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Valuation of a Football Club – Unearthing the financial potential of an Indian Football Club

and Why is it on the rise?

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Abstract (Max 100 Words)

In an emerging sports market such as India, professional sports leagues across various sports have started coming up. The growing interest in football throughout the country prompted the AIFF to introduce ISL in 2013 with an aim to revolutionize Indian Football. This paper focusses on a single team in the ISL and aims to understand if there is a growth in the team since the very beginning, looking at its financial statements and player value data to conclude. In the end, it can be concluded that the team is growing which subsequently shows the growth of the league.

Keywords: Mergers and Acquisitions, Valuations, Financial Management, Emerging Markets, Regional Football Leagues.

1 Introduction

In this chapter, the background of specific topic has been presented. Following to that, the problem area has been discussed which presents as the basis for the research question. After establishing the fundamentals of the topic, the research question is defined briefly. The final section of this chapter explains the purpose of this research.

1.1 Background

The history of India being regarded as a sporting nation can be dated back to the early 1900s. Although India is predominantly known for cricket as a sport, it has won a several laurels in the field of Hockey, Tennis, Badminton (Lunawat, 2020). India has acclaimed international championships in Kabaddi as well, which is a relatively new sport having been adopted internationally in 2004. However, it is quite surprising that a country with a population of 1.38 billion (World Bank Data, 2020) is lagging in the field of Football, one of the most decorated sports across the globe. Football is a very popular sport in the country and certain regions namely the North-East and Goa are the force behind the sport being popular throughout the nation. In the colonial and post-colonial era, football is definitely a central component which helped in shaping the community and society (Bandyopadhyay, 2008). The sport has been languishing behind cricket for a long time, but its modernization began to take shape from the late 1990s (Dimeo, 2010). Granted that Cricket being the most popular sport was getting all the hype in the media and generated interest from a larger section of the country. But the emergence of players such as Baichung Bhutia, and then the current Indian captain, Sunil Chhetri increased the fandom in football on a larger scale. The Indian football was very different from the western

football or the European Football because there was not an established league system in the country. To understand that we have to talk about the emergence of sports leagues in the country.

India as we know is an emerging sports market and sports leagues in the country across various sports are appearing for the first time or are relatively new. In contrast, professional sports leagues are present in the developed sports markets since ages (Tripathi and Kapoor, 2017). Generally, the first "league" format style was introduced in Cricket with the inauguration of Indian Premier League or the IPL (Lunawat, 2020). With the resounding success of IPL, various sports federations in the country started league systems for different sports. The inauguration of the Pro Kabaddi League was in 2014, Hockey India League was in 2013 and so on. Similarly, the All-India Football Federation (AIFF) launched the Indian Super League or the ISL in 2013 in a bid to revamp and revolutionise the Indian football circuit. Having been started in 2013, the league officially got recognition from the Asian Football Confederation (AFC) just before the start of the 2017-18 season (Lunawat, 2020)

The Indian Super League started off with eight teams in 2013 and expanded to 10 teams after the recognition from the Asian Football Federation. The main objective of the ISL was to revolutionize and revamp the national football circuit and organizing a proper system where players can gradually develop and grow and finally be ready for the Indian national football team. Along with this, one of the major objectives of the ISL was to find local talents and nurture them (Sarma, 2017). This can be noticed with the emphasis that each and every team is giving towards the grassroots setup where they are trying to find local talents from a young age and taking them under their wing to help, nurture and transform them so that they can perform to the best of their ability. Out of the, 11 football clubs that compete in the ISL, the research will be overly focused on one club, North-East United FC.

Out of the 8 teams who started the inaugural season of ISL, one team was called the North-East

United FC. It represents the 8 north eastern states of the country and has its base in Guwahati, Assam. It was bought by John Abraham, a Bollywood actor, and another Indian Football team called Shillong Lajong Football Club. For the inaugural season, the club announced the signing of the Spanish World cup winning player, Joan Capdevilla. The reason as to why the league was created is to revolutionize the Indian football circuit (Sarma, 2017). There are different aspects to how the growth of a club or the league in general can be ascertained. One of them is to understand the financial value of the club. The interest in the financial valuation of a franchise or a sports entity has been on a rise in the recent past (Flora, 2020). The yearly valuations of the football clubs in the world-renowned leagues, namely the European Leagues, the Major League Soccer (MLS) in the USA are done by several entities such as Forbes, Soccerex etc. However, the same cannot be said about the football clubs in the new and upcoming leagues such as the ISL.

The worth of an asset, the value associated with it is necessary in making any decisions regarding the asset. The purpose of valuation is to estimate the worth or value of an asset in numerical terms (Mazzariol & Thomas, 2016). Valuation is aimed at providing a realistic estimation of fair value of an asset or an entity (company). The football clubs are an entity and a company in themselves. It is of utmost importance to know the fair value of a football club for their owners should they wish to sell the club to a new entity. There are a few approaches that a firm can undertake in order to value their company. These are called the valuation models. The most widely used valuation model is the Discounted Cash Flow (DCF) model where an asset is valued based upon the cash inflow and cash outflow of the asset. Another model of valuation is called the Relative Valuation model where the value of an asset is estimated based on comparing the price of similar types of assets pertaining to a common variable such as the enterprise value (EV) or book ratios etc (Mazzariol & Thomas, 2016).

1.2 Problem

Valuation of the elite clubs are done year on year by different entities such as Forbes, Deloitte Football Money League, KPMG Football Benchmark, Soccerex Football Finance 100, and numerous others. However, the clubs that predominantly feature in all the indexes who "value" the clubs are from the European League setup. The reason pertaining to this could be the fact that the clubs who are a part of the UEFA are bound to publish their annual report and consolidated financial statements as part of their UEFA licensing application (UEFA, Liverpool FC). This makes is it easier to delve deep into the financial health of a football club and subsequently make a realistic estimate of how much the club is worth. The clubs that participate in UEFA club competitions are further required to publish their financials annually which is regulated by the UEFA (Pavlović, Mijatović & Milačić, 2013).

But for clubs outside of Europe, it is not necessary to publish any annual reports or financial statements since they are not bound by any entity or regulation which forces them to release their financial positions. From an Indian point of view, it is still an emerging market, there are no signs or needs of any clubs releasing consolidated financial statements annually and reporting it. This could be one of the important reasons as to why there is a lack of clarity regarding the value of a football club in India. The Indian Super League still being just 8 years old, is a fairly new league and the apprehensions regarding a fair valuation of the clubs participating in the league is understandable. This research work is an attempt at valuing an Indian Football club in a unique way and trying to understand if in the last few years, the league is stagnant or is there a consistent growth.

1.3 Research Question

India is considered to be an emerging sports market with professional league setups being introduced into different sports in the country to enhance the general notion and fandom in sports in the nation (Tripathi and Kapoor, 2017). Similarly, the launch of Indian Super

League in the sport of football was aimed at revamping and revolutionizing the football circuit in the country along with helping the local talent to grow and nurture to the best of their ability and potential (Jadhav & Raizada, 2021). One of the major purposes for the inauguration of the league was to create a football culture and infrastructure for the development of the young talent (Sarma, 2017). However, these are the long-term goals and expecting any success overnight would be naïve (Sarma, 2017). It has been 8 years since the league has been formed and the success of a league can be determined by how the clubs participating in it are doing. In order to understand how the clubs are doing, a look at the financial value of the club is essential as that will determine if the club are going in a positive direction or not. The growth of a club is directly proportional to the growth of a league. This leads the researcher to analyse and provide academic insights to the question of:

RQ: Is there a financial growth in North-East United FC and subsequently the Indian Super League and is it on the rise?

1.4 Purpose

The primary objective of this research work is to evaluate the growth of the ISL. In order to do that the researcher would evaluate the financial growth of North-East United FC, one of the 11 teams participating in the ISL. As the main objective of the league is to revamp the national football circuit with the advancement of infrastructure, helping the growth of the local talent and to build a footballing culture all over the country (Sarma, 2017). This growth can be quantified and can be identified through the financial health of the football club. One of the main purposes of the researcher to research the Indian market is that it is an emerging market and not a lot of research is being done on the Indian football growth. This research is merely an attempt to logically figure out if the Indian Football has seen any growth over the past 8 years since the inauguration of the Indian Super League.

2 Literature Review

An academic overview has been presented regarding the concepts of Valuations, Emerging Markets, Regional Football Associations. Further the overlapping of each of the discussed concepts with the others has been discussed highlighting the researcher's understanding of how the value of a football club pertains to the value of the league.

2.1 Valuations

There always seems to be a debate as to what really represents as a "firm value" across all asset classes (Levy, 2016). In the field of Finance and Accounting, Valuation is one of the most researched subjects. The vast literary work encompasses several financial variables such as income, cash flow, balance sheet to explain the asset value (Core, Guay, & Buskirk, 2003). Valuation is aimed at providing a realistic estimate of the fair value of an asset and its main purpose is to numerically estimate its value in the most realistic sense (Mazzariol & Thomas, 2016). It is generally perceived that in order to explain equity valuations, the operating cash flows is a much better tool than account earnings (Liu, Nissim, & Thomas, 2007). There are a few models which are used to estimate the value of an asset or a firm with the Discounted Cash Flow (DCF) model being the most widely accepted and used (Mazzariol & Thomas, 2016). This seems to be the case thanks to several studies suggesting that the valuations made from the industry multiples are much more accurate when compared with the valuations made from the operating cash flows (Liu, Nissim, & Thomas). Various research suggested that the valuations tend to focus on the shareholder protection laws, ownership structure, board size etc, in a setting such as the bank (Elnahass, Omoteso, Salama, & Quang Trinh, 2020). Research has also suggested that due to their complex financial structures, high growth companies or entities are extremely difficult to value (Gornall & Strebulaev, 2017).

One of the major purposes of valuation is to help the buyer calculate the maximum price they should pay for an asset while helping the seller realise the lowest price at which they could be selling the asset (Fernandez, 2007). In terms a football club, it is of utmost importance for the owners to have a fair understanding of the value of their club. The fair valuation of the club is essential in taking a decision regarding the future of the club, that is, to grow the club further or abandon and sell (Fernandez, 2007). The pricing of a company by an acquirer is based on the valuation of the company acting as a benchmark, which can be driven up due to the intangible assets which increases the valuation significantly (Mazzariol & Thomas, 2016). Research has shown that there is a significant difference in the market value of the companies that have multiple shareholders when compared with a company owned by a single large shareholder (Laeven & Levine, 2006).

To understand how a sports league works, it is of paramount importance to accurately and realistically value the teams or franchises participating in it (Humphreys & Seung Lee, 2010). Understanding the rapid growth in the club values is a salient feature in the world of sports finance and the lack of audited financial data from the professional sports clubs (apart from the UEFA affiliated clubs) makes it almost impossible to accurately value them (Humphreys & Seung Lee, 2010). The club's value is dependent on the players' value, the market size, new facilities such as training ground and stadiums (Alexander & Kern, 2002). There is a lack of study on the sports clubs' values and the reasoning behind this is that a club's fundamental value is associated with the stock exchange valuations (Scelles, Helleu, Durand, & Bonnal, 2013). Majority of the football clubs are not present in the stock market and hence there is a certain discrepancy in the valuation of a football club. The lack of audited financial data also does not help the cause.

2.2 Emerging Markets

"Emerging Markets" as a term was first introduced in the late 1980s by Antoine Van

Agtmael, an economist in the World Bank (Van Agtmael, 2007). The reason as to why utmost importance is given to develop the emerging markets is that they fulfil the needs and requirements of the developed markets in terms of resources and infrastructure (Kumar & Srivastava, 2020). According to the IMF, transition economies and developing nations are classified as an emerging market (Akhmetshin, Ilyasov, Sverdlikova, Tagibova, Tolmachev, & Yumashev, 2018). In the 1990s and early 2000s, institutions were formed amongst these emerging market economies for the each other's developments and helping each other onto the path of being a developed country. Examples of these institutions include BRIC (Brazil, Russia, India and China), which later formalized into BRICS in 2010 with the inclusion of South Africa (Nielsen,Ulrik B, Hannibal, Larsen, Nørregaard, 2018). *"As emerging markets evolve from the periphery to the core of marketing practice, we will need to contend with their unique characteristics and question our existing practices and perspectives, which have been historically developed largely in the context of industrialized markets."* (Sheth, 2011). The growth of these emerging economies was related to the high yield on investments that was promised to investors (Nielsen, Ulrik B, Hannibal, Larsen, Nørregaard, 2018). The economies were able to promise high yield because of their growth and increasing productivity coupled with a demographic advantage which offered lucrative economic opportunities for the investors (O'Neill, 2011).

With the economic advantage that could be gained by entering an emerging market, many multinational companies have tried to enter these markets for a few decades now and most of them have entered successfully as well (Kumar & Srivastava, 2020). However, there have been instances where companies were unable to sustain after entering an emerging market and it is argued that the multinational companies should understand the market and evaluate multiple strategies pertaining to the economic environment of the market they are trying to enter (Nielsen, Ulrik B, Hannibal, Larsen, Nørregaard, 2018). An emerging market can be

defined as a country or an economy that is in the process of an economic liberalization, if not already, and should be producing a growth rate of in excess of 5% on a consistent basis (Arnold & Quelch, 1998).

Emerging Markets are considered to be the driving force of growth in the world, thus making them the primary targets of the multinationals for doing business (Paul, 2019). There is a growing urge among multinational companies to enter large population emerging markets such as India and China because of a growing middle-class population in these economies, which the companies feel can be used to an advantage by enhancing consumer preference for items of luxury and creating a demand for products that are yet to enter this market by introducing new trends (Kumar & Srivastava, 2020). However, emerging economies tend to be highly unstable and with respect to efficiency, they are highly imperfect as well (Khanna & Palepu, 1997). Emerging markets are different from developed markets as the economic environment is different and companies need to formulate different strategies to better understand these markets for a sustained success period (Nielsen, Ulrik B, Hannibal, Larsen, Nørregaard, 2018). In order to formulate strategies, companies need to understand the characteristics of the emerging markets and how they differ from the developed economies; these characteristics are explained by (Xu & Meyer, 2013):

- *"Markets are less efficient due to less transparency, more extensive information asymmetries, and higher monitoring and enforcement costs.*

- *Governments and government-related entities are not only setting the rules, but are active players in the economy, for example through state-owned or state-controlled firms.*

- *Network-based behaviours are common, in part as a consequence of the less efficient markets, but arguably also due to social traditions, and they influence how firms interact with each other.*

- *Risk and uncertainty are high due to high volatility of key economic, political, and institutional variables. Hence, businesses find it harder to predict parameters they need for strategic decisions, including, for example, business cycles, government actions, and the outcome of legal proceedings."*

2.2.1 India as an Emerging Market

The liberalization of the Indian Economy in 1991 has propelled it to the third rank in the world in terms of the Purchasing Power Parity, which was due to the economic growth and rapid industrialization (Dash, Purohit, & Mallik, 2020). During the 2000-10 decade, India was the second preferred economy for Foreign Direct Investment after China and among the emerging economies of the world, India is projected to remain as the fastest growing economy (Budhwar, Varma, & Kumar, 2019). FDI is considered to be the engine of an economy which generates employment, promotes technological advancements, improves infrastructure helping in the ultimate economic growth (Kuzey, S. Dine, U. Khan, & Raj, 2021).

2.3 Regional Football Leagues

The sports industry, in the past few decades, has witnessed massive commercialization with growing infrastructure, investments into developing young and upcoming talent while investing into proven players (Solntsev & Osokin, 2018). However, it is noticed that there is a different level of importance given to sports in different countries because of their differing policies with regards to sports development which can be attributed as a cause for different level of investments into the same sport in different countries (Solntsev & Osokin, 2018). Football is a prime example as to how investments into football are different in different parts of the world. The first thing that is thought about when the phrase 'regional football leagues' is mentioned is the English Premier League which by far is the richest football league in the world (Lago, C. Lago-Peñas, & S. Lago-Peñas, 2018). Different

countries have different leagues and football structures where their main aim is to promote talent, both domestic and international, in order to generate the maximum revenue. Major Leagues around the world are Premier League (England), Bundesliga (Germany), Serie A (Italy), La Liga (Spain), Ligue 1 (France), etc. In this decade we have seen new football leagues getting recognized worldwide and their popularity increase such as MLS in the USA, the Chinese Super League and one of the newest leagues in the world coming into the world forum is the Indian Super League (ISL).

2.3.1 Indian SuperLeague

Indian Super League is one of the two top tier football leagues in India which was introduced by the All-India Football Federation (AIFF) in 2013 in order to promote football and develop young talent with a view of propelling Indian football to greater heights (Singh & Sharma, 2020). In 2014, the world ranking of India was 171st and the introduction of ISL was aimed at increasing the level of football in the country and genuinely progressing and increasing the standards (Sarma, 2017). It can be inferred that, at the very least, the country is on the right track with a year-end world ranking of 104th in 2020 with an aim to break into the top 100 in the near future. ISL was inaugurated with 8 teams in 2013 and current it has 11 teams participating in it.

2.3.1.1 North-East United FC

North-East United FC is a football club in the Indian Super League which has been a part of the league since the very beginning, and it represents the 8 north eastern states in India (Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Sikkim, and Tripura). It has its base in Guwahati, Assam. The two states of Manipur and Mizoram constitute for more than 25% of the total players in the ISL (Basu, 2021). North-East United FC plays as the perfect breeding ground for the development of the new and upcoming talent out of the north-eastern states.

3 Methodology

In this chapter, the methodological choices, and considerations to conduct an empirical study has been highlighted. The exploration of the literature with regards to the research topic has been elaborated. The analysis based on the data found and subsequent calculations is discussed with a view to provide an answer to the research question.

3.1 Research Strategy

For this research, a mixed method approach was opted for, which included quantitative data of the football club, North-East United FC. The financial statements of the club were analysed and other factors such as the player values, Cash in the bank, Tangible assets such as value of the stadium and training ground were analysed in order to interpret the financial health of the club. Then the findings were compared with the previous years to understand if there has been any growth in the club or not. All the data pertaining to the club, i.e, financial statements, cash in the bank, the tangible assets were extracted from the Ministry of Corporate Affairs (MCA) India database. The data pertaining to the player values were extracted from the reputed German sports website Transfermarkt.

The qualitative research is based on the observations that can be inferred from the analysed quantitative data which the researcher attempts to interpret and understand as to why and how the club the performing financially as it is. The aim of the research is to provide a model to evaluate the overall growth in the football club over the past few years by evaluating the aforementioned parameters. Another metric to measure the financial strength and understand the data is the Net Debt. The calculation of the Net Debt would help in the explanation of the financial might of the club. The mixed method approach used in this research aims at providing details as to what is the financial strength of the club and how has the growth been at the club over the course of few years and finally the analysis of the net debt aims at

providing the answer pertaining to the growth of the club.

3.2 Data Collection and its Interpretation

The data pertaining to the club such as its financial statements was extracted from Ministry of Corporate Affairs India. From the financial statements, the total revenue generated by the club in a fiscal year was collected as well as the total expenditure. The total revenue included the revenue generated from the league, Sponsorship, Ticket Revenues, etc. From the cash and cash equivalents, the total cash that is instantly available to the football club was calculated.

The player values data was collected from the Transfermarkt website, and all the calculations made were in Indian Rupees and they are in crores.

3.3 Calculations and Explanations

To find out the financial strength of the club, the value of the players, value of the tangible assets such as the stadium and training centre, cash in the bank is calculated. However, the home stadium of North-East United FC is owned by the government of Assam and the team is renting it from them. Hence, the calculation of tangible asset or the value of the stadium in this case is calculated as the revenue generated from tickets minus the operating cost of the stadium along with the rent.

SEASON	PLAYER VALUES (IN CRORES)
2018-19	41.66
2019-20	45.41
2020-21	36.03
2021-22	30.41

Table 1: Player Values of North-East United FC in the last 4 seasons

As the fiscal year in India is calculated from April 1st to March 31st, the financial statement for the FY21-22 is unavailable. Hence, for this research the data for FY20-21 is focussed upon. It can be seen that the player values were on the rise before suddenly coming down

in the 2020-21 season and then again in the 2021-22 season. This can be attributed to the Covid- 19 pandemic that halted football leagues across the world and India was no different in that regard.

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue from ISL	8.97	9.8	16.5	15.64	15.99
Sponsorship	10.3	6.8	7.2	2.85	2.56
Ticket Revenues	4.04	1.2	1.98	0.84	0
Total Revenue	23.31	17.8	25.68	19.33	18.55
Participation Fess	12.06	12	12	10.2	10.2
Renumeration (Player and Coach)	15.4	9.19	14.08	13.1	11.69
Operating Cost (Stadium Cost)	2.06	1.7	1.58	0.93	0.45
Total Expenses	29.52	22.89	27.66	24.23	22.34
Net (Revenues – Expenses)	-6.21	-5.09	-1.98	-4.9	-3.79

Table 2: Revenue and Expenditure of North-East United FC (in Crores)

The above table calculates the total revenue generated through various sponsorships, revenues earned from the league finish and the total ticketing revenue which included the match day income and the sale from food and beverages. Participation fee pertains to the fee paid to the ISL in order to take part in the competition. Renumeration is the salary paid to the players and coaching staff. The operating cost is the cost incurred from the management and operation of the stadium and the rent paid to the Government of Assam in order to use the stadium as the home stadium for the club. This table aims at providing the financial health of the club and how it is faring and how it is doing in the market.

YEAR	CASH AND CASH EQUIVALENTS (IN CR)
2016-17	0.70
2017-18	0.33
2018-19	0.08
2019-20	2.35
2020-21	0.22

Table 3: Cash and Cash Equivalent of North-East United FC over the past few seasons

The cash and cash equivalents pertain to the amount that is available with the club at that point in time. It is also known as the "cash in the bank" amount.

Year	2017-18	2018-19	2019-20	2020-21
Long-Term Borrowings	4.06	22.01	33.66	43.61
Short-Term Borrowings	0.64	0.64	0.62	0.62
Current Assets	26.8	31.98	31.31	34.02
Net Debt	-22.1	-9.33	2.97	10.51

Table 4: Net Debt (in Cr) of North-East United FC

The calculation of net debt is important because it shows the financial strength of the club and how well the club is equipped to pay off its debts if they were to suddenly get due. The negative sign in the final net debt calculation shows that the club possesses enough cash to pay off its long-term and short-term borrowings and still able to have an addition cash balance. The formula used for the calculation of Net Debt is as follows:

Net Debt = (Long-term borrowings) + (Short-term borrowings) – Current Assets

Year	2018-19	2019-20	2020-21
Player Values	41.66	45.41	36.03
Cash in the Bank	0.08	2.35	0.22
Ticket Revenues	1.98	0.84	0
Operating Cost	1.58	0.93	0.45
Total Value	42.14	47.67	35.8
Net Debt	-9.33	2.97	10.51

Table 5: Financial Strength (in Cr) of North-East United FC

The player values data has been extracted from the Transfermarkt database where the value

of each player was compiled for the particular season and the overall player value for that particular season was calculated. Cash in the Bank is the amount of cash that is available to the club immediately either as liquid cash or as a deposit in the bank. Ticket Revenues pertain to the revenue generated from the sale of tickets and the sale of food items and beverages during a game. The Operating Cost is the management and operating cost of the stadium. As the club's home ground, Indira Gandhi Athletic Stadium in Guwahati is owned by the Government of Assam, the club rents it from the government and pays a rent to them for its usage. The rent is also included in the operating cost. The total value that is calculated can be termed as the worth of the club in the purest sense. The calculation and purpose of net debt is already explained in the previous table and paragraph.

4 Results and Discussion

The data from Table 1 talks about the value of the players in the club over the past few seasons. The value of the players is directly proportional to the teams' performance in the league and subsequently the revenue earned from the league at the end of the season. This can be explained as the reason as to why the total player value rose from INR 41.66 Cr in the 2018-19 season to INR 45.41 Cr for the 2019-20 season. The player values for a particular season is depended upon their performance in the previous season. So, the player value increase for the 2019-20 season can be attributed to the fact that the club reached their maiden playoffs in the 2018-19 season. This can also be explained from the fact that there is a significant jump in the revenue earned from the league in 2018-19 season compared to the 2017-18 season (See table 2.). This can be explained as the reason behind the increase in the player values. Similarly, the sharp decline noticed in the 2019-20 season where the player values fell by almost 21% can be attributed to their dismal performance in the league where they finished 9th out of 10 teams in the 2018-19 season. However, the revenue

generated was still very high. This can be considered as an indicator for the growth of the league. The subsequent dip in the player values for the current season can be attributed to the covid-19 pandemic because of all the disruptions caused in the league. Their revenue from the league marginally got better, but for a team who qualified for the playoffs, it was still low which is an indicator that the growth of the league has been hampered due to the pandemic.

From table 2, it can be noticed that the net value is the lowest for the 2018-19 season. This is because of the team qualifying for the playoffs for the first time which bumped up their revenue from the league. The comparatively high renumeration figure shows that the team acquiredthe services of quality domestic and international players which contributed to their success on the pitch and subsequently off it. The cash and cash equivalent data from table 3 shows the total cash the club had either as a deposit or as liquid cash. The figure to the 2019-20 season again can be tracked to the revenue generated by the club in qualifying for their maiden playoffs which subsequently increased the cash in the deposits. The sudden dip in the cash equivalent data from FY2019-20 to FY2020-21 can be explained by the pandemic where the revenue generated from tickets is nil but the club still had to pay for the operation and maintenance cost of the stadium (See Table 2).

In table 4, the Net Debt is calculated. The calculation of Net Debt is essential because it shows the financial strength of the club. It shows if the club has enough liquid cash to pay off its debts if they were to suddenly become due today. The negative net debt of INR -22.1 Cr for the FY2017-18 shows that if all the debt were to suddenly be due today, the club would be able to pay off its debts and then have and additional assets worth INR 22.1 Cr. The net debt keeps on rising which shows that the owners are investing into the development and growth of the club with increased long-term borrowing. Although, there has been almost 27% rise in the current asset value between FY2017-18 to FY2020-21, the long-term

borrowing increased significantly, thereby increasing the net debt.

In table 5, the financial strength of the club has been calculated. The financial strength in this particular sense can be termed as the worth of the club in the purest form. The total value or the worth of the club stood at INR 42.14 Cr for FY2018-19 and gradually increasing showing a good growth. However, due to the pandemic a lot of revenue was lost, mainly the ticketing revenue, sponsorship value and the player values decreased as well, which subsequently decreased the financial worth of the club.

The Research Question focusses on the value of the football club with an aim of understanding the Indian Football League and if it is growing. With all the financial evidence, it can be said that the club was on a growth course both on and off the pitch with impressive results on the pitch and a steady financial growth. There are several factors that are indicative of this such as the league revenue earned. The fact that the revenue earned from the league in FY18-19, when the club qualified for the playoffs, and FY19-20, when the club finished in 9th place out of 10 teams, being merely 5% less speaks volumes about the growth of the league (See Table 2). Not only this, but the net income of the club also keeps on increasing even with the pandemic is clear evidence to the fact that there is a huge growth in the club and thereby the league. The data and calculations show clear evidence to the fact that there is a growth in the club. It can be extrapolated that the growth of the club boils down to the overall growth in the league thanks to evidence such as the increase in the league revenue, the decrease in the participation fees which is an indicator that the league is on its way to becoming self-sustaining which can be termed as a measure of growth.

4.1 Limitations and Scope for Future Research

The concept of worth or value is very subjective in nature which. Hence the worth of a football club or a league is open to interpretation. The academic research in the area of sports franchise valuation is severely limited (Markham, 2013). Coupled with a new league that is

just 7 years old, there are virtually no or absolutely minimal literature available regarding sports franchise valuations in India. A proper valuation method such as the DCF method could not be used because of the lack of data point to calculate the expected future cash flows thereby limiting the scope for a DCF valuation method. There is a huge scope for future research as there is very limited research done on the valuation of a sports franchise. Inaccessibility of data pertaining to the valuation of a franchise is an issue which needs to be dealt with. India is a new and emerging sports market and hence research such as this would take a few time as the process of procuring data is not streamlined.

5 Conclusion

In an emerging sports market like India, introduction of professional sports leagues in the country shows the increasing interest in sports in general (Tripathi and Kapoor, 2017). The Launch of ISL was aimed at revolutionizing Indian football and growing it to a stage where India is a footballing nation at a global stage, but its still a long way to go for that (Jadhav and Raizada, 2021). After the research, it can be said that there is a definite growth in Indian football over the past few years. The revenue generation for North-East United FC (See Table 2) even during the pandemic shows the incredible amount of growth that the Indian football has achieved through ISL. There is a definite financial growth in the North-East United Football Club as seen from the results and findings above, which subsequently shows that there is a growth in the Indian Super League. There are efforts being made to make Indian football grow, however expecting results overnight would be naïve (Sarma, 2017). However, from this research it can be concluded that there is a growth in the league which shows that the footballing culture in the country is on a growth spree.

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