



SAMRIDDHI EQUITY RESEARCH REPORT

December 2024



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TABLE OF CONTENTS

Investment Methodology	3
Industry Overview	4
Company Overview	5
Competitive Positioning	7
Financial Analysis	9
Key Risks	11
Valuation	12
Disclaimer	13

Chennai Super Kings

CMP (26th December 2024): ₹196

TP: ₹210

Neutral Outlook: 6.90% upside

From the desk of Senior Analyst

Valuation approach:

We have valued the business of the CSK using a variant of the income approach popularly known as the discounted cash flow (DCF) approach, which is the present value of all future cash flows from the CSK as a business.

Adjustment for non-diversification risk-

The valuation assumes that investors are fully diversified and hence market beta has been taken. No adjustment has been made to market beta, in order to get total beta.

Risk of Illiquidity-

The average illiquidity discount ranges from 20%-30%. Considering the strong financial position of CSK, illiquidity discount has been set at the lower level of interval i.e. 20%.

Most Valuable Franchise-

CSK has cemented its position as the League's most valuable franchise, with its brand value increasing by 52% to \$122 million in 2024 paving the way for sustained double digit revenue and operating profit growth rates.

Margin expansion-

With the franchise's strong brand value, robust growth in the IPL business for BCCI, and a relatively stable cost structure, operating margins are expected to expand by 250 basis points in FY25E.

Valuations – We initiate coverage on CSK with a hold rating and a price target of Rs 210 implying upside of 6.90%. The stock currently trades at a PE valuation of 36.91. We expect revenue to grow at a CAGR of 21.24% over the period of FY25E – FY29E.

Major Downside Risk –

- **The Thala Factor:** MS Dhoni's enduring mass appeal has been instrumental in elevating CSK's brand value. However, his anticipated retirement in the coming year could impact the franchise's brand value, subsequently affecting its overall valuation.

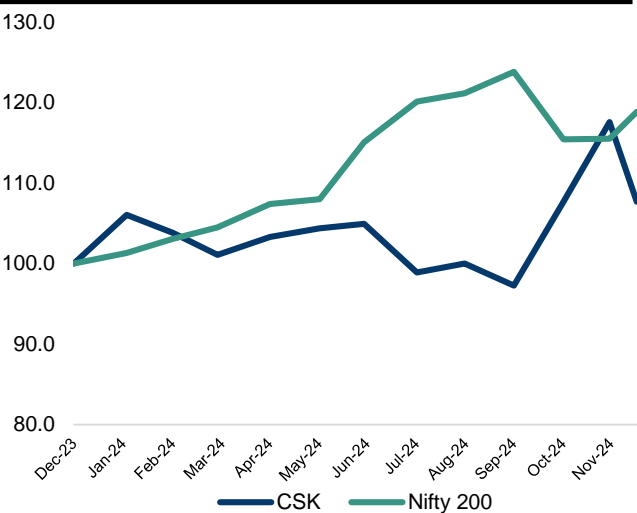
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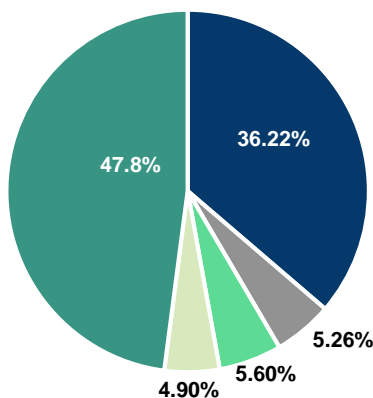
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Exhibit 1: Share price performance of CSK vs Nifty 200 over the last one year (Rebased to 100)



Source: Samriddhi Analysis, NSE

Exhibit 2: Shareholding pattern for CSK for as on 31st March 2024



- EWS Finance & Investments Private Ltd
- Mrs. Rupa Gurunath, Trustee
- Sri Saradha Logistics Private Limited
- Life Insurance Corporation of India
- Others

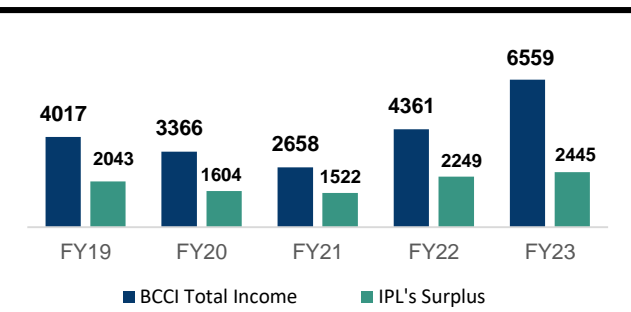
Source: Annual Report 2024

Industry Analysis: Overview and Dynamics

Cricket is the most popular sport in India, with a rich legacy spanning over 300 years. The sports industry in India attracted significant investments in 2022, with total sponsorship and media spending reaching US\$1.8 billion, growing at a 14% CAGR over the past decade. Cricket dominates the landscape, accounting for 85% of these spends. Media spending on cricket alone amounts to US\$900 million annually, representing 8% of India's total advertising budget, at around **US \$11 billion**. Sponsorship for cricket teams and events totals an additional US \$550 million annually.

The rapid growth on cricket in India due to IPL has boosted Board of Control for Cricket in India (BCCI) revenues tenfold over 16 years, reaching US \$800 million in FY23. The IPL's success has propelled BCCI to become the wealthiest cricket board in the world, with revenues twice that of the England & Wales Cricket Board (ECB) and even the International Cricket Council (ICC), the sport's global governing body. The Indian Premier League (IPL) reached a **valuation of \$16.4 billion**, or around Rs 1.3 lakh crore, after concluding its 17th season in May, up **6.5 per cent from \$15.4 billion** last year, according to a report by an independent global investment bank Houlihan Lokey.

Exhibit 3: IPL's Surplus in BCCI's Revenue (₹ Cr)



Source: BCCI Annual Reports

IPL Features

10 Teams

>500M Viewers

74 Matches over 60 days

USD 1.2 Billion broadcasting rights income per year

USD 60 Million Title sponsorship per year

Broadcasting Rights

Broadcasting rights are one of the biggest drivers of revenue for IPL franchises. The 2023-2027 IPL broadcasting rights were sold for a historic **₹48,390 crore (\$6.2 billion)**, divided between **Star Sports** for TV rights and **Viacom18 (JioCinema)** for digital rights. These rights deal marks a sharp rise from the **₹16,347 crore** deal in the previous 2018-2022 cycle, emphasizing the rapid growth in IPL's value proposition.



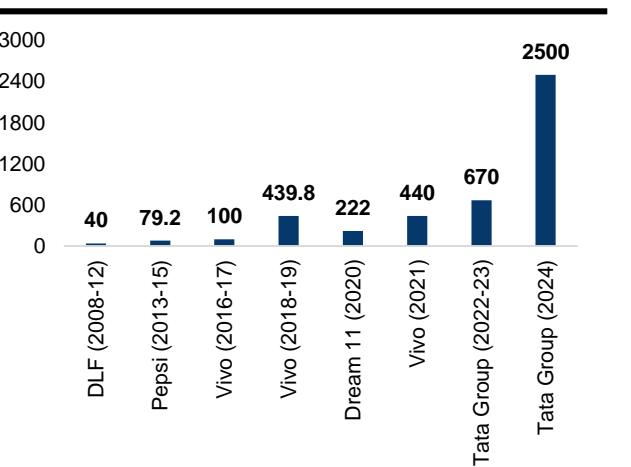
Breakdown of Broadcasting Rights:

TV Rights (Star Sports): ₹23,575 crore

Digital Rights (Viacom18): ₹23,758 crore

This deal positions IPL as the **second most valuable sports league globally**,

Exhibit 4: Sponsorship Fees (In Crores)



Source: Cricket Times

FACTS



IPL is the **second-most valuable** sports league in terms of broadcast rights (US\$17mn per match) after NFL



Value of IPL's central **broadcasting rights** has **grown 19x** from ~Rs5bn in 2008 to >Rs96bn

Company Overview

Chennai Super Kings (CSK), founded in 2008, is a distinguished cricket franchise in the Indian Premier League (IPL), based in Tamil Nadu. Operated by Chennai Super Kings Cricket Limited, the team has secured five IPL titles (2010, 2011, 2018, 2021, and 2023) and consistently maintains the highest win percentage in the league's history.

As one of the most successful and consistent teams in the IPL, CSK has qualified for the playoffs in 12 of the 15 seasons. Former captain Mahendra Singh Dhoni, who has been a key contributor to the team's success, has helped build a massive fan base across India.

This strong fan following, combined with effective branding, fan engagement strategies, and CSR initiatives, has allowed CSK to attract top-tier sponsors and generate significant sponsorship revenues. With a brand value of US\$122.0 million, CSK holds the top rank in both brand and business value.

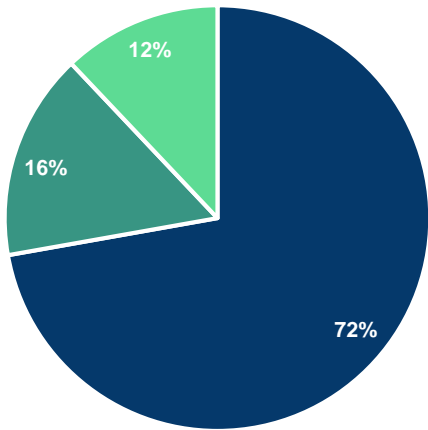


Did you know?

In January 2022, CSK achieved a notable milestone by becoming India's first unicorn in the sports sector.

Revenue Streams

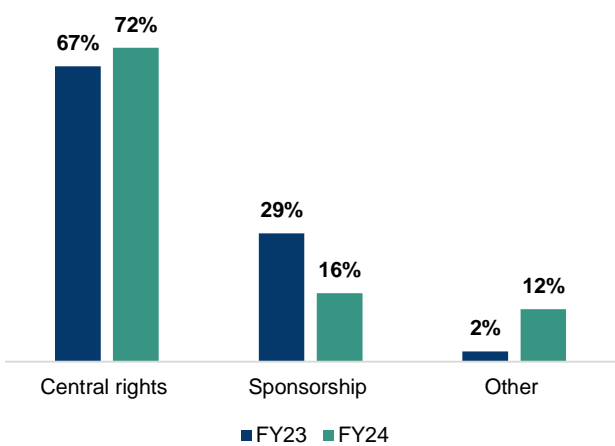
Exhibit 5: Top Three Major Revenue Breakdown



- Income from grant of central rights
- Sponsorship Income
- Other Tournament Related Income

Source: Annual report FY2024

Exhibit 6: Sources of revenue (%of total revenue)

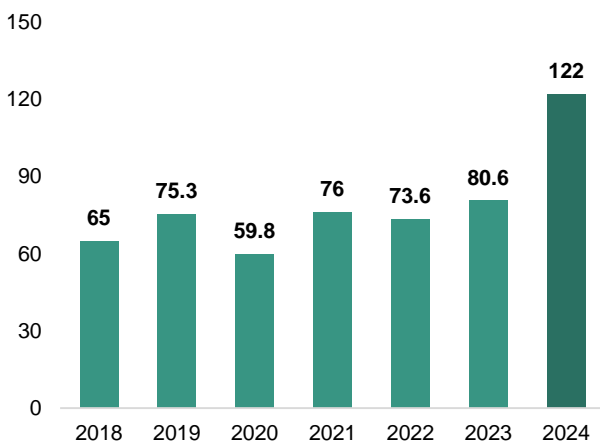


Source: Annual report FY24, FY23

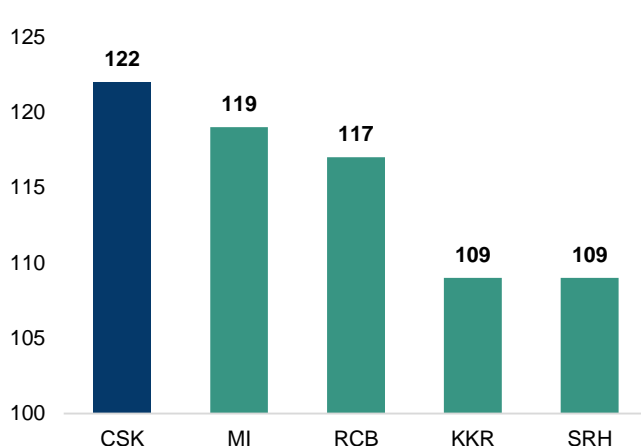
Chennai Super Kings (CSK), one of the most successful franchises in the Indian Premier League (IPL), generates its revenue through several streams such as sponsorships, merchandise, broadcasting rights and sources. Here's a breakdown of their key revenue sources:

- Income from grant of central Rights** - The BCCI earns significant revenue by selling media rights to OTT platforms. After retaining its portion, a substantial share of this income is distributed among all IPL teams. A major portion of CSK's revenue comes from the central revenue pool, shared among IPL franchises The central broadcasting rights pool for IPL from 2023-2027 was sold for ₹48,390 crore, ensuring each franchise receives approximately ₹500 crore per year. For CSK, this resulted in a broadcasting income of ₹479.21 crore in FY24 up from ₹191.52 crore in FY23
- Merchandise Sales**- CSK sells jerseys, caps, and other fan merchandise, benefiting from one of the strongest fan bases in IPL. Other tournament-related income, including merchandise, saw a dramatic increase, growing to ₹75.85 crore in FY24 from just ₹3.87 crore in FY23

- ❑ **Sponsorships** - CSK partners with multiple brands for on-kit, stadium, and other sponsorships. Example: Muthoot Group, Gulf Oil, Nippon Paint, and various other local and international brands. CSK's growing brand value reflected in an increase in sponsorship revenue, which rose to ₹95.47 crore in FY24, up from ₹77.75 crore in FY23.
- ❑ **Ticket Sales**- Home game ticket sales form an important revenue source, especially with Chepauk Stadium's strong performance. Its has remained a key revenue source for the team.
- ❑ **Subsidiaries & International Ventures**- CSK's subsidiary, Super king Ventures Private Limited (SVPL), doubled its turnover to ₹5.47 crore in FY24 from ₹2.56 crore in FY23, driven by the expansion of cricket academies. CSK's international ventures through Joburg Super Kings and Texas Super Kings also generated revenue, further diversifying CSK's income
- ❑ **Prize Money**- Winning or qualifying for the playoffs increases revenue through IPL prize money distribution. It continues contributing to CSK's revenue stream, especially with their strong on-field performances and consistent qualification for the playoffs

Exhibit 7: Brand value of Chennai Super (USD mn)

Source: Statista

Exhibit 8: Most Valuable IPL Brands (USD mn)

Source: Economic Times

Future Growth Prospects for CSK

With broadcasting rights revenue secured until FY27, CSK is proactively exploring other growth opportunities. The franchise has expanded its global presence by acquiring teams in international leagues and investing in cricket academies.

International Ventures: CSK has strengthened its global footprint by acquiring the Joburg Super Kings in South Africa's SA20 league and venturing into the USA's Major League Cricket through Texas Super Kings International LLC. These ventures not only diversify CSK's revenue streams but also elevate its brand visibility on the global stage.

Cricket Academies: CSK's academies, run by Superking Ventures Private Limited (SVPL), saw their turnover double to ₹5.47 crore in FY24 from ₹2.56 crore in FY23.

Impact of MS Dhoni's Retirement: The impending retirement of MS Dhoni, a central figure in CSK's success and brand identity, poses a significant challenge. Dhoni's leadership and fan following have been integral to CSK's on-field success and commercial appeal. Transitioning to a new leadership era under Ruturaj Gaikwad, the current captain, will require strategic management to maintain team morale, performance, and fan engagement.

Ownership Changes Due to UltraTech's Acquisition of India Cements: UltraTech Cement's acquisition of India Cements won't affect CSK, as ownership was transferred to Chennai Super Kings Cricket Limited (CSKCL) in 2015. N. Srinivasan and his family remain CSK's promoters.

Competitive Positioning

Chennai Super Kings (CSK) is one of the most successful and celebrated franchises in the Indian Premier League (IPL). Founded in 2008, CSK quickly established itself as a powerhouse in cricket, thanks to its consistent on-field performance and charismatic leadership under MS Dhoni. With a record five IPL titles, 10 finals appearances, and 12 playoff qualifications in just 14 seasons, CSK has earned a loyal global fanbase.

Brand Value and Fan Base

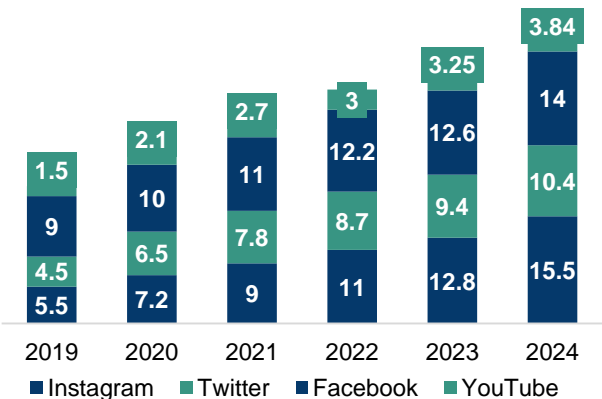
CSK is consistently ranked among the top IPL franchises. CSK leads amongst all IPL teams with the highest brand value of \$ 122 million. The team which is considered one of the most consistent has not only qualified in the playoffs for 12 out of 15 seasons they have played in, they have also won five titles. Former CSK captain Mahendra Singh Dhoni has been the face of the franchisee and the biggest contributor to the success of the franchise, the report mentioned by Houlihan Lokey.

Sporting	Fan Loyalty and Engagement	Sponsorship and Partnerships
<p>5 IPL Titles (2010, 2011, 2018, 2021, 2023) – second only to MI’s five titles.</p> <p>10 Finals Appearances, the most by any IPL team</p> <p>Consistent Performance: CSK has qualified for the playoffs in 12 of its 15 seasons, establishing itself as the most consistent IPL team. CSK’s consistency translates into strong sponsor loyalty and long-term commercial partnerships.</p>	<p>CSK is known for its loyal fanbase, often referred to as the "Whistle Podu Army." This loyalty stems largely from CSK’s charismatic captain, MS Dhoni, whose popularity has boosted the team’s marketability and fan engagement.</p> <p>CSK has a particularly strong hold in southern India, especially Tamil Nadu, but its fan base spans across India and beyond.</p>	<p>Key sponsors include TVS Eurogrip (front-jersey sponsor), Etihad Airways (Associate Partner), Gulf Oil, and British Empire (Official Partner), with long-standing partnerships with brands like India Cements.</p> <p>Strategic partnerships with Reliance Jio, Coca-Cola, ICICI Bank, India Cement, and Equitas Bank add significant value to CSK’s overall revenue and enhance its brand presence in the market.</p>

Digital Presence and Fan Engagement

CSK’s digital presence has grown exponentially, driven by MS Dhoni’s global popularity and the team’s successful track record. The franchise boasts a huge following across various social media platforms, which plays a key role in driving fan engagement and attracting sponsors. CSK’s engagement rate on Instagram is among the highest in IPL teams, driven by fan-driven campaigns like “Whistle Podu” and special content related to MS Dhoni. The CSK Super App has over 1 million downloads on the Google play store, allowing fans to engage with exclusive team content, match highlights, and behind-the-scenes updates.

Exhibit 9: CSK Platform - wise followers (in Millions)



Source: Official Platforms, Howzat and Statista

Competitive Positioning

Financial & On-field Performance

CSK VS MI

The CSK vs. MI rivalry is considered one of the most intense in IPL, often called the “**El Clasico of IPL**”. Both teams have won five titles each, and their head-to-head encounters are among the most-watched games in IPL history

On-field Performance: <ul style="list-style-type: none">•CSK IPL Titles: 5 (2010, 2011, 2018, 2021, 2023)•MI IPL Titles: 5 (2013, 2015, 2017, 2019, 2020)	Revenue Comparison (2023): <ul style="list-style-type: none">•CSK Revenue: ₹ 650.6 Crores (FY2024)•MI Revenue: ₹ 737 Crores (FY 2024)	Brand Value Comparison: <ul style="list-style-type: none">•CSK: USD 122 million•MI: USD 119 million
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Exhibit 10: HEAD TO HEAD

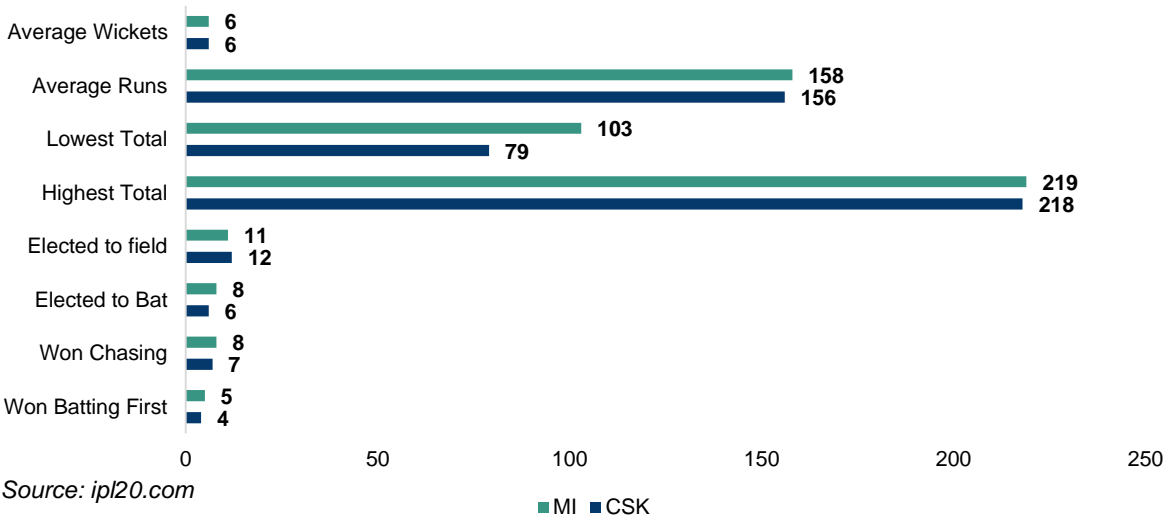
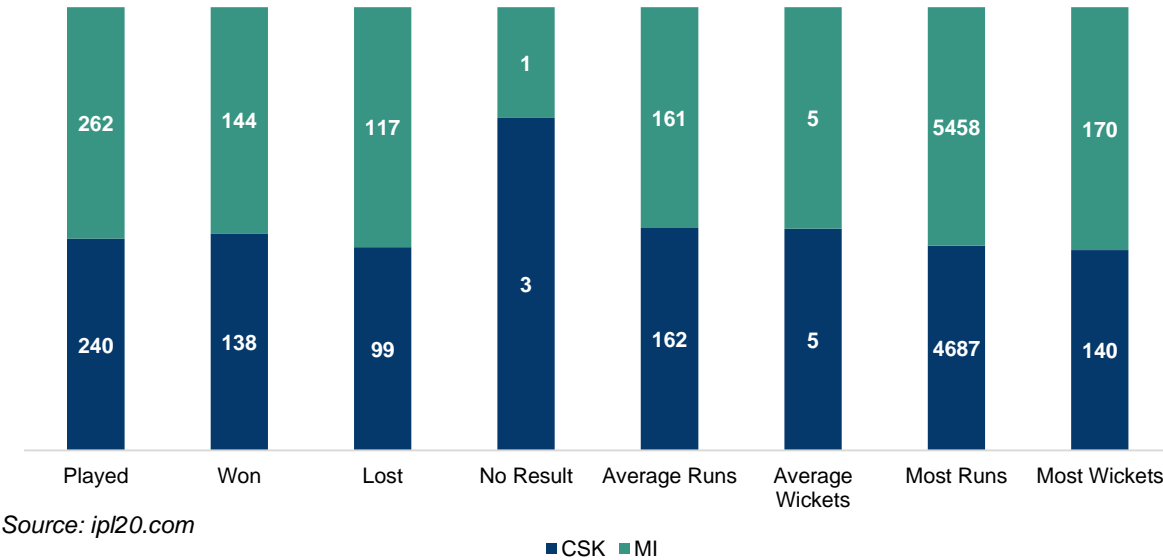
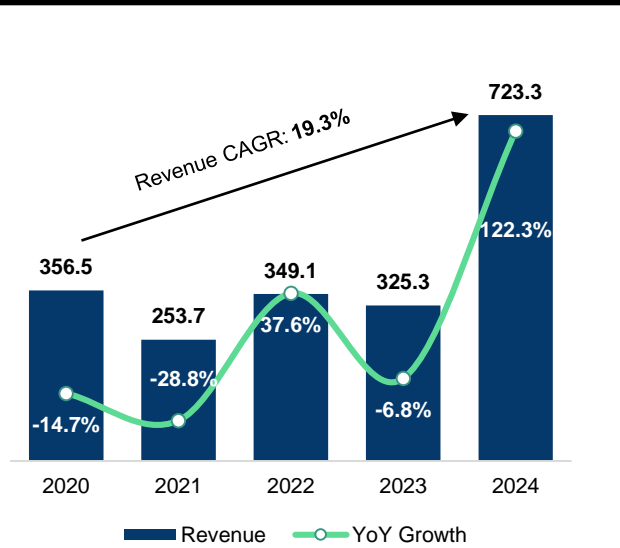


Exhibit 11: Overall Stats



Financial Analysis (1/2)

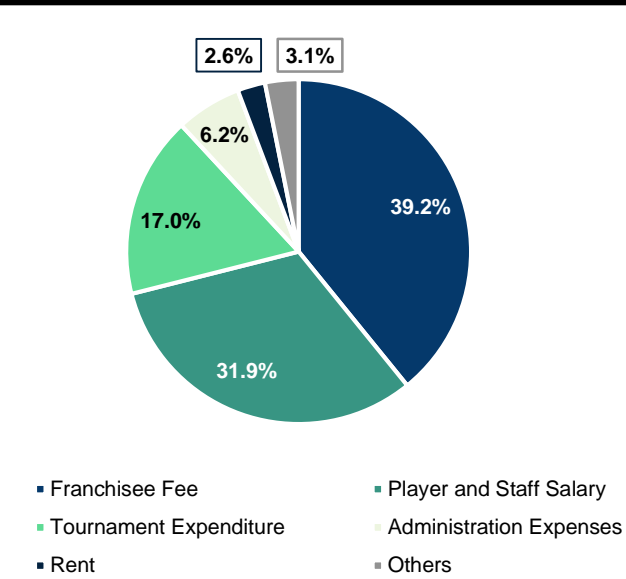
Exhibit 12: Revenue (INR Cr) and YoY Growth (%)



The growth in total revenue for the year 2023-24 compared with the previous year was mainly due to increase in revenues on account of the BCCI central rights and ticketing income

Source: Annual Report

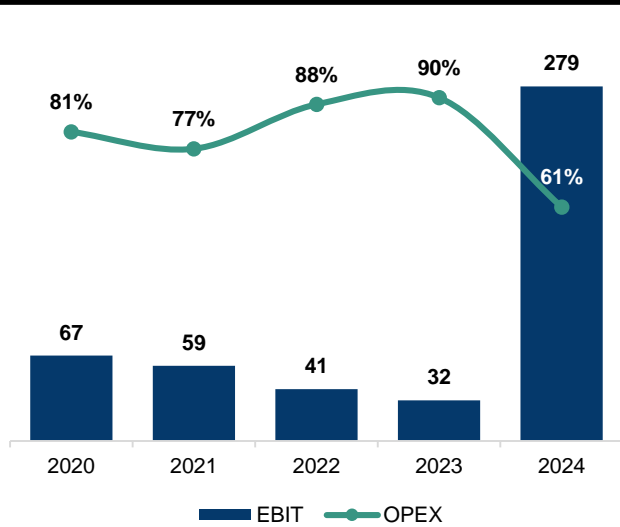
Exhibit 13: Cost Breakdown for the FY 2023-24



The franchise fee accounted for the highest expense at INR 142.7 Cr, followed by player and staff support remuneration

Source: Annual Report

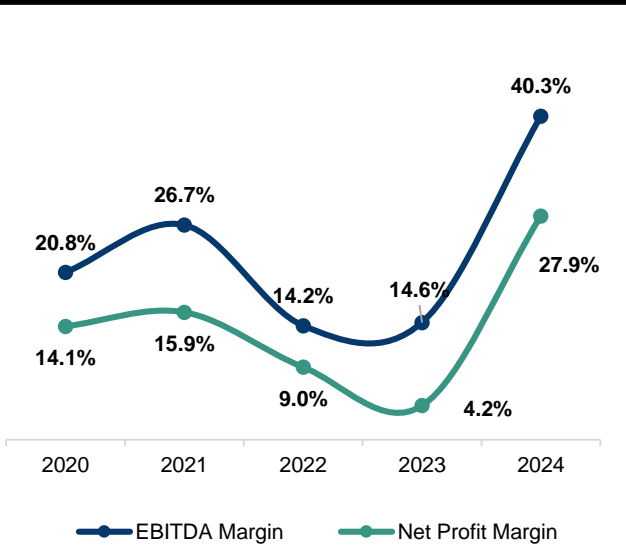
Exhibit 14: EBIT (INR Cr) and OPEX (% of Revenue)



EBIT grew as revenue increased by 127%, outpacing the 56% rise in operating expenses, reducing OPEX as a percentage of revenue.

Source: Annual Report

Exhibit 15: Profit margins showing an uptrend in FY24



The EBITDA margins improved in the FY 2023-24 due to revenue growth outpacing the increase in costs. While revenue rose by 122%, costs only increased by 35%

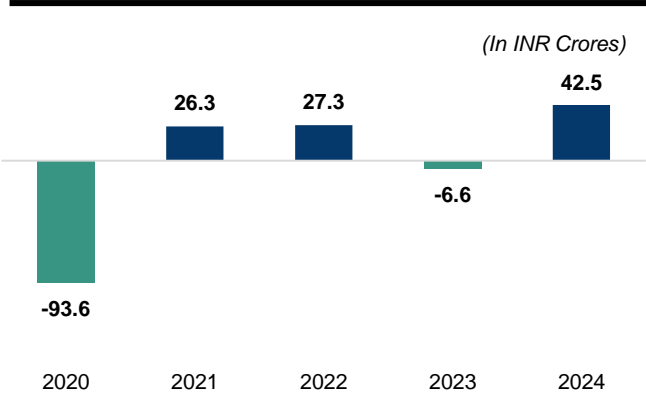
Source: Annual Report

Financial Analysis (2/2)

Cashflow Analysis

The Free Cash Flow to Firm (FCFF) for CSK demonstrates notable volatility over the period. In 2020, substantial capital expenditure and working capital changes resulted in a sharp negative FCFF of ₹93.6 crore. However, from 2021 to 2022, FCFF turned positive, supported by modest capex and a stable working capital impact, peaking at ₹27.3 crore in 2022. The decline in 2023 reflects increased capex and working capital outflows, resulting in a negative FCFF of ₹6.6 crore. In 2024, a strong NOPAT recovery to ₹209.4 crore offset higher capex and working capital investments, driving FCFF to ₹34.3 crore. This suggests CSK's cash flows remain sensitive to capital intensity and operational investments.

Exhibit: 16 Free cash flow to firm turned positive in FY24

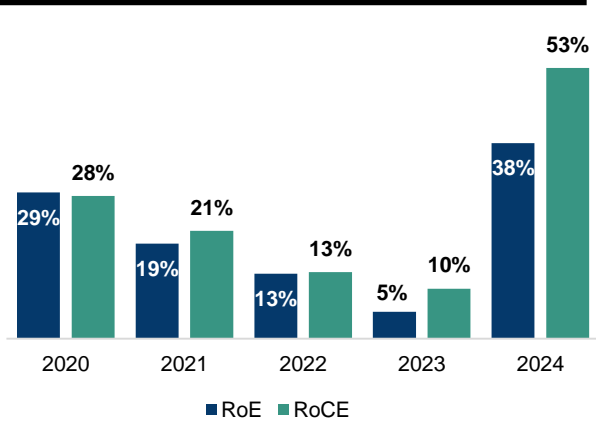


Source: Annual Report

Ratio Analysis

CSK's return ratios have demonstrated volatility between 2020 and 2024. Return on Equity (RoE) declined from 28.6% in 2020 to a low of 5.3% in 2023, before rebounding to 38.2% in 2024. Similarly, Return on Capital Employed (RoCE) decreased from 27.9% in 2020 to 9.8% in 2023, then surged to 52.9% in 2024. These fluctuations correspond with the company's profitability trends, where net profit increased from ₹50 crore in 2020 to ₹201 crore in 2024. The significant improvement in 2024 can be attributed to enhanced operational performance and revenue growth, with total revenue reaching ₹723 crore

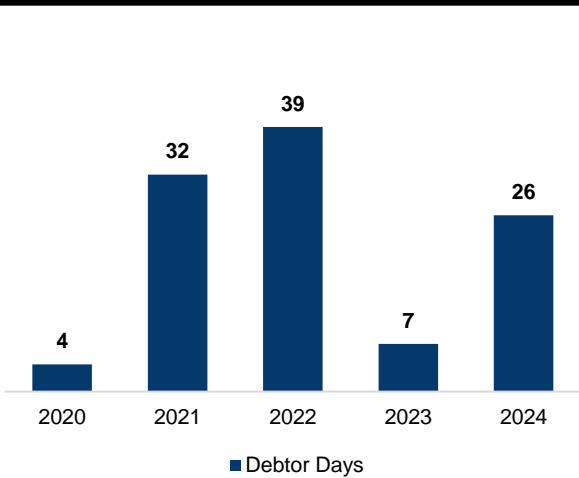
Exhibit 17: Return ratios for CSK improved in FY24



Source: Annual Report

Chennai Super Kings Cricket Limited (CSK) has exhibited significant fluctuations in debtor turnover days over the five-year period from 2020 to 2024. In 2020, the company maintained a low debtor turnover period of 4 days, indicating efficient collection processes. However, in 2021 and 2022, there was a substantial increase to 32 and 39 days, respectively, suggesting potential delays in receivables collection. This trend reversed in 2023, with debtor days reducing sharply to 7, before rising again to 26 days in 2024 due to rise in dues from related parties amounting to ₹1941.98 lakhs. Notably, the significant revenue growth in 2024, with total revenue reaching ₹723 crore, may have influenced the debtor turnover period.

Exhibit 18: Debtor days increased in FY24



Source: Annual Report

Key Risks

Dhoni's retirement: Dhoni's retirement could lead to a decline in brand value and fan engagement. The team may face a leadership gap and lose his invaluable mentorship. As an experienced wicketkeeper, his absence might disrupt bowling strategies and on-field communication. Additionally, his role as a middle-order finisher, known for anchoring innings and thriving under pressure, will be challenging to replace, potentially destabilizing the batting lineup.

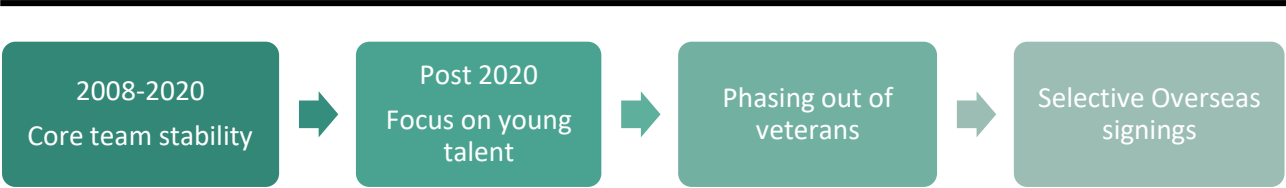
Change in IPL rules & regulations: The reduction in the foreign player quota affected CSK, which traditionally relied on a strong foreign contingent. The team had to adjust its lineup to include more Indian players, leading to tactical shifts and impacting their overall strategy

Player injuries: Approximately 12-15% of players sustain injury during the course of the tournament. For CSK in 2024 tournament, players like Devon Conway & Shivam Dube, have suffered injury which became a significant setback for CSK.

Expansion of IPL Calendar: With the expansion of the IPL calendar to a 2.5-month window, it may strain team performance and player availability. Additionally, the increased costs could lead to sponsorship saturation, posing challenges in maintaining sustainable revenue streams.

Impact of Leadership Transition and Youth Integration on Performance: The over-reliance on MS Dhoni for leadership, combined with the transition to youth, led to inconsistent performances, causing a temporary dip in team success and stability.

Exhibit: Changing Pattern in CSK Players



Mitigating Factors

Adaptive Trainings: Specialized training programs can be developed to counter bowlers, focusing on improving skills for handling short deliveries and refining batting techniques. Tactical adjustments, such as targeting bowlers who rely heavily on bouncers, will ensure the team remains agile and adapts effectively to changing rules and regulations.

Leadership Development: Identifying and grooming potential leaders within the team is crucial to ensuring a smooth transition post-MS Dhoni. For instance, Ruturaj Gaikwad has been appointed as the new skipper, with dedicated efforts to prepare him as the future captain of CSK.

Squad Depth: Building a deep squad with competent backups is essential to mitigate the impact of injuries. CSK can focus on nurturing young talent, as demonstrated with Matheesha Pathirana. When key players were unavailable, Pathirana seamlessly stepped in, showcasing the importance of developing reliable replacements within the team.

Mentorship Programs: Implementing mentorship programs where experienced players guide newer members can help accelerate their development and integration into the team.

Player Rotation: Adopting effective player rotation policies will help manage workloads and reduce fatigue, ensuring players remain fresh throughout the season.

Stable Core Group: Maintaining a stable core group of experienced players provides consistency, while team-building exercises and clear communication can help integrate new players smoothly, preserving team dynamics

VALUATIONS

Methodology

We valued CSK using the Discounted Cash Flow (DCF) method, arriving at an equity value of INR 209.53. With the current market price at INR 196, the stock is trading at a 6.90% discount, suggesting it is marginally undervalued. Overall, the stock in the unlisted market appears to be fairly valued with a slight discount. Based on our valuation, we maintain a neutral outlook for the stock.

Exhibit 19: DCF Valuation (INR Crores)

Discounted Cashflow	FY 24A	FY 25E	FY 26E	FY 27E	FY 28E	FY 29E
EBIT	287	400	516	664	853	1,093
Less :Tax	78	85	127	180	245	327
NOPAT	209	315	389	484	607	766
Depreciation and Amortization	5	33	33	34	34	34
Capital Expenditure	99	80	98	121	148	182
Working Capital Changes	73	-21	5	6	7	9
FCFF	43	289	319	391	485	608
FCFF growth			11%	23%	24%	25%
PV of FCFF as on December 2024		281	280	309	345	390
Discounting factor		0.97	0.88	0.79	0.71	0.64
Time period		0.25	1.25	2.25	3.25	4.25

The current valuations fully capture the future potential of the company with free cash flow to firm growing at a CAGR of 21% from FY25 to FY29 and a terminal growth rate of 6%. The revenue growth also shows a 21.24% CAGR for the next 5 years which is led by according to our estimates. Sensitivity analysis indicates that the valuation could range between INR 179-248 per share depending on operational performance.

Exhibit 20: DCF Valuation (INR Crores except equity value per share)

Value per share	
WACC	11.06%
FCFF (2025-2029E)	2,092
Terminal Growth rate	6.00%
Terminal Value	12,743
PV of terminal value	8159
PV of FCFF	1,604
Present Debt	1.76
Enterprise Value	7,810
Equity Value	7,950
No. of Outstanding Shares	37.94
Equity Value Per share	209.53

Exhibit 21: WACC Calculation

WACC Calculation	
Cost of Equity	11.06%
Post tax Cost of Debt	5.86%
WACC	11.06%
Terminal Growth Rate	6.00%

Exhibit 22: Sensitivity Analysis of DCF Target Price

Terminal Growth	WACC				
	10.0%	10.5%	11.1%	11.5%	12.0%
5.25%	288	206	186	173	160
5.50%	239	215	193	179	165
6.00%	265	236	210	193	177
6.25%	281	248	219	201	183
6.50%	299	261	229	209	190

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