



# ON A STICKY WICKET

A Concise Report on brand values in the Indian Premier League

April 2015

Prepared by:

**DUFF & PHELPS**

# Table of Contents

## A Concise Report on brand values in the Indian Premier League

Contents	Page No.
Foreword: On a sticky wicket	3
Summary of Brand Values	4
Coming of age of the IPL	5
Taking it on the chin!	7
Understanding Brand Value in the IPL	9
Valuation Approach and Methodology	12
Conclusion	13

## Preface

# On a sticky wicket



**Varun Gupta**  
Managing Director  
American Appraisal India

Dear Readers,

It gives me great pleasure in welcoming you to the latest edition of our annual study of brand values in the Indian Premier League. It goes without saying that it has been a tumultuous year for the IPL, one characterised by an almost expected bit of controversy and intrigue. Over the years, we have seen multiple instances of scandals surrounding the premier sporting event of the country, but in almost every single year, the IPL has come out stronger and more popular than before. This year is no different.

While many expected the latest round of controversies to shake the belief that advertisers and corporates had put in the IPL, it would appear that the IPL remains the most popular and anticipated event around which advertising campaigns are run - despite the launch of several rival sporting leagues in the country during the last 12 months.

Broadcasters too continue to see value in the IPL, evident in the 50% increase in average annual contract terms for the digital media rights agreement with the Star Group a few months ago.

If news reports are true, IPL advertising rates are also expected to see a 10% - 15% increase for the current season and even higher for the final stages of the tournament as inventories are sought by a host of interested takers. It is no surprise, then, that the overall brand value of various franchises has increased by 6% over last year and the value of the IPL as a business has increased to USD 3.5 billion from USD 3.2 billion last year. Clearly, the IPL is on a sticky wicket but it is still not out.

As an aside, we are happy to announce that American Appraisal has merged with Duff & Phelps, the premier global valuation and corporate finance advisor. These are exciting times at American Appraisal, as this combination brings together two like-minded organisations that are equally committed to independence, technical excellence and exceptional client service. We are as excited about the opportunity this presents as we are in introducing our latest report on Brand Values in the Indian Premier League. We look forward to your feedback.

**Varun Gupta**  
Managing Director

	<b>Kolkata Knight Riders</b> Rank: 1	Brand Value (2014) \$69mn	Brand Value (2015) \$86mn	↑
	<b>Mumbai Indians</b> Rank: 2	Brand Value (2014) \$72mn	Brand Value (2015) \$72mn	↔
	<b>Chennai Super Kings</b> Rank: 3	Brand Value (2014) \$72mn	Brand Value (2015) \$67mn	↓
	<b>Royal Challengers Bangalore</b> Rank: 4	Brand Value (2014) \$51mn	Brand Value (2015) \$51mn	↔
	<b>Rajasthan Royals</b> Rank: 5	Brand Value (2014) \$45mn	Brand Value (2015) \$45mn	↔
	<b>Kings XI Punjab</b> Rank: 6	Brand Value (2014) \$32mn	Brand Value (2015) \$41mn	↑
	<b>Sun Risers Hyderabad</b> Rank: 7	Brand Value (2014) \$25mn	Brand Value (2015) \$35mn	↑
	<b>Delhi Daredevils</b> Rank: 8	Brand Value (2014) \$40mn	Brand Value (2015) \$34mn	↓

## Introduction

# Coming of age of the IPL



**Kapil Bellubi**  
Vice President  
American Appraisal India

The Indian Premier League is truly, slowly but surely, coming of age. While the IPL itself is synonymous with the glitz, glamour and controversy usually reserved for a hit reality show, no one can question the fact that the IPL is now more about the game of cricket than the hype of the spectacle. It has not been an easy ride getting there. In fact, it would be fair to say that the last 18 months have been the toughest time for the IPL ever since its launch in 2008.

Allegations of match fixing, convoluted ownership structures of franchises, professional misconduct of high-ranking officials and mud-slinging within and outside the cricketing fraternity has been the order of the day, and the Supreme Court of India is now almost certain to hold franchises and owners accountable for their actions on and off the field. The effects of these controversies are sure to trickle down to franchises who would be more than willing to clean up their act. In fact, keeping in mind that several of the franchises are partly owned by large corporates or promoters with significant holdings in listed companies, there is an even greater likelihood that improved transparency and governance will be at the forefront of a majority of the franchises going forward.

We have already seen this with India Cements recently restructuring its Chennai Super Kings franchise into a new company with identical shareholding.

Such restructurings are not only born out of the controversies that have plagued the IPL for a while now, but also from an increased focus on developing a sound brand strategy for the franchise. We are not far from seeing IPL franchises with multiple merchandise offerings, restaurants and cafes, much on the same lines as some of the large English Premier League franchises. Interestingly, we are also seeing several franchises looking at extending brand support to domestic events and sports that are closer to home. Several franchises are looking to engage with fans and supporters through brand association for smaller sporting events such as corporate leagues and other sports tournaments.

IPL teams are also increasingly looking at technology and social media to ensure maximum brand exposure and also to build winning rosters of players at cost effective rates.

## Introduction

# Coming of age of the IPL

We are not far from seeing IPL franchises with multiple merchandise offerings, restaurants and cafes, much on the same lines as some of the large English Premier League franchises.

Player selection is not just limited to skills and performance but also to the ability of a player to garner sponsorships, case in point being Delhi Daredevils' acquisition of Yuvraj Singh for a record INR 160 million.

There is a clear sense of maturity and business intent by franchises in selecting their teams, evident in the way player auctions took place earlier this year. With almost all social media platforms set to be awash with IPL content over the next few weeks, and the fact that the Indian national cricket team did unexpectedly well at the recently concluded World Cup, there is no surprise that the real winner of the next IPL will be cricket.

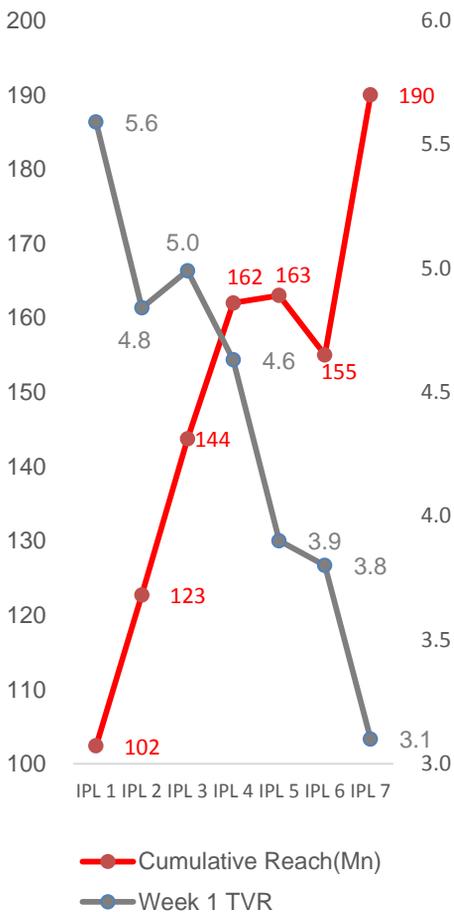
So how does this impact the brand values of the various franchises? The following pages provide our analysis and detail our approach to the assessment.



# Introduction

## Taking it on the chin

Reach Vs. Week 1 TVR



Despite the recent controversies, many of which continued into the seventh season of the IPL last year, the cumulative reach of the IPL increased from 155 million for the 2013 edition to 190 million for the 2014 edition. The TV reach of the IPL has been consistently growing at a compound annual growth rate (CAGR) of 10% since the first edition, despite the fact that the IPL's TV ratings have been consistently falling every year since the first edition.

This, however, is an expected phenomenon. TV ratings for large sporting events such as the IPL normally stabilise after a few years. Of course, it cannot be denied that the IPL's TV ratings have also been impacted by some of the controversies and changes in venue on account of Lok Sabha elections last year. It will be interesting to see if the TV ratings for the IPL see any improvement this year. Television is no longer the only platform to consume IPL-related content. Viewership on digital platforms (phones, tablets, computers, etc.) has also increased by over 30% in Season 7 over Season 6, an indication of the shift in preferences and viewership.

2014 was also a landmark year for sports entertainment in India.

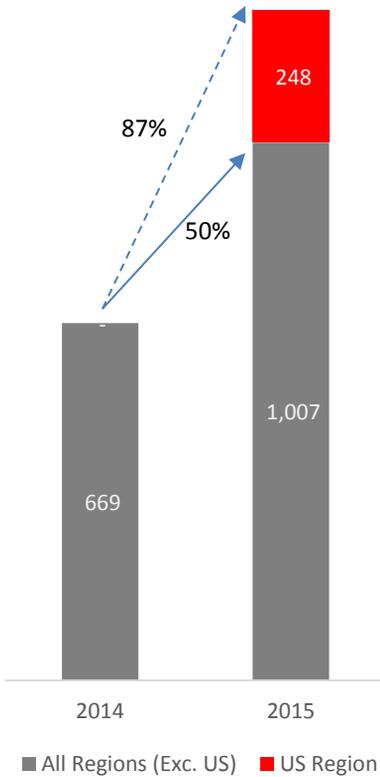
Driven by the success of the IPL, we have seen a plethora of new sporting leagues in the country, some of which have seen unexpectedly high levels of popularity. The Pro-Kabaddi League (PKL) and the Hero Indian Super League (ISL), both of which had their first editions in 2014, saw viewership numbers large enough to rival even the IPL. The PKL garnered viewership of 435 million viewers for its first edition, a shade more than the ISL's 429 million viewership, while Season 7 of the IPL garnered close to 552 million viewers, despite the controversies and changes in venue.

For the BCCI (Board of Control for Cricket in India), the IPL remains a money spinner beyond expectations. According to its annual report, BCCI earned a staggering INR 11,940 million from the 2013 edition against the INR 8,920 million it earned in the previous edition (2012). The Board profited from IPL, earning a surplus of INR 3,348.6 million in comparison to the previous year's INR 1,500.3 million. In addition, filings by five of the tournament's eight teams with the Registrar of Companies (RoC) show that three of the franchises made a profit for the financial year 2013-14. Clearly, franchises are seeing value and profit in owning and maintaining teams that perform on the field and garner endorsements off it.

## Introduction

# Taking it on the chin

Annual Digital Media Rights Revenue (INR Mn)



The “power play” doesn’t quite stop there. In a recent development, the global digital media rights (excluding the US region which were sold separately to ESPN for an estimated US\$ 12.4 million for a 3 year contract) for the IPL were sold to a Star Group company for a staggering INR 302 crores for a three-year contract.

This represents a 50% increase in annual rupee terms over the previous deal value. With the TV broadcasting rights for the IPL due for renewal in a few years, we could be looking at a TV broadcasting deal of record proportions in India. Some food for thought here would be the 83% increase in the annual broadcasting fees for the EPL paid by Sky and BT for a league whose viewership has been increasing at a fraction of the growth seen in the IPL.

This is the real story here – a sign that the IPL is above all the controversies surrounding it.

## Understanding Brand Value

# Understanding Brand Value in the IPL

In the IPL, brand value is derived from a wider variety of reasons keeping in mind the Indian viewer's association preference for vernacular proclivities, cricketing knowledge and celebrity influence.

Great sporting brands across the world have been built over several decades of fan following, successful performances, the ability of a team to attract great talent, and continued association with large companies, partners and sponsors. Teams like the New York Yankees, Dallas Cowboys, Manchester United, Chelsea, Real Madrid, Barcelona, Los Angeles Lakers and the like have become much-sought-after brands by advertisers and represent brand values in the billion-dollar range.

In the IPL, brand value is derived from a wider variety of reasons, keeping in mind the Indian viewer's association preference for vernacular proclivities, cricketing knowledge and celebrity influence. Accordingly, drivers of brand value in the IPL can be categorised under the following broad headings.

### ***Management Strength and On-Field Performance***

For an advertiser / sponsor, being associated with a team that is consistently performing at the top of the table is a key factor in assessing brand potential. A look at the largest deals in the sponsorship space not only in the IPL, but also internationally, will reveal that teams that are better on-field performers garner higher sponsorship values

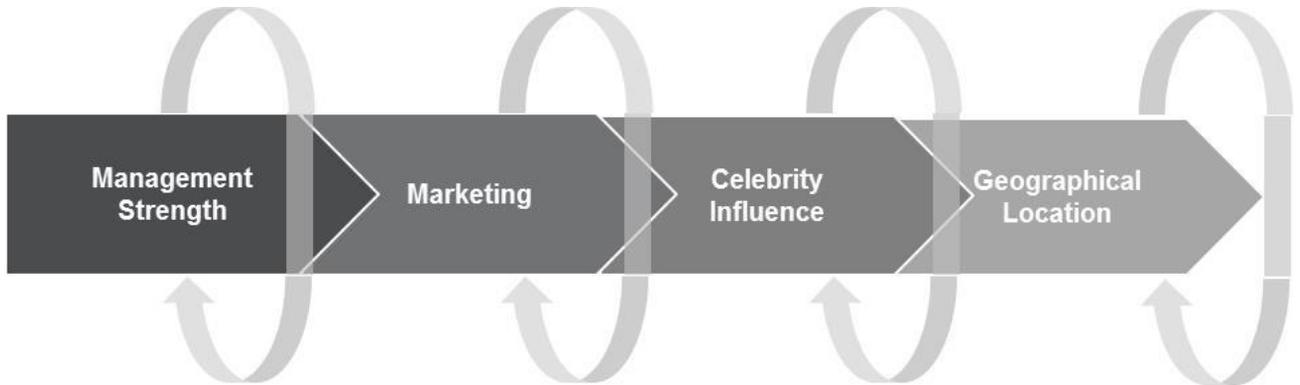
In the IPL, the estimated lead sponsorships (lead chest and limited player promotions) were valued at a 100% premium for a top-ranked team over its lower-rung peer.

Of course, a team that consistently performs at the top of the table is not the result of a pre-fixed formula. Team management plays an important role in squad selection, talent acquisition, performance management and administrative support. Clearly, a winning team is the result of a combination of several factors including the strength of the management team.

### ***Marketing Strategy***

Based on our analysis, it is estimated that, on average, franchises spend anywhere between 15% and 25% of their revenues towards marketing and promotion. Some teams, like Kolkata Knight Riders, who invested significantly towards brand building in the early part of their IPL existence, have seen fantastic support from sponsors and partners. IPL events, television advertisements, merchandising, in-stadium freebies and other such promotional activities driven by the franchise go a long way in garnering exposure and support translating into brand gains.

# Understanding Brand Value



Over the last few months, we have found that teams or promoters of teams accused of professional misconduct or embroiled in any controversy have a negative impact on brand perception.

Merchandising in the IPL is presently in a nascent stage, and most franchises are still coming to terms with the best possible way to monetise different streams. We believe that this will be a game-changer for franchises that are able to crack this difficult market and identify new monetisation streams by tapping into their existing fan base.

### ***Celebrity Influence and Marquee Players***

The presence of key marquee players and celebrity owners in a franchise brings additional popularity to the individual team brands. However, it may be added that cricket is a team game, and no one person can change the fortunes of a badly performing franchise. In addition, while franchise brands may be able to ride on the brand of a celebrity owner or a marquee player, they are also open to the risk of damage in cases where said individual is embroiled in a controversy, even if that controversy is outside of the IPL.

### ***Geographical Location***

The geographical location of the franchise determines the population of its support base and is an important factor in assessing the strength of an individual team brand.

In general, it is likely that a higher density of teams in a particular region of the country will split the fan base and impact the ability of a team to garner support outside of its immediate location. While the intention of the IPL was never to split support on the basis of vernacular lines, this does seem to be the current situation with every team in the current season belonging to a different state of the country. While this makes support for each team more intense, it remains to be seen how support will be impacted once more franchises are added to the current format.

### ***Governance and Transparency***

Over the last few months, we have found that teams or promoters of teams accused of professional misconduct or embroiled in any controversy have had a negative impact on brand perception. Last year, as part of our survey, we also asked our respondents to rate their preferred IPL franchises on the basis of their perceived brand strength and the quality and transparency of their management teams. The results were interesting, to say the least.

# Understanding Brand Value

Rate the following teams on the basis of the effectiveness and transparency of their management teams (1 being the highest)

Management Rating Average

Mumbai Indians	1.88
Delhi Dare Devils	3.88
Kolkata Knight Riders	4.13
Royal Challengers Bangalore	4.94
Sunrisers Hyderabad	5.13
Kings XI Punjab	5.19
Rajasthan Royals	5.25
Chennai Super Kings	5.63

Social Media Ranking based on the franchises social media following

Social Media Rank

Combined Facebook & Twitter Followers (Mn)

Chennai Super Kings	1	11.8
Kolkata Knight Riders	2	11.7
Mumbai Indians	3	9.5
Kings XI Punjab	4	7.4
Royal Challengers Bangalore	5	6.5
Rajasthan Royals	6	3.2
Sunrisers Hyderabad	7	3.1
Delhi DareDevils	8	2.6

The ability of a franchise to engage fans on a regular basis, particularly during the IPL season, has been crucial in building positive brand perception.

A majority of our respondents agreed that while the Chennai Super Kings have a high perceived brand strength, they are the worst-performing team when it comes to perceived transparency and effectiveness of their management team, no doubt an indication of recent events. The Mumbai Indians were voted as the best-performing team when it comes to effectiveness and transparency of their management team. Our assessment of the brand values of the various franchises takes into consideration the rankings of various franchises for the effectiveness and transparency of their management teams, provided above

### Social Media Engagement

The ability of a franchise to engage fans on a regular basis, particularly during the IPL season, has been crucial in building positive brand perception. Over the last few seasons, we have seen dedicated Twitter campaigns and “player battles” organised by the franchises with the intention of engaging fans regularly and keeping them up to date with the events of the individual teams. We have given additional weight to teams that have a large social media presence in estimating the brand values of the various franchises. The social media ranks indicated for the individual franchises are provided above.

---

## Methodology

# Valuation Approach and Methodology

---

The Relief from Royalty method is premised on the royalty that a company would have to pay for the use of the brand/ trademark if they had to license it from a third party

There are several methods and techniques that can be applied in estimating the value of a brand, of which the most popular is the relief-from-royalty method. The relief-from-royalty method is premised on the royalty that a company would have to pay for the use of the brand / trademark if they had to license it. Here, royalty is expressed as a percentage of sales for its use. The present value of the after-tax cost savings (i.e., royalty relief) at an appropriate discount rate indicates the value of the brand.

The first step in the valuation of the IPL franchise brands was to estimate the future revenue expected from these brands. We developed a detailed business model for each of the individual franchises after extensive research and limited discussions with industry players. The model was built keeping in mind the various contractual revenue-sharing agreements between the BCCI and the IPL franchises. The business model for each individual franchise was developed keeping in mind the franchise's current performance standing, its brand rank and other qualitative factors that could impact its business value.

The second step in the valuation of the brands would be development of the fair royalty rate.

As part of our analysis, we researched a number of brand and trademark licensing arrangements across international sporting leagues such as the EPL, the National Football League (NFL), the National Basketball League (NBA), Major League Baseball (MLB), etc., in concluding an appropriate royalty rate for the valuation of the IPL franchise brands. This estimated royalty rate is applied to the appropriate level of revenues of each franchise to calculate the royalty savings attributable to the brand owner. The royalty savings are then tax-affected and discounted to present value using an appropriate required rate of return to estimate the value of individual brands.

## Conclusion

# Brand Value Vs. Business / Franchise Value

Our analysis indicates that the total value created by the IPL has grown by 9% over the last one year to US\$3.5 billion from US\$3.2 billion in 2014

Our analysis indicates that total value of the IPL franchise brands has seen a growth of 6% over the last year to reach an estimated value of US\$432 million. This value captures only the collective brand values of all eight franchises and does not represent the value of the IPL as a whole. The highest gainers in terms of individual franchise brand values are Kolkata Knight Riders (US\$86mn) and Kings IX Punjab (US\$41mn) who saw an increase from their 2014 brand values of 25% mainly driven by a fantastic on-field performance and continued fan engagement. Chennai and Delhi however saw a decrease in their brand values, one recovering from a spate of recent controversies that dampened advertiser sentiment and the other failing to improve its standing on the points table.

We estimate that on average the brand value of each franchise contributes around 30% towards its overall business value

The total value of the IPL has also grown by 9% over the last year to US\$3.54 billion from US\$3.25 billion. As a part of our analysis, we realised that while the brand value is a significant component of business value of individual franchises, there are several other factors that drive the business value of the IPL. Over the last few years, we have seen several transactions where stakes in a few IPL franchisees were bought and sold at premiums of over 100% to values originally bid for during the first auction.

Though the IPL is still at a very early stage of development (less than a decade) when compared to the other global professional leagues, which have been operational for many decades, the value created by the IPL in such a short time is significant considering the minimal initial investment by BCCI. The evidence of growth is clearly visible in the few sponsorship deals and media rights renewed by the IPL Governing Council including the new digital media rights, which saw an increase of 50% over the earlier deal. With the TV rights up for renewal by 2017, the IPL is clearly set for a huge windfall on similar lines as the EPL, which saw an increase of 83% over its earlier TV rights deal.

IPL is not only here to stay - it also is well on course to becoming one of the premier global professional sporting brands rivalling the likes of EPL, La Liga, NFL and NBA.

## Limitations to the study

The analysis and estimates presented in this report are based on extensive research on secondary sources of information, limited primary discussions with industry participants and the results of our IPL Sponsorship Survey. We have not undertaken any independent verification or carried out any diligence on the data used or considered, nor have we verified its factual accuracy in the current context. Brand values may differ based on actual information available with individual teams. The conclusions provided in this report shall not be construed as investment advice and the valuations provided in the report shall not be used for any other purpose other than general research and media consumption. Each of American Appraisal and its affiliates expressly disclaims all liability for any loss or damage of whatever kind which may arise from any person acting on any information and opinions or analyses relating to the valuations contained in this report.

The valuation of a business or intangible assets is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value and we normally express our opinion on the value as falling within a likely range. However, for the said purpose, we have provided a single value. Under normal circumstances, our assumptions and methodologies are supplemented by discussions with the management and insights provided by them on the most likely course of business over the near term. Our current assumptions for the valuation are based on information derived and analysed from a combination of primary interviews and secondary sources. Accordingly, our assessment and estimates are based on market perceptions and most likely trends of growth for the IPL franchises. Others may place a different value on the various brands.

All trademarks, trade names, or logos referenced herein are the property of their respective owners.

## Editorial Team

This document was prepared by Kapil Bellubi, Harsh Talikoti, Vibhor Nayar, Rahul Nihalani and Jash Shah of American Appraisal India.

## Contact Us

### MUMBAI

**Varun Gupta**

Managing Director

vgupta@american-appraisal.com

B-204, Citi Point, J B Nagar  
Andheri East, Mumbai - 400 059  
Tel - +91 22 6623 1000  
Cell - +91 99676 64231

[www.american-appraisal.co.in](http://www.american-appraisal.co.in)

### BANGALORE

**Kapil Bellubi**

Vice President

kbellubi@american-appraisal.com

No.18, MPK Mansion, Guava Garden,  
Koramangala 5<sup>th</sup> Block, Bangalore - 560 095  
Tel - +91 22 6569 6340  
Cell - +91 99008 69003

### NEW DELHI

**Aviral Jain**

Director

ajain@american-appraisal.com

603, Ansal Bhawan,  
16, KG Marg, New Delhi - 110001  
Tel - +91 11 4357 3979  
Cell - +91 99100 21127

For more information about our global locations  
and services, please visit:

[www.duffandphelps.com](http://www.duffandphelps.com)

### About Duff & Phelps

Duff & Phelps is the premier global valuation and corporate finance advisor with expertise in complex valuation, dispute and legal management consulting, M&A, restructuring, and compliance and regulatory consulting. The firm's more than 2,000 employees serve a diverse range of clients from offices around the world. For more information, visit [www.duffandphelps.com](http://www.duffandphelps.com).

*M&A advisory and capital raising services in the United States are provided by Duff & Phelps Securities, LLC. Member FINRA/SIPC. Pagemill Partners is a Division of Duff & Phelps Securities, LLC. M&A advisory and capital raising services in the United Kingdom and Germany are provided by Duff & Phelps Securities Ltd., which is authorized and regulated by the Financial Conduct Authority.*

---