48.6	44.8	46.4	47.8
EPS % Chg YoY	12.4	(7.9)	3.5	3.1
P/E (x)	13.0	14.1	13.6	13.2
EV/EBITDA (x)	9.1	9.4	8.7	8.0
RoCE (%)	20.0	16.9	17.2	17.5
RoE (%)	18.3	15.2	14.3	13.4

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Market Data

Market Cap (INR)	249bn
Market Cap (USD)	2,846mn
Bloomberg Code	SUNTV IN
Reuters Code	SUTV.BO
52-week Range (INR)	922 /568
Free Float (%)	22.0
ADTV-3M (mn) (USD)	2.8

Price Performance (%)	3m	6m	12m
Absolute	(17.0)	(28.9)	(1.4)
Relative to Sensex	(14.9)	(26.9)	(9.3)

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 score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E	FY27E
Revenue	(10.2)	(13.3)	(16.4)
EBITDA	(10.2)	(13.3)	(16.4)
EPS	(9.6)	(12.9)	(16.0)

Previous Reports

14-11-2024: [Q2FY25 results review](#)

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

Exhibit 1: Earning revision

(in INR mn)	FY25E			FY26E			FY27E		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Revenue	45070	40492	-10.2%	47956	41578	-13.3%	51275.39	42855	-16.4%
EBITDA	27267	24498	-10.2%	29253	25362	-13.3%	31277.99	26142	-16.4%
PAT	19734	17740	-10.1%	21169	18366	-13.2%	22627.1	18927	-16.4%

Source: I-Sec research, Company data

Exhibit 2: Q3FY25 performance review

Standalone (in INR mn)	Q3FY25	Q2FY25	Q3FY24	QoQ (%)	YoY (%)	Q3FY25E	Diff.
Revenue	7936	9002	8855	-11.8	-10.4	8495	-6.6
Cost of revenue	2185	2196	1735	-0.5	26.0	2200	-0.7
Employee Benefit Expenses	727	731	710	-0.6	2.3	730	-0.4
Other cost	702	785	672	-10.5	4.6	800	-12.2
EBITDA	4321	5290	5738	-18.3	-24.7	4765	-9.3
EBITDA (%)	54.5%	58.8%	64.8%	-432 bps	-1035 bps	56.1%	-164 bps
PAT after minority interest	3472	3982	4373	-12.8	-20.6	2936	18.2
PAT (%)	43.7%	44.2%	49.4%	-49 bps	-565 bps	-32.9%	7660 bps

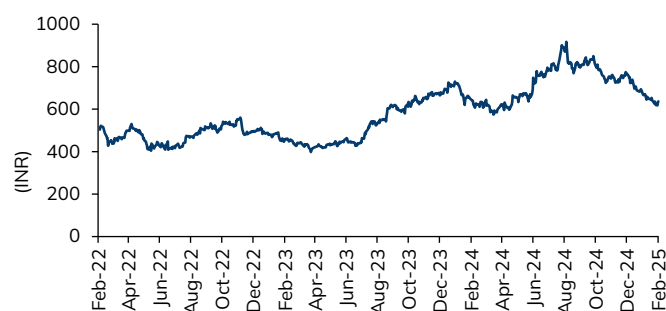
Source: I-Sec research, Company data

Exhibit 3: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	75.0	75.0	75.0
Institutional investors	16.1	17.2	17.3
MFs and others	7.2	9.0	9.3
FIs/Banks	0.0	0.1	0.2
Insurance	0.9	0.8	0.7
FIIIs	8.0	7.2	7.1
Others	8.9	7.8	7.7

Source: Bloomberg

Exhibit 4: Price chart



Source: Bloomberg

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	42,821	40,492	41,578	42,855
Operating Expenses	16,440	15,994	16,215	16,714
EBITDA	26,381	24,498	25,362	26,142
EBITDA Margin (%)	61.6	60.5	61.0	61.0
Depreciation & Amortization	5,317	5,217	5,357	5,522
EBIT	21,064	19,281	20,005	20,620
Interest expenditure	86	81	83	86
Other Non-operating Income	5,050	4,776	4,904	5,054
Recurring PBT	26,028	23,975	24,826	25,589
Profit / (Loss) from Associates	(87)	35	103	103
Less: Taxes	6,873	6,331	6,556	6,757
PAT	19,155	17,644	18,270	18,832
Less: Minority Interest	1	5	7	7
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	19,068	17,680	18,373	18,934
Net Income (Adjusted)	19,067	17,674	18,366	18,927

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	67,984	79,023	90,231	1,01,820
of which cash & cash eqv.	4,008	13,078	23,789	34,793
Total Current Liabilities & Provisions	8,387	8,840	9,077	9,356
Net Current Assets	59,597	70,183	81,154	92,464
Investments	4,399	4,399	4,399	4,399
Net Fixed Assets	8,241	9,142	10,068	11,021
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	1,17,310	1,29,206	1,41,469
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	1,14,877	1,26,774	1,39,037
Total Net Worth	1,05,360	1,16,848	1,28,744	1,41,007
Minority Interest	63	63	63	63
Total Liabilities	1,05,822	1,17,310	1,29,206	1,41,469

Source Company data, I-Sec research

Exhibit 7: Quarterly trend

(INR mn, year ending March)

	Mar-23	Jun-24	Sep-24	Dec-24
Net Sales	9,613	13,124	9,345	7,936
% growth (YOY)	14.4	(2.7)	(10.9)	(10.4)
EBITDA	5,229	7,189	5,408	4,321
Margin %	54	55	58	54.5
Other Income	1,374	1,468	1,716	1,341
Adjusted Net Profit	4,147	5,596	4,091	3,472

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	21,713	16,569	18,464	18,993
Working Capital Changes	1,392	(1,517)	(260)	(306)
Capital Commitments	(5,111)	(6,118)	(6,282)	(6,475)
Free Cashflow	16,602	10,451	-	-
Other investing cashflow	(8,023)	4,776	4,904	5,054
Cashflow from Investing Activities	(13,134)	(1,343)	(1,379)	(1,421)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(6,601)	(6,157)	(6,374)	(6,569)
Others	(370)	-	-	-
Cash flow from Financing Activities	(6,971)	(6,157)	(6,374)	(6,569)
Chg. in Cash & Bank balance	1,609	9,070	10,711	11,004
Closing cash & balance	2,930	12,003	22,702	33,706

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	48.6	44.8	46.4	47.8
Adjusted EPS (Diluted)	48.6	44.8	46.4	47.8
Cash EPS	61.9	58.1	60.2	62.0
Dividend per share (DPS)	16.7	15.6	16.2	16.7
Book Value per share (BV)	267.3	296.5	326.6	357.8
Dividend Payout (%)	0.3	0.3	0.3	0.3
Growth (%)				
Net Sales	13.5	(5.4)	2.7	3.1
EBITDA	10.2	(7.1)	3.5	3.1
EPS (INR)	12.4	(7.9)	3.5	3.1
Valuation Ratios (x)				
P/E	13.0	14.1	13.6	13.2
P/CEPS	10.2	10.9	10.5	10.2
P/BV	2.4	2.1	1.9	1.8
EV / EBITDA	9.1	9.4	8.7	8.0
P / Sales	5.8	6.1	6.0	5.8
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	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)	(0.7)	(1.1)	(1.5)
Profitability Ratios				
RoCE (%)	20.0	16.9	17.2	17.5
RoE (%)	18.3	15.2	14.3	13.4
RoC (%)	26.3	21.6	20.2	19.0
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	114	139	145	145
Receivables Days	143	143	143	143
Payables Days	24	24	24	24

Source Company data, I-Sec research

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