



# Indian Online Gaming Market Sector Update & Investment Trends

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December 2021

# Preface



**Pankaj Karna**

Founder and MD  
Maple Capital Advisors

We initiated sector coverage in mid-2020 amidst the pandemic as we saw green shoots in the sector. Our belief stands reaffirmed as the investments have crossed USD ~1.6 Bn in the first 9 months of 2021 and exceeded what was invested in the last 5 years. We believe gaming is now beyond an inflexion point with greater investment and consumer traction.

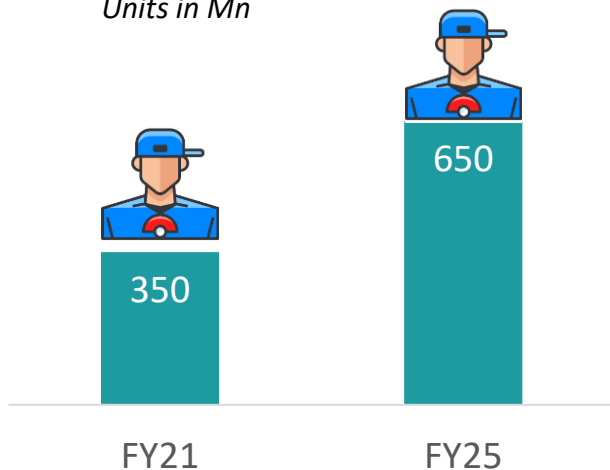
With growth-oriented Private Equity Funds now participating and the first successful listing, gaming is poised to attract greater capital across stages, and we expect increased cross border M&A activity. We expect investments to increase in the sector in the next 12-18 months. Consumer traction (~17% of global traffic) on the back of greater awareness and engagement is likely to accelerate. Even as share of monetization in India as compared to globally (~1% of global share) is low, we are seeing strong growth in monetization. Also, clearer category leaders are likely to emerge. We expect improved regulatory coverage or judicial clarity, especially in the Real Money Gaming space. This will further drive growth in the gaming sector.



# Indian Online Gaming Market Update

## Online Gaming Users

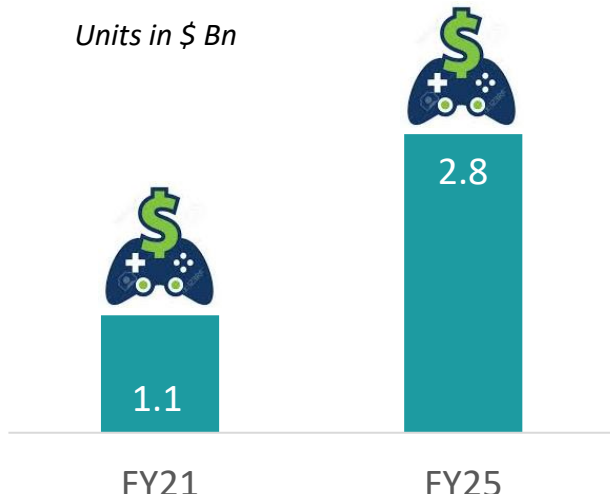
Units in Mn



- Post pandemic, gaming has become mainstream in India, driving growth in users, revenue, ARPU, etc.
- Online Gaming in India sky-rocketed in the last 18 months, majorly driven by the pandemic & lockdown
- Unlike global trends, mobile gaming in India accounts for 90% market share - 3+ Bn downloads
- High volume (~17% Global traffic), low value - ARPU (~1% Global market) now seeing some value growth - 6x growth estimated in the next 4 years
- Key growth drivers – increasing smartphone penetration, growing internet penetration, young population, adoption of digital payments, work from home culture, aggressive Indian gaming users, new entrants, genre diversification, etc.

## Online Gaming Market Size

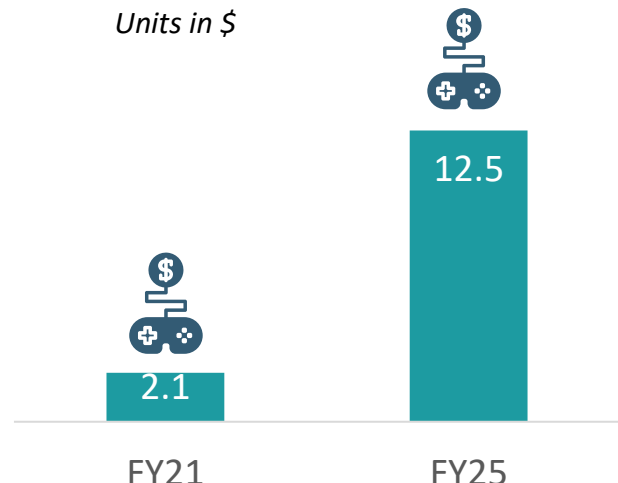
Units in \$ Bn



Increasing smartphone penetration, growing internet users & young population will drive market growth

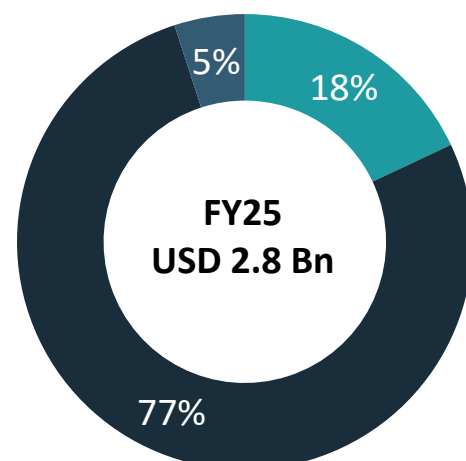
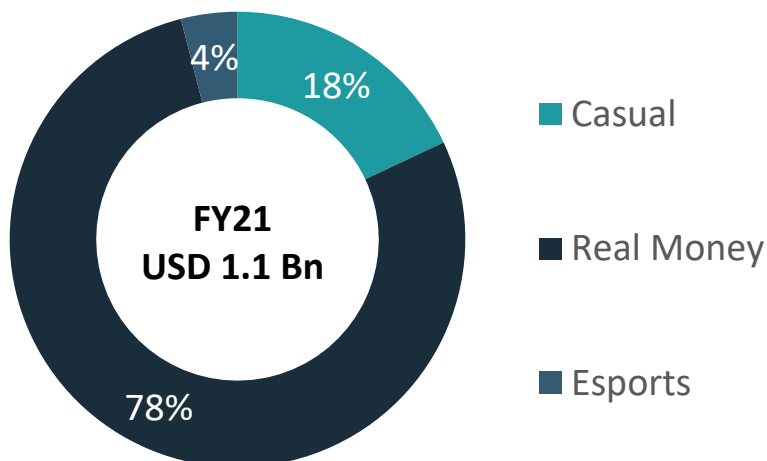
## Online Gaming ARPU

Units in \$



Even though, ARPU is estimated to grow, ARPU is considered low in India when compared to global ARPU (\$130 - \$150)

## Online Gaming Revenue by Segment

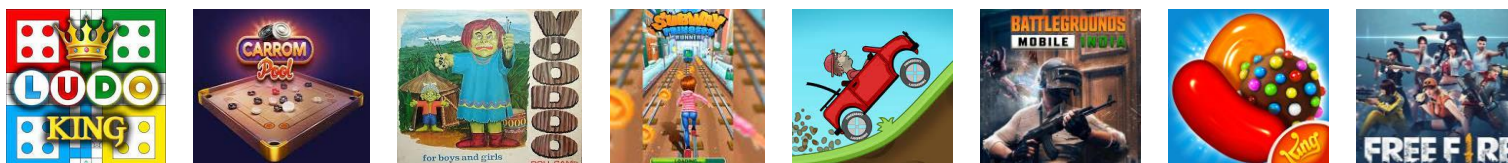


# Segment Overview

## Casual Gaming

- India's Casual Gaming market is thriving as the segment sees maximum value traction among gamers as its easy to play
- India witnessed highest casual game downloads in the world (excluding China) in 2020, Q1-Q3 2020 downloads standing at ~7.3 Bn
- Casual games such as Candy Crush, Ludo, & Teen Patti have attracted new audiences across all demographics
- MAUs for top 100 mobile games and the time spent on online gaming, are higher by 10-15% post lockdown 2020, indicating a new normal
- Increasing online transactions & emergence of new gamers, have led to strong growth in in-app purchases in casual games – New Revenue Stream

### Top Casual Games Downloads in 1H 2021



## Real Money Games (RMG) (Cards & Fantasy Sports)

- Real Money Games (RMG) such as Cards (Poker & Rummy) & Fantasy Sports have attracted significant interest from investors in 2021 - ~\$700 Mn in First 9 Months of 2021
- People with disposable income & passion for sports are driving the growth of this segment – it is projected that RMG segment will drive the growth of ARPU in India
- Rummy is one of the most played cards games followed by Teen Patti & Poker; Rummy is played by ~60 Mn+ gamers
- Fantasy Sports has witnessed a steep growth in last 24 months; 100 Mn+ gamers are playing fantasy sports across platforms – propelled by IPL & other sporting events in India & Globally
- Real Money Games have attracted legislative restrictions and subsequent judicial interventions

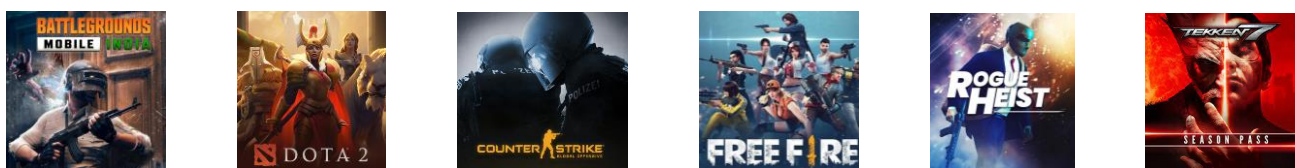
### Top Real Money Games played in 1H 2021



## E-Sports

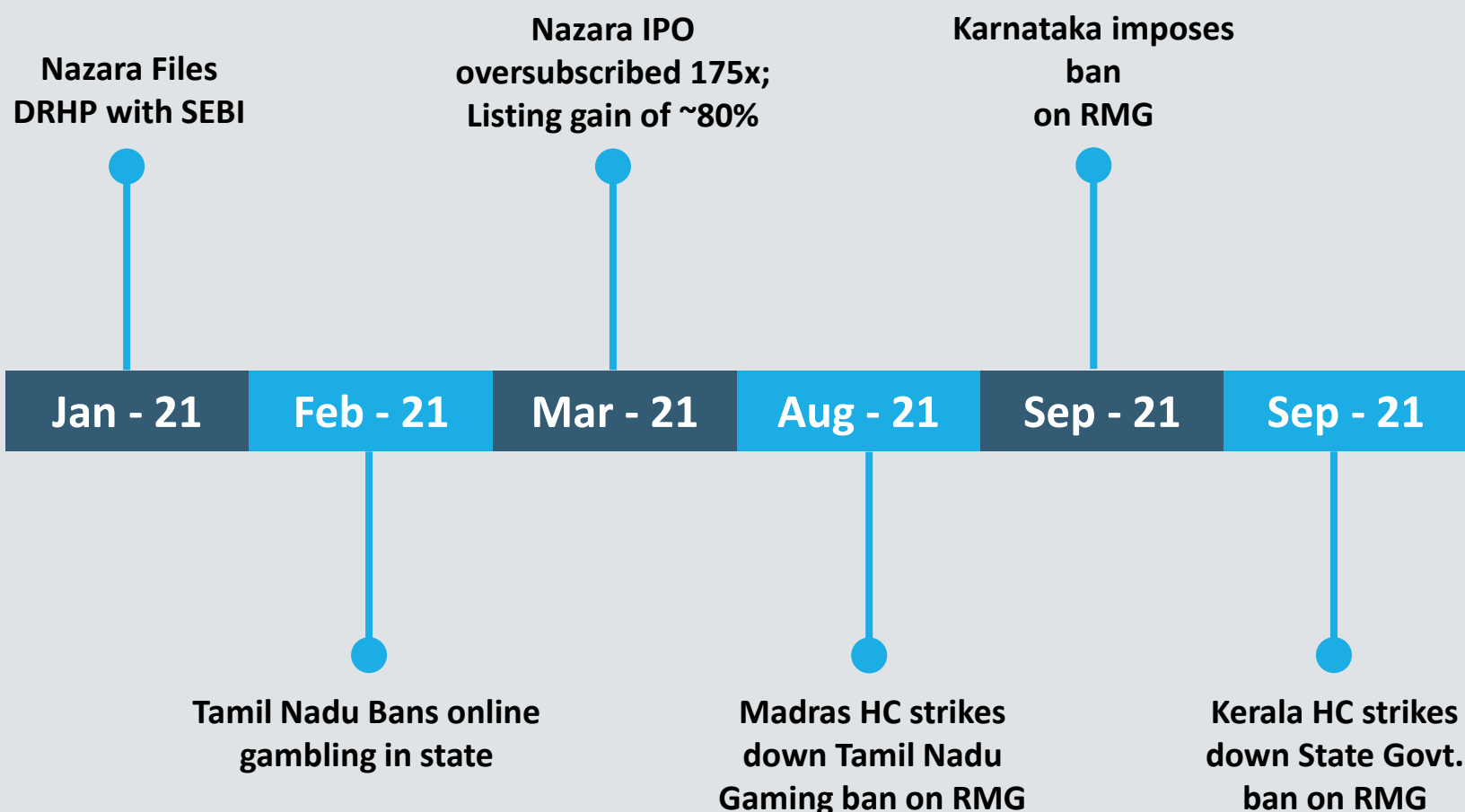
- E-Sports market is estimated to be \$40 Mn in FY21 & is projected to reach \$145 Mn By FY25, growing at ~35-40% CAGR; it has become a mode of entertainment for GenZ & Millennials as it is accessible indoors especially due to the pandemic
- As of FY21, 150,000 professional players generate viewership for 17 Mn people & is estimated to grow 1.5 Mn professional players, 85+ Mn viewers by FY25
- To achieve global scale & potential, the segment will get further enhanced with regulatory support in terms of recognizing e-sports

### Key Games on Which E-Sports Tournaments are Organized





# Key Sector Milestones for 2021



HC – High Court

## Stellar Listing of Nazara Technologies on Indian Stock Exchanges

- **Nazara Technologies** became the first online gaming company to be listed on the Indian Stock Exchanges
- It offers interactive gaming, eSports, and gamified early learning ecosystem
- In FY21, the company reported a revenue INR 4,542 Mn & EBITDA of INR 411 Mn
- Company witnessed significant interest from investors during the IPO; NII portion was oversubscribed by 389x, QIB by 104x, & RII by 75x
- It made a stellar debut on the Stock Exchanges as listing gains were ~80%
- Given the current scenario, it is estimated that Nazara will outperform in the coming years
- Company has setup a subsidiary in Kenya (South Africa) & is looking to expand its presence in the continent in the RMG segment
- Nazara & its subsidiaries are on a continuous spree to acquire gaming companies in India & overseas market

Particulars	Details
Issue Size	INR 5.8 Bn (\$78 Mn)
Issue Price	INR 1,101 (\$14.7)
IPO Subscription	175x
Listing Price	INR 1,990 (\$26.5)
Listing Gain	~80%
First Day Closing Price	INR 1,577 (\$21.0)
Current Stock Price	INR 3,202 (\$42.7)
Current Market Cap	INR 97.4 Bn (\$1,230 Mn)
C. Market Price/ Issue Price	3x

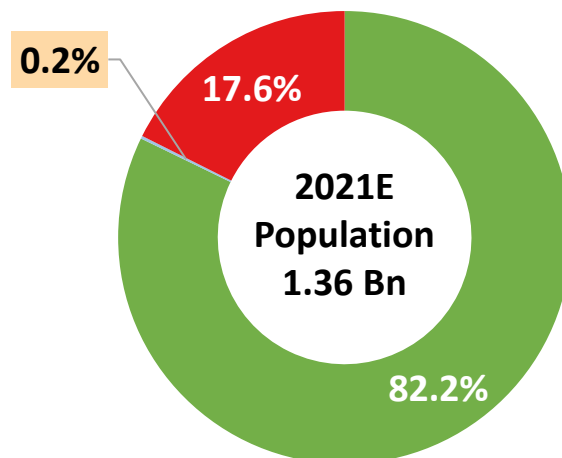
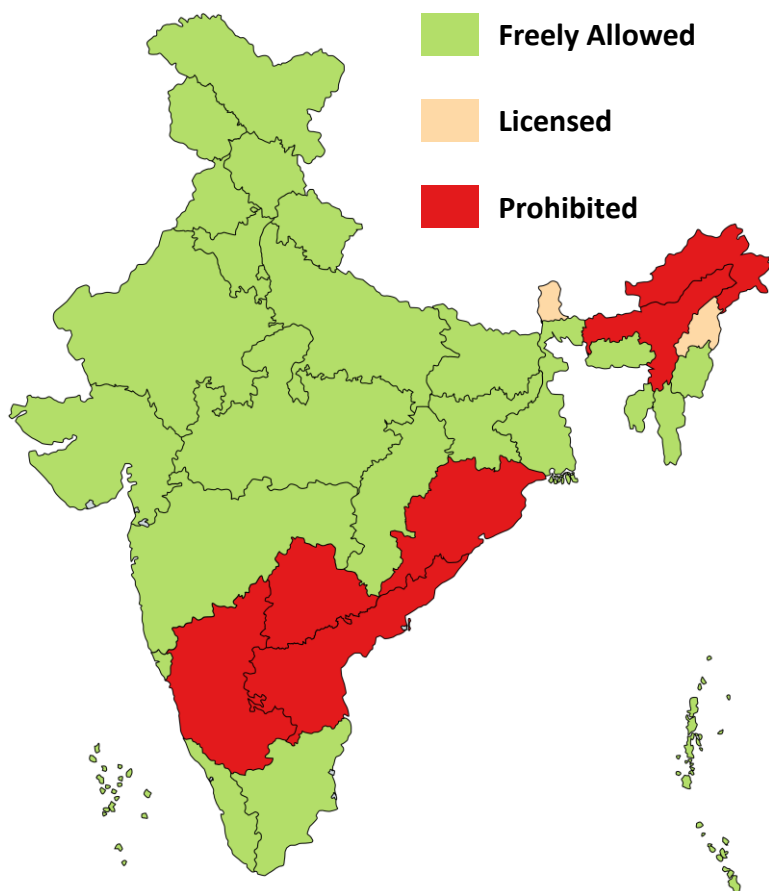
Share price & market cap as on 11 Oct 2021

FX Rate – USD 1 = INR 75

# Regulatory Developments

## Regulations in RMG – Game of Skills

82% of India's Population is free to play Real Money (skill based) Games



## Recent Developments

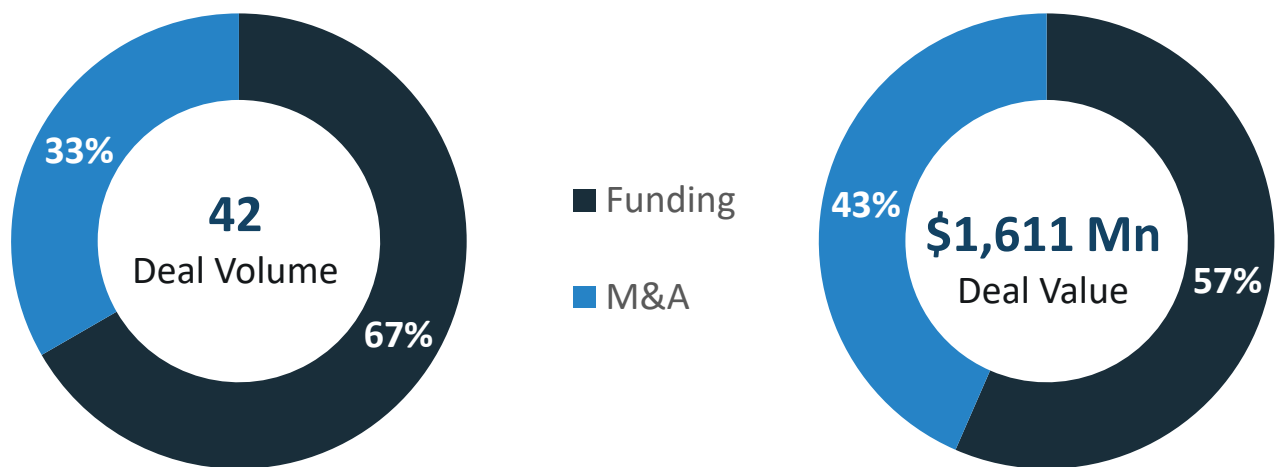
In a major development for the Indian gaming industry, the Madras High Court struck down the Tamil Nadu law banning real-money games of skill such as poker and rummy, calling the ban “excessive and disproportionate”. Along similar lines, the Kerala High Court quashed a notification that banned online rummy for stakes, holding that that a ban on a recognized game of skill, was arbitrary and in violation of the fundamental right to free trade and commerce guaranteed under Article 19(1)(g) of the Indian Constitution. These verdicts from the high courts mean that games that were previously banned can now be freely offered in Tamil Nadu and Kerala respectively. These may also serve as persuasive judgments in case other regressive legislations are judicially challenged across the country.

The state law commission of Uttar Pradesh has published a draft bill governing online gaming and gambling which differentiates between “games of skill” and “games of mere skill”, suggesting that games meeting a very high threshold of skill can be allowed to be played for stakes. On the other hand, Karnataka has passed banning online gambling and gaming, including games of skill played for stakes.

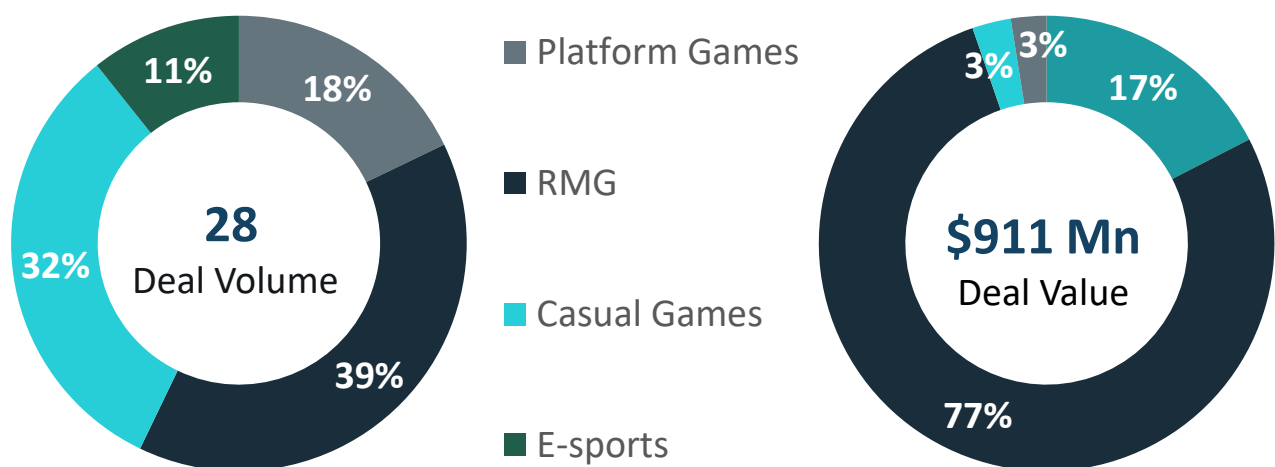
Efforts by the industry: Since the regulatory landscape for the gaming industry in India is inconsistent across states, self-regulatory mechanisms allow the gaming industry to tackle regulatory and social concerns arising from online games. Industry bodies like AIGF, FIFS, and TORF ensure that their member gaming companies follow responsible gameplay practices through guidelines on advertisements, platform access, fair play, financial safeguards etc.

# Key Transactions in 2021 (till Sep)

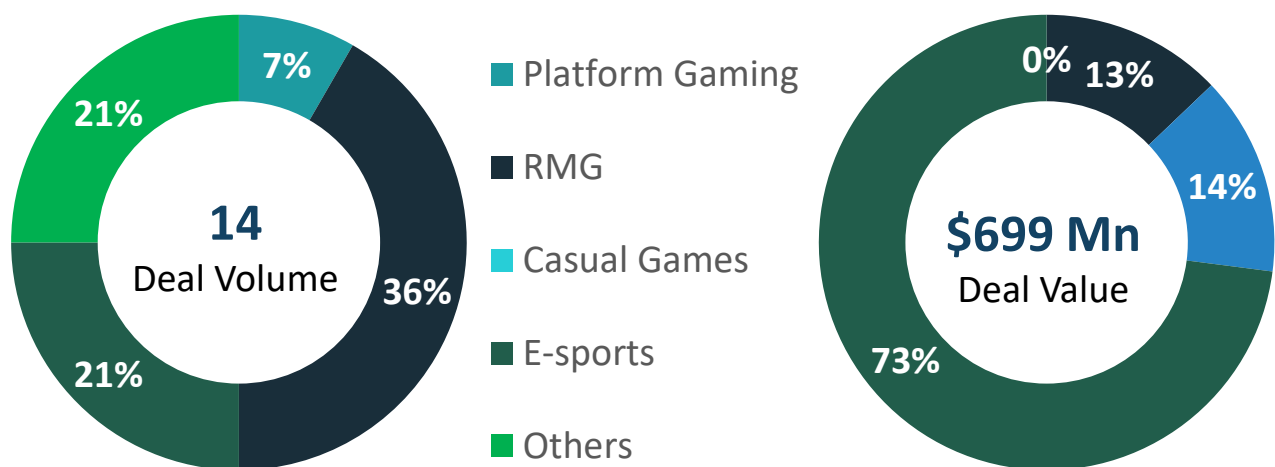
## Gaming Investment Traction



## Private Equity & Venture Capital Transactions
















## Mergers & Acquisitions Transactions



~\$1.6 Bn is invested in the gaming companies in first 9 months of 2021



















# Select Funding Transactions in 2021 (till Sep)

Date	Target Company	Key Investor (s)	Segment	Deal Value
Sep 21		Sequoia, Moore Strategic Venture, RTP Global, SIG, Play Ventures, etc.	RMG	\$150 Mn
Sep 21		Hashed, Nexus Venture Partners, Accel	Platform	\$15 Mn
Sep 21		Antordaya Commercial And Holdings	RMG	\$12 Mn
Aug 21		WestCap Group, Orios Venture Partners, Matrix Partners India, Tomales Bay Capital	RMG	\$30 Mn
Jul 21		Griffin Gaming Partners & Makers Fund	Platform	\$65 Mn
May 21		Inventus, Inflexor Ventures, Chiratae Ventures, & Bharat Innovation Fund	Casual	\$17 Mn
May 21		Smiti Holding, Saanush Holdings & others	Casual	\$6 Mn
Apr 21		Courtside Ventures, Makers Fund, The Stuart Partners	Platform	\$8 Mn
Mar 21		D1 Capital Partners, Falcon Edge, Tiger Global, ChrysCapital, TPG Capital, Steadview Capital, etc.	RMG	\$400 Mn
Mar 21		Krafton Inc.	E-sports	\$22 Mn
Feb 21		Composite Capital, Moore Strategic Ventures, Base Partners, RTP Global, etc.	Platform	\$90 Mn
Jan 21		WestCap Group, Matrix Partners	RMG	\$10 Mn
Jan 21		Plutus Wealth Management	Platform	\$ 68 Mn

- From early-stage investors to large private equity funds, all are now investing in the sector; Sector has also attracted international investors to invest in the Indian market
- ~90% of the capital invested in the sector was primarily in the Fantasy Sports & Platform Gaming; 2 large players have together raised ~\$1.2 Bn - Dream 11 has raised \$785 Mn & MPL has raised \$375 Mn (Total Funding)
- In next 12 – 18 months, many new immersive media gaming companies are likely to attract early-stage investors; Platform plays & e-sports segment will witness large capital infusion from growth VCs & PEs



# Select M&A Transactions in 2021 (till Sep)

Date	Target Company	Acquirer	Segment	Deal Value
Sep 21			RMG	Undisclosed
Aug 21			RMG	\$25 Mn
Aug 21			Others	Undisclosed
Aug 21			Others	Undisclosed
Aug 21			E-sports	Undisclosed
Jul 21			Casual Games	\$510 Mn
Mar 21			RMG	\$66 Mn
Feb 21			RMG	\$7 Mn
Feb 21			Platform	\$90 Mn

- The sector has started witnessing consolidation, large players are acquiring/partnering with mid & small companies to expand their presence across segments
- Seeing rapid growth of the Indian gaming market & given the population size, large global players are now eyeing Indian gaming market & have started acquiring/partnering with domestic companies to expand geographic presence
- In next 12-18 months, many more global players are likely to explore Indian market through partnering/acquiring domestic companies in India; Large companies will continue expanding segment presence through inorganic growth

# Emerging Trends & Way Forward

- 1 Attractive Market**  
Gaming in India is today considered as an attractive sector for investments, given strong customer traction & compelling unit economics; Propelling as a mode of Entertainment & on the back of RMG
- 2 Highest Downloads**  
India has the highest Casual Gaming download (Excluding China) with 7.3 Bn downloads, which is 17% of the global gaming download (43 Bn) – Significant growth is expected in coming years
- 3 Growing Online Gamers**  
Rising interest of GenZ & Millennials, rapid penetration of internet & smartphones along with ease & accessibility of playing games indoor is driving growth of online gamers - ~650 Mn by FY25
- 4 Growth of E-Sports in India**  
Increasing professional gamers, significant growth in viewership base, multiple e-sports tournaments, large prize pool, & medal event in Asian Games-22 are thriving the growth of E-sports in India
- 5 Evolving Regulatory Environment**  
Environment is evolving with legislator intervention in select states, impacting Games of Skills; Judicial Interventions has reversed such situations in multiple cases, paving way for clear directions for RMG
- 6 Gaming Platformization**  
Gaming companies in India are now focusing on creating a platform with mix of RMG & Casual Games – diversifying risk & increasing gamer engagement
- 7 Casual Gaming to be Enhanced by Immersive Media**  
AR/VR is helping casual gaming companies in enhancing immersive gaming experience & is also helping develop new ways of monetization
- 8 Strong Investor Traction**  
Given the interest of financial investors & strategic players, sector is likely to see multiple unicorns in the coming years; Successful listing of Nazara aligns well for investor traction in the sector
- 9 Increasing Interest of Global Strategic Players**  
Global gaming companies have already started showing interest in the Indian gaming ecosystem through JVs & strategic partnerships (M&A); Many more may consider entry in next 12-18 months
- 10 Investments to Double in 12-18 Months**  
We expect gaming investments to double via private equity, M&A, and IPOs in the next 12-18 months; many new companies will disrupt the gaming ecosystem by raising growth capital

# Expert Insights

## Mr. Sreeram Reddy Vanga

Founder, Open Play Technologies (Now Nazara Group Company)

The last 5 years have been transformational for the Indian gaming ecosystem. Over 50% of India's population is under the age of 25 & with the explosion of mobile internet, we see that 80% of gaming today is on a mobile device.

With 340+ million gamers as of date and the number project to double within the next 3 years, the gaming industry is a focal point of interest from investors in India & across the globe. Along with social/casual games, investor money is also making its way to cloud gaming, crypto gaming, streaming, AR/VR startups which will pave way for a new wave in gaming



## Mr. Siddharth Kedia

CEO, Nodwin Gaming

While Indian gaming and esports landscape is mobile first and growing rapidly, there is very encouraging growth trend that PC gaming & esports is witnessing in the country. My personal view is that PC esports is going to become a big monetary as well as engagement driver in the next 3 years.



## Mr. Yudi Bahl

CFO, Octro Inc.

Over the past 18 months, online gaming in India has surpassed all expectations: User growth and revenues have exploded, strategic and financial interest is at an all-time high, and Indian gaming companies are boldly chasing global aspirations. This is not surprising given the extent of smartphone penetration, growing inclination towards social / interactive engagement online combined with the hunt for pure and simple entertainment options. I expect the exuberance to continue on all fronts and firmly believe that Indian companies driven by ambitious entrepreneurs will drive innovation and make their mark on the global stage. Further, a facilitative regulatory environment can be a fillip for a nascent and exciting industry and be a driver for attracting global growth capital.



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