

June 17, 2022

IPL rights auction rakes in big moolah!!!

The much awaited IPL rights for 2023-27 concluded, fetching ₹ 48.390 crore to the BCCI. The winning bid total amount, as expected, was 3x of last cycle cumulative winning bid of ₹ 16347.5 crore. Disney Star, which holds global IPL media rights till 2022, retained the television rights for the Indian-sub continent, while Viacom18 won digital rights for the India, Australia, South Africa and the UK and non-exclusive digital media rights for 18 matches, ring fencing the digital rights exclusivity. Times Internet won the digital rights for the Middle East and North Africa (MENA) region and the US.

Key highlights of auction

- **Disney Star**, which holds global IPL media rights till 2022, retained the television rights for the Indian-sub continent in Package A with **total payout at ₹ 23575 crore.**
- The Viacom18 won digital rights for the India in Package B. Viacom18 also won Package C comprising non-exclusive digital media rights to 18 matches. In Package D, which includes TV and digital rights for the rest of the world, Viacom18 got Australia, South Africa and the UK. **Viacom18 payout stood at ₹ 23757.5 crore.** **Times Internet** won the MENA region and the US TV and digital rights with a **payout of ₹ 1058 crore.**

Disney – retention to maintain TV sport broadcasting leadership

We see Disney Star bid, more as a bet to maintain TV sports broadcasting leadership, than as a pure economic gain. We highlight that various media reports peg IPL 2022 TV revenues at ₹ 3700-3800 crore, with ad being 80% of the mix. At this base, we believe Star would need ~12% ad revenues CAGR over the next 5 years coupled with 5% subscription revenues CAGR over the same period, to simply break even the bid cost and production expenses. **Most importantly, waning TV viewership of IPL (2022 season saw decline in viewership by ~30%), makes the ability to scale up ad rates as well as subscription a challenge, going ahead.** Other key monitorable would also be how the government's guidelines to curb surrogate advertisement of alcohol and online betting, impact overall ad volume.

Viacom 18 to target *Voot* viewership boost akin to *Hotstar* ...

Viacom 18 bid for digital rights ought to be seen in the light of relative weak positioning of Voot in the OTT space, so far, and the available historical anecdote of Hotstar in India riding on IPL, which has now 50 mn+ paid subscriber and forms more than 36% of total Disney+ global subscriber base of 137.7 mn. In contrast, Voot Select paid subscription base had hit 1 paid mn subscriber base in FY21. Thus, **the scalability option is huge with IPL digital rights exclusivity, and also given the strong distribution landscape of its group company Jio's 410 mn+ wireless and broadband subscribers.** Furthermore, interactive features on digital platform also provide higher potential of monetisation. Nonetheless, profitability may still be a long shot, as 2022 digital IPL revenues (subscription+ advertisement) has been pegged at ₹ 2200-2400 crore by various media reports. Thus, at such as base it warrants ~25%+ CAGR for next 5 years, just to break even.

Zee-Sony avoid possible "winners curse"; Sun TV's *Sunrisers Hyderabad* to gain

We highlight Zee-Sony post auction comments suggest that they have gone for fiscal prudence. However, we note that **with a vision to scale up sports offering, we expect them to bid for ICC and BCCI rights when they come for renewals in next 2 years.** Meanwhile, in the near term, we expect them to

Research Analysts

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

build OTT strategy on entertainment (series/movies) and regionals slate. Nonetheless, not being able to win may have resulted in avoiding possible “winners curse” which seem likely as of now.

The key winner in the overall bid process would be BCCI and the franchisees which stand to gain higher annual revenues. Note that out of central pool, BCCI pays out 50% of rights money to franchisees (including 5% as prize money). Thus, **this higher bid will likely result in incremental ₹ 250- 300 crore of annual revenues for each teams from FY24 onwards, including *Sunrisers Hyderabad*, owned by Sun TV.** The bottomline economics will be determined by how the cap on players’ salaries (currently at ₹ 80 crore) and other expenses changes for the franchise, given the higher revenues availability

Exhibit 1: How fierce the bids went vis-à-vis base price

₹ crore	Reserve Price	Per match (reserve price)	Winning Bid	Per match (Winning Bid)	Premium	Comment
Package A (TV- India)	18,130.0	44.2	23,575.0	57.5	30%	Won by Disney Star
Package B (Digital - India)	12,210.0	29.8	20,500.0	50.0	68%	Won by Viacom 18
Package C (Digital - non exclusive 18 matches)	1,440.0	15.0	2,991.0	31.2	108%	Won by Viacom 18
Package D (Global - ex India)	1,110.0	2.7	1,324.5	3.2	19%	Won by Viacom 18 for Australia, South Africa and the UK for ₹ 266.5 crore and Times Internet won the MENA region and the US for ₹ 1058 crore
Total	32,890.0	80.2	48,390.5	118.0	47%	

Source: Media reports, ICICI Direct Research . No of matches =

Exhibit 2: How was the bid compared to last cycle

₹ crore	2018-2022		2023-2027		Premium
	Winning Bid	Per match (Winning Bid)	Winning Bid	Per match (Winning Bid)	
Package A (TV- India)	11,410	34.6	23,575.0	57.5	66%
Package B (Digital - India)	4,040	12.2	20,500.0	50.0	308%
Package C (Digital - non exclusive 18 matches)	NA	NA	2,991.0	33.2	
Package D (Global - ex India)	898	2.7	1,324.5	3.2	19%
Total	16,347.5	39.9	48,390.5	118.0	196%

Source: Media reports, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%;

Hold: -5% to 15%;

Reduce: -5% to -15%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, AkruTI Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA, Research Analysts, 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. 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.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. 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 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.

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 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 Retail 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 Institutional 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 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.