

ONLINE FANTASY SPORTS IN INDIA

Fantasy Sports: A brief history

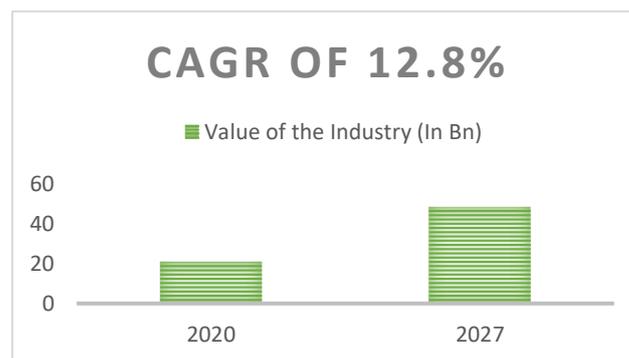
Since the 1990s, the advent of the internet led to large-scale popularisation and commercialisation of fantasy sports leagues globally. Fantasy sports platforms and operators have developed different kinds of competitions broadly based on the nature of sports, seasonal duration and number of sporting teams. In India, the fantasy sports competitions started from early the 2000s, however it took almost a decade for this to gain popularity largely driven by availability of affordable smartphones, internet penetration and the growth of different mobile application platforms.

Although the fantasy sports industry is still in its nascent stage in India, it is already a significant contributor to the Indian economy, both directly and indirectly. Generation of revenue and employment are direct contributions, and impact on other industries like advertisement and online payment gateways are indirect contributions of fantasy sports industry to the economy.

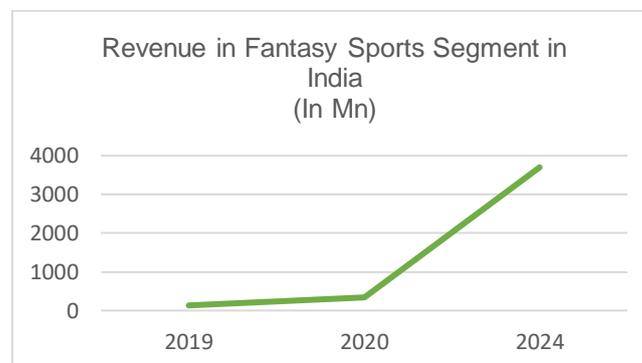
Online Gaming & Fantasy Sports: global scenario & trends in India

Globally, online gaming industry is one of the fastest growing industries and the fantasy sports segment forms a major constituent of this industry. The United States is one of the major markets for online fantasy sports and its value as of 2021 is estimated to be USD 8.4 billion¹. With a CAGR of almost 12.8%, the industry is expected to be valued at USD 48 billion by 2027.

Industry Value Globally²



Speaking of India, the country is evolving into one of the major markets for online gaming and fantasy sports. It is estimated that 100 million users joined various fantasy sports platforms in 2020 and currently around 14% of the smartphone users in India engage in fantasy sports gaming apps. Investors have taken keen interest in this sector and an estimated amount of USD 112 million has been invested in fantasy sports platforms in the last 5 years³.



Fantasy sports games are broadly categorised into two types: (a) free to play, where users play free contests which may or may not have cash prize associated with them, and (b) pay to play, where users pay an entry fee to participate in paid contests. In India, fantasy sports games cover various sports,

with cricket and football being the top attractions. Other popular sports which are part of fantasy sport leagues are kabaddi and hockey.

Investments trends in India

The Indian fantasy sports industry has seen an exponential growth in the number of online fantasy sports platforms. The number has increased from around 10 in 2016 to 150 in 2020. Some of the major active fantasy sports platforms in India are:

Sr No.	Platforms	Inception	Sports	Formats	Business Model	Users (In Mn)
1	Dream 11	2008	Cricket, Kabaddi, NBA, Football, Hockey	Daily and Season Long Contest	Free and Paid	100
2	Myteam11	2017	Cricket, Football, Kabaddi	Daily	Free and Paid	15+
3	HalaPlay	2017	Cricket, Football, Kabaddi	Daily	Paid Only	9
4	11Wickets	2018	Cricket, Football	Daily	Paid Only	3+
5	Fantain2013	2013	Cricket, Football, Kabaddi	Daily	Free and Paid	1
6	Starpick	2013	Football, Basketball Cricket, Tennis, Kabaddi	Daily	Free and Paid	1.2

Recently, Nazara Technologies Limited ("**Nazara**"), a leading India based diversified gaming and sports media company, made an initial public offering ("**IPO**") of an issue size of nearly USD 79 million. Nazara has offerings across interactive gaming, eSports and gamified early learning ecosystems. Some of its offerings include: (a) World Cricket Championship and CarromClash in mobile games, (b) Kiddopia in gamified early learning, (c) Nodwin and Sportskeeda in eSports and eSports media and (d) HalaPlay and Qunami in skill-based, fantasy and trivia games. Nazara creates in-house content, game engine development, technology stack development, for the Indian as well as global audience. The IPO has been well received, which indicates a growing awareness and interest of institutional/ retail investors in this new-age sector.

Some of the significant investments in the fantasy sports industry in recent years⁴ are:

S No	Platform Name	Investor	Deal Value (In USD)	Investment Year
1.	Dream11	Steadview Capital	~ 50 million	2019
2.	Dream11	Tencent Holding	~ 90 million	2019
3.	Paytm FirstGames	SAIF Partners	~20 million	2019
4.	HalaPlay	Nazara Technologies, Delta Corp	~5.4 million	2019
5.	HalaPlay	Kae Capital, Nazara Technologies	~4.7 million	2018
6.	Fanfight	Head Infotech	~0.9 million	2019
7.	Rooter	Anthill Ventures	~0.3 million	2019
8.	Rooter	Venture Catalyts	~0.6 million	2018

Some of the significant mergers and acquisitions in this industry include acquisition of Cervise Technology by Mobile Premiere League in 2019, acquisition of Sportskeeda by Nazara for USD 6 million in 2019 and acquisition of Fanfight by Ace2three.com for USD 1 million in 2018.

Regulatory Challenges and NITI Aayog Discussion Paper

Despite the tremendous growth potential of fantasy sports games in India, the legal regime governing online games and fantasy sports have largely remained vague and ambiguous. In India, there is no central legislation governing the subject of online games and fantasy sports. The Public Gambling Act, 1867 (“**Gaming Act**”) is currently the primary central legislation which governs gambling and betting. The Gambling Act provides an exception for games which involve element of skill and such games are considered to be legal. However, the Gambling Act does not prescribe or clarify what will be considered or deemed to be a ‘game of skill’. Under the Constitution of India, betting and gambling is a state subject and each state have their own rules, regulations relating to betting and gambling. Some of the states such as Andhra Pradesh, Assam, Odisha, Telangana, Tamil Nadu, Nagaland and Sikkim have banned online fantasy sports.

Since these platforms operate through online medium, different legislations in different states are causing uncertainty on the validity and viability of their business models and loss of confidence amongst the investors (including foreign investors).

NITI Aayog, the public policy think tank of the Government of India, had released a draft discussion paper in December 2020, on Guiding Principles for the Uniform National Level Regulation of Online Fantasy Sports Platforms in India (“**Discussion Paper**”)⁵. Through the Discussion Paper, NITI Aayog has advocated for a formal recognition of fantasy sports industry and a principle-led governance which will involve principle-based guidelines which will be recognised both at the national and the state level institutions and organisation.

Further, NITI Aayog suggested the formulation of certain guidelines for such fantasy sports platforms which includes ensuring proper governance, transparency, consumer protection and accountability. Further, the guidelines require the platforms to ensure that; they are compliant of all the applicable laws in India; the contests are predominantly skill based; pay-to-play format is not offered to users below 18 years of age; and the term of participation in fantasy sports contests are fair and transparent.

Impact of CoVID-19

The outbreak of CoVID-19 in 2020 had a major impact in the industry as many sports leagues and tournaments had to be cancelled or postponed globally because of which user engagement also became challenging. The fantasy sports industry in India faced a huge set back as its popular cricket league, Indian Premier League (“**IPL**”), was regularly postponed or suspended. Followed by cricket, football is the second most followed sports in India. Similar to IPL, several global football leagues were either cancelled or postponed during the first quarter of financial year 2021. This resulted in the decrease of active users on fantasy sports platforms.

To address such setbacks, many pro-active steps were taken to ensure user engagement and to generate alternate revenue streams. Many operators launched skill-based ancillary competitions such as quizzes and few other invested in platform innovations to improve user engagement. Some operators in India, like FanCode and SportsTiger introduced sports streaming and news categories on their platform.

Global relaxation and resumption in sports leagues and events like IPL, English Premier League and La Liga provided a much-needed boost to the industry. In India, IPL resumed in September 2020 and again in April 2021 and was a huge success as number of viewers increased. Such sports leagues helped in recovering the fantasy sports industry as user interaction on the platform increased. After this short push, the industry is again going through a setback because of the second wave of CoVID-19 resulting in suspension of IPL in India.

Way forward

Currently the industry is facing similar hardships as it faced during the first quarter of financial year 2021 because of the second wave of CoVID-19. It is also expected that the industry will recover once things normalise and sporting events resumes. IPL continues to be the most popular league with platforms such as Dream11, Mobile Premier League, and MyTeam11 leveraging its popularity. With respect to India, the guidelines proposed by NITI Aayog is a positive step in promoting the growth of this industry.

The launch of AatmaNirbhar Bharat Innovate Challenge by the Ministry of Electronics and Information Technology (MeitY) and NITI Aayog is expected to deliver more advanced gaming apps in the market.

As there is a huge potential for positive impact on the economy, it is expected that the Government will undertake active steps to promote the growth of this industry in India. Ensuring legality of online fantasy sports and governing online fantasy sports platforms will provide assurance to investors and build confidence with the consumers.

End Notes & References:

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