

A Study on the Valuation of Indian Premiere League (IPL)

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Abstract:

India is often not seen as a sports nation traditionally, considering our performance in football, athletics and other sports. Though in the past decade we are excelling in most sports like badminton, tennis, wrestling, hockey, etc. but primarily our main sports segment revolves around cricket. If we consider the financial or business side of it, then cricket serves as the epicentre. With the introduction of T20 cricket and the IPL, the cricketing business has gone to sky rocketing heights. We find that IPL is pushing the boundaries and competing with the major global leagues like NBA, NFL, EPL, etc. IPL value of media rights has climbed, compounding at 18% annually over the past decade and a half, where other global leagues like EPL, NFL was only 15% CAGR in about 30 years. The brand and business valuations of IPL are reaching unimaginable heights in the last few years and thus researchers are trying to understand how this supernormal growth is occurring. Corporates, businesses, small enterprises must understand that its more than fun and games. The influx of money from IPL results in development of infrastructure, marketing, merchandising, increases demand of products and services like hotels, transportation, restaurants, etc. It boosts the economy as local businesses like printers, caterers, security personnel, even small vendors selling IPL team jerseys all can benefit from this growth story. Thus, this research will help to understand the IPL valuations over the years based on the business model, brand and analyse the variables on which the valuation depends. Six variables under study in this research are considered to frame a model which can predict the IPL valuations and can help businesses, corporations to align their products and services to these variables to join this growth story and grow along with the growth of this sports league.

Key words: Auctions, broadcasting rights, cash flows, valuations, etc.

Introduction

In a county like India where cricket is considered as the main sport which has the most viewership, the Indian Premiere League (IPL) has emerged as a brand which is making its presence felt in the global forum as a leading sports league. The IPL is pushing the boundaries and competing with the major global leagues like NBA, NFL, EPL, etc. It is not just cricket or enjoyment or fun anymore. It's a major area of research for business, financial analyst, around the world who wants to understand its development, growth and the financial boom which occurred in such a short span of time. Everyone want to get on board with this growth story and wants a piece of the pie as IPL value of media rights has climbed, compounding at 18% annually over the past decade and a half where other global leagues like EPL, NFL was only 15% CAGR in about 30 years. In the recent years an enormous rise has been observed in the brand valuation of the Indian Premier League (IPL). With certain new franchises coming up in the season of 2022, coupled with the anticipated launch of the Women's IPL, underscores the league's burgeoning commercial prowess. From a purely financial and business standpoint, a comprehensive understanding of this growth trajectory is paramount. This research aims to dissect the key variables that directly influence the IPL's brand value. By meticulously analyzing these factors, this study will provide invaluable insights for financial analysts, business valuers, and future researchers in the domain of sports finance.

Literature Review

The following literatures are studied in detail to prepare this research:

- a) Karnik, Ajit (2009), it uses models to find out valuation of cricketers based on their performance and statistics. It provided insights on how the valuations are undertaken for key players and how brand valuation of star players is determined.
- b) Borooah, Vani K., and John E. Mangan (2010) it provides insights on the evaluation of cricket from test matches to the T20 mode and how satellite television changed the marketing dynamics of the cricket sports around the world.
- c) Kirk, Colleen & Ray, Ipshita & Wilson, Berry. (2013) it provides basics of brand valuations, shows how brand valuations influence share prices, earnings, consumer perceptions and outlook of an organization. This research helped in understanding the IPL brand valuation expansion, its impact on BCCI valuations, earnings and its impact on general public who are the consumers in this case.

- d) Marwaha, Damini Y. (2013) this research focused on IPL auctions and how player's valuation are decided before buying them in IPL auctions. This research provides on the insights as how business valuations of the IPL are closely related to player's performance in the tournament and the success of the tournament largely depends on brand and how marquee players performs in the tournament.
- e) Kumar, Dixit, Potdukhe (2022), their report in sports media and entertainment comes in very handy were various information like valuations, media rights, viewership and other key information of IPL and related sports leagues are obtained.

Objectives of the Study

Based on various literatures such as research articles, valuation reports, etc. mentioned above, the following two are the objectives of study:

- i. To study and understand the IPL valuations over the years based on the business model and brand
- ii. To analyse the valuation of IPL over the years with various dependent variables

Methodology Used in this Study

The research methodology are as follows:

Type of Research: Descriptive and quantitative research.

Period of Study: 15-years data are considered, starting from the inaugural edition of the IPL in 2008 to 2022 edition.

Data Type: Secondary data has been considered for analysis. The summarized data from which data analysis are done in later part are shown as follows:

TABLE 1: SUMMARIZED DATA OF VARIOUS VARIABLES UNDER STUDY

IPL Seasons	FY	BCCI Surplus from IPL (INR Crores)	IPL Brand Valuation (INR Crores)	Estimated annual title sponsorship fee (INR Crores)	Avg Money spend in auction (Total spent by No of players)(INR in Crores)	Average viewership (in Crores)	Champions prize money (INR Crores)	Highest bid TV broadcasting rights (INR Crores)
2008	2008-09	15	5329.5	40	1.95	10	4.8	820
2009	2009-10	-42	9336	40	2.3	12.5	4.8	820
2010	2010-11	119	18372.1	40	1.53	14.5	10	820
2011	2011-12	261	19706.2	40	2.26	15.5	10	820
2012	2012-13	150	15886.2	40	2.13	15.5	10	820
2013	2013-14	335	20427	79.2	1.72	17.5	10	820
2014	2014-15	126	20265.6	79.2	1.72	19	15	820
2015	2015-16	210.51	23215.5	79.2	1.32	19	15	820
2016	2016-17	365.96	28539	100	1.44	36	20	820
2017	2017-18	368.51	33882.9	100	1.38	41	20	820
2018	2018-19	2407.46	43967.7	440	2.55	45	20	2210
2019	2019-20	1239.18	48511.2	440	1.78	46	20	2210
2020	2020-21	1522.01	45489.4	222	2.263	40.5	10	2210
2021	2021-22	2249.12	80987	440	2.55	40	20	2210
2022	2022-23	2400	69543.6	335	2.704	36	20	2210

Source: Author’s compilation from various reports and websites.

Column 3, BCCI Surplus from IPL is obtained from the annual audited financial statements of BCCI, obtained from BCCI official website. Column 4, IPL Brand Valuation is obtained from various reports (Penny Erricker 2023), estimates from BCCI annual reports where Discounted Cash Flow approach has been used by the valuers to obtain the valuations. Other information like, annual sponsorship fee, money spent on auctions, prizemoney is obtained from official IPL website of the BCCI. Column 7, average viewership is overall average of TV and digital media viewership obtained from various reports and news media.

Research Tools: Mean, Standard Deviation, Correlation, Regression and preparation of necessary hypothesis formulation to analyse the data are considered.

Data Analysis and Findings

According to the first objective, study into the IPL Brand Valuation which are shown below, it was found that the valuations are rising in a very steady manner achieving significant CAGR over the years. IPL Brand Valuation is obtained from various reports (Penny Erricker 2023), estimates from BCCI annual reports where Discounted Cash Flow approach has been used by the valuers to obtain the valuations. In many reports valuations were on US Dollars which are converted to Indian currency using appropriate exchange rates from NSE website. After understanding the basis on which the valuations are done and considering various literatures it was found that the valuations are dependent on various factors. Such factors include performance

of marquee players in the tournament, performance of the key franchises, close contest in the matches, followers in social media, BCCI income from IPL, estimated annual title sponsorship fee, average money spend in auction, average viewership, champions prize money, highest bid TV broadcasting rights, etc. The IPL Brand Valuation based on various reports and literatures are as follows:

TABLE 2: SEASON WISE IPL BRAND VALUATION

IPL Seasons	FY	IPL Brand Valuation INR Crores
2008	2008-09	5329.5
2009	2009-10	9336
2010	2010-11	18372.1
2011	2011-12	19706.2
2012	2012-13	15886.2
2013	2013-14	20427
2014	2014-15	20265.6
2015	2015-16	23215.5
2016	2016-17	28539
2017	2017-18	33882.9
2018	2018-19	43967.7
2019	2019-20	48511.2
2020	2020-21	45489.4
2021	2021-22	80987
2022	2022-23	69543.6

Source: Author's compilation from various reports and websites.

Various factors such as performance of marquee players in the tournament, performance of the key franchises, close contest in the matches, followers in social media (various platforms are there) are very difficult to quantify and link with brand valuation to ascertain the impact on valuations. Therefore, the following six variables are considered on which IPL brand valuation may depend upon:

- 1) BCCI Surplus from IPL
- 2) Estimated annual title sponsorship fees
- 3) Average Money spend in auction (Total spent by No of players)
- 4) Average viewership
- 5) Champions prize money
- 6) Highest bid TV broadcasting rights

Based on the above independent variables simple regression analysis test was undertaken to check that to what extent these six variables can predict or influence dependent variable IPL brand valuation using SPSS software and following results were obtained which are shown and interpreted below.

TABLE 3: DESCRIPTIVE STATISTICS OF VARIABLES UNDER STUDY

Descriptive Statistics			
	Mean	Std. Deviation	N
IPL Brand Valuation INR Crores	32230.5933	21699.35136	15
BCCI Surplus from IPL (INR Crores)	781.7833	919.92317	15
Estimated annual title sponsorship fee INR Crores	167.640	162.0360	15
Avg Money spend in auction (Total spent by No of players) INR in Crores	1.9731	.45689	15
Average viewership (in Crores)	27.200	13.4480	15
Champions prize money INR Crores	13.973	5.7772	15
Highest bid TV broadcasting rights INR Crores	1283.33	678.251	15

Source: Author’s computation using SPSS

From the above table 3 we can find mean or average of different variables as well as standard deviation from the mean. In case of “IPL Brand Valuation” and “BCCI Surplus from IPL” high deviation from the mean is observed which shows that data points have changed to a great extent for the two variables to a large extent. This can be due to a variety of factors such as for “IPL Brand Valuation” and “BCCI Surplus from IPL” had fallen to a great extent in 2020 season due to COVID-19 threats where tournament got delayed, was not held on time and was later shifted to UAE.

Variable “BCCI Surplus from IPL” was hit in the second edition of IPL i.e. 2009 season where surplus became Rs. -42 Crores due to terrorist attacks 26/11, followed by 2009 general elections and tournament had to be shifted to South Africa. In 2019 edition once again due to general elections in India, uncertainty prevailed whether tournament would be held in India or not but ultimately it was held in India, reduced “BCCI Surplus from IPL” from Rs. 2407.46 crores in 2018-19 to Rs. 1239.18 crores in 2019-20 available in Table 1. In 2014 edition surplus reduced from (2013-14) Rs. 335 Crores to (2014-15) Rs. 126 Crores and valuation also reduced from (2013-14) Rs. 20427 Crores to (2014-15) Rs. 20265.6 Crores available in Table 1. This was due to general elections and part of tournament was held in UAE in 2014 edition of the IPL.

TABLE 4: TABLE SHOWING CORRELATION BETWEEN VARIABLES

		Correlations						
		IPL Brand Valuation INR Crores	BCCI Surplus from IPL (INR Crores)	Estimated annual title sponsorship fee INR Crores	Avg Money spend in auction (Total spent by No of players) INR in Crores	Average viewership (in Crores)	Champions prize money INR Crores	Highest bid TV broadcasting rights INR Crores
Pearson Correlation	IPL Brand Valuation INR Crores	1.000	.905	.868	.496	.792	.726	.859
	BCCI Surplus from IPL (INR Crores)	.905	1.000	.919	.681	.766	.612	.940
	Estimated annual title sponsorship fee INR Crores	.868	.919	1.000	.521	.823	.682	.938
	Avg Money spend in auction (Total spent by No of players) INR in Crores	.496	.681	.521	1.000	.202	-.012	.635
	Average viewership (in Crores)	.792	.766	.823	.202	1.000	.820	.778
	Champions prize money INR Crores	.726	.612	.682	-.012	.820	1.000	.510
	Highest bid TV broadcasting rights INR Crores	.859	.940	.938	.635	.778	.510	1.000
	Sig. (1-tailed)	IPL Brand Valuation INR Crores	.	<.001	<.001	.030	<.001	.001
BCCI Surplus from IPL (INR Crores)		.000	.	.000	.003	.000	.008	.000
Estimated annual title sponsorship fee INR Crores		.000	.000	.	.023	.000	.003	.000
Avg Money spend in auction (Total spent by No of players) INR in Crores		.030	.003	.023	.	.236	.482	.006
Average viewership (in Crores)		.000	.000	.000	.236	.	.000	.000
Champions prize money INR Crores		.001	.008	.003	.482	.000	.	.026
Highest bid TV broadcasting rights INR Crores		.000	.000	.000	.006	.000	.026	.
N		IPL Brand Valuation INR Crores	15	15	15	15	15	15
	BCCI Surplus from IPL (INR Crores)	15	15	15	15	15	15	15
	Estimated annual title sponsorship fee INR Crores	15	15	15	15	15	15	15
	Avg Money spend in auction (Total spent by No of players) INR in Crores	15	15	15	15	15	15	15
	Average viewership (in Crores)	15	15	15	15	15	15	15
	Champions prize money INR Crores	15	15	15	15	15	15	15
	Highest bid TV broadcasting rights INR Crores	15	15	15	15	15	15	15

Source: Author’s computation using SPSS

From the above table 4 we can find that IPL Brand Valuation has strong positive correlation with almost all the dependent variables except “average money spent on auctions” which is 0.496 being little weak positive correlation. This shows that IPL Brand Valuation can be primarily influenced using the six variables under study. So, industry experts, financial analysts, marketing executives and anyone who wish to join this supernormal growing business of IPL can channelize their business, services and products into catering these six variables to push their entity into this new dominate business force.

TABLE 5: REGRESSION MODEL SUMMERY RESULTS

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.940 ^a	.884	.797	9783.09348	.884	10.146	6	8	.002
a. Predictors: (Constant), Highest bid TV broadcasting rights INR Crores, Champions prize money INR Crores, Avg Money spend in auction (Total spent by No of players) INR in Crores , Average viewership (in Crores), Estimated annual title sponsorship fee INR Crores, BCCI Surplus from IPL (INR Crores)									
b. Dependent Variable: IPL Brand Valuation INR Crores									

Source: Author’s computation using SPSS

From the above table 5 it can be understood that R Square value is 88.40% which shows goodness of fit of the regression model. It shows that using the regression equation we can predict the IPL Business valuation (Dependent Variable) based on six independent variables to the extent of 88.40%.

TABLE 6: ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5826394547.639	6	971065757.940	10.146	.002 ^b
	Residual	765671343.690	8	95708917.961		
	Total	6592065891.329	14			
a. Dependent Variable: IPL Brand Valuation INR Crores						
b. Predictors: (Constant), Highest bid TV broadcasting rights INR Crores, Champions prize money INR Crores, Avg Money spend in auction (Total spent by No of players) INR in Crores , Average viewership (in Crores), Estimated annual title sponsorship fee INR Crores, BCCI Surplus from IPL (INR Crores)						

Source: Author’s computation using SPSS

Now we tried to form certain hypothesis to test relationship between IPL Business valuation (Dependent Variable) based on six independent variables.

H0: There is no significant relationship between the six independent variables and so they cannot influence dependent variable IPL Business Valuation

H1: There is significant relationship between the six independent variables and so they can influence dependent variable IPL Business Valuation

From the above table 6 we can see that p value significance is 0.002 which is less than standard $p = 0.05$ which means that null hypothesis is rejected and thus it proves that there is significant relationship between the six independent variables and so they can influence dependent variable IPL Business Valuation. Regression equation fits the data (i.e., predicts the dependent variable) and indicates that the regression model predicts the dependent variable significantly well. The F statistic value is also pretty large i.e. 10.146 which indicates that there are significant differences among the groups or variables and large F value with lower p value are key indicators to reject null hypothesis Ho. Thus, this model can be used by analysts and decision makers in their economic and financial decisions.

TABLE 7: REGRESSION EQUATION COEFFICIENTS

		Coefficients ^a												
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	-20341.736	37843.962		-.538	.606	-107610.067	66926.596						
	BCCI Surplus from IPL (INR Crores)	7.891	13.536	.335	.583	.576	-23.323	39.105	.905	.202	.070	.044	22.681	
	Estimated annual title sponsorship fee INR Crores	-48.246	66.496	-.360	-.726	.489	-201.585	105.094	.868	-.248	-.087	.059	16.982	
	Avg Money spend in auction (Total spent by No of players) INR in Crores	2007.520	12548.563	.042	.160	.877	-26929.519	30944.558	.496	.056	.019	.208	4.808	
	Average viewership (in Crores)	-338.637	558.492	-.210	-.606	.561	-1626.522	949.249	.792	-.210	-.073	.121	8.251	
	Champions prize money INR Crores	2131.437	1384.847	.567	1.539	.162	-1062.025	5324.899	.726	.478	.185	.107	9.363	
	Highest bid TV broadcasting rights INR Crores	23.344	21.416	.730	1.090	.307	-26.042	72.729	.859	.360	.131	.032	30.862	

a. Dependent Variable: IPL Brand Valuation INR Crores

Source: Author's computation using SPSS

From the above results of the coefficients, we can form the regression equation as follows:

Y (Dependent Variable IPL BRAND VALUATION) = -20341.736 + 7.891 (BCCI surplus) – 48.246 (sponsorship fee) + 2007.520 (money spent in auction) – 338.637 (average viewership) + 2131.437 (champion prize money) + 23.344 (broadcasting rights)

Further, if we check absolute standardized coefficients Beta column, we can understand that champions prize money 0.567 and broadcasting rights 0.730 are more important in explaining IPL business valuation in comparison to the other independent variables.

Conclusion

The findings of the research reveal that IPL Brand Valuation to a large extent depends on majorly three key variables i.e. BCCI Surplus from IPL having positive correlation of 0.905, Estimated Annual title sponsorship fee having positive correlation 0.868 and broadcasting rights having positive correlation of 0.859. The remaining variables are also important but these three are of paramount importance. As IPL business valuation is dependent on these key six variables, corporates can focus or channelise their resources to tap inside these variables to start earning from this incredible league called the IPL. Business valuers, industry experts, financial analysts, marketing executives and anyone who wish to join this supernormal growing business of IPL can channelize their business, services and products into catering these six variables under study in this research to push their entity into this new dominate business force.

Many business ideas that can go in line with the influencing variables of this study which may include TV or digital shows in line with IPL. Different channels can bid for acquiring the broadcasting rights of this league. Advertisements, sponsorships with IPL brand or with the teams involved can also go a long way. Professionals like tax consultants, GST experts, Chartered Accountants, financial analysts can try to secure professional work related to entities which are involved with this IPL brand directly or indirectly. Teams need financial analyst backing decision of buying players in IPL auction. Strategists having expertise with signing players resulting in significant promotional or sponsorship deals may consider a career in this area. Event management entities may try to secure tenders for matches in different stadiums which hosts IPL matches and can provide variety of services from catering, decorations of VIP areas or dressing rooms, etc. Thus, understanding the valuation model of IPL is of immense importance which can go a long way to dissect the key variables that directly influence the IPL's brand value to gain a portion of share in this league and be a part of this success model.

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