



The evolving landscape of sports gaming in India

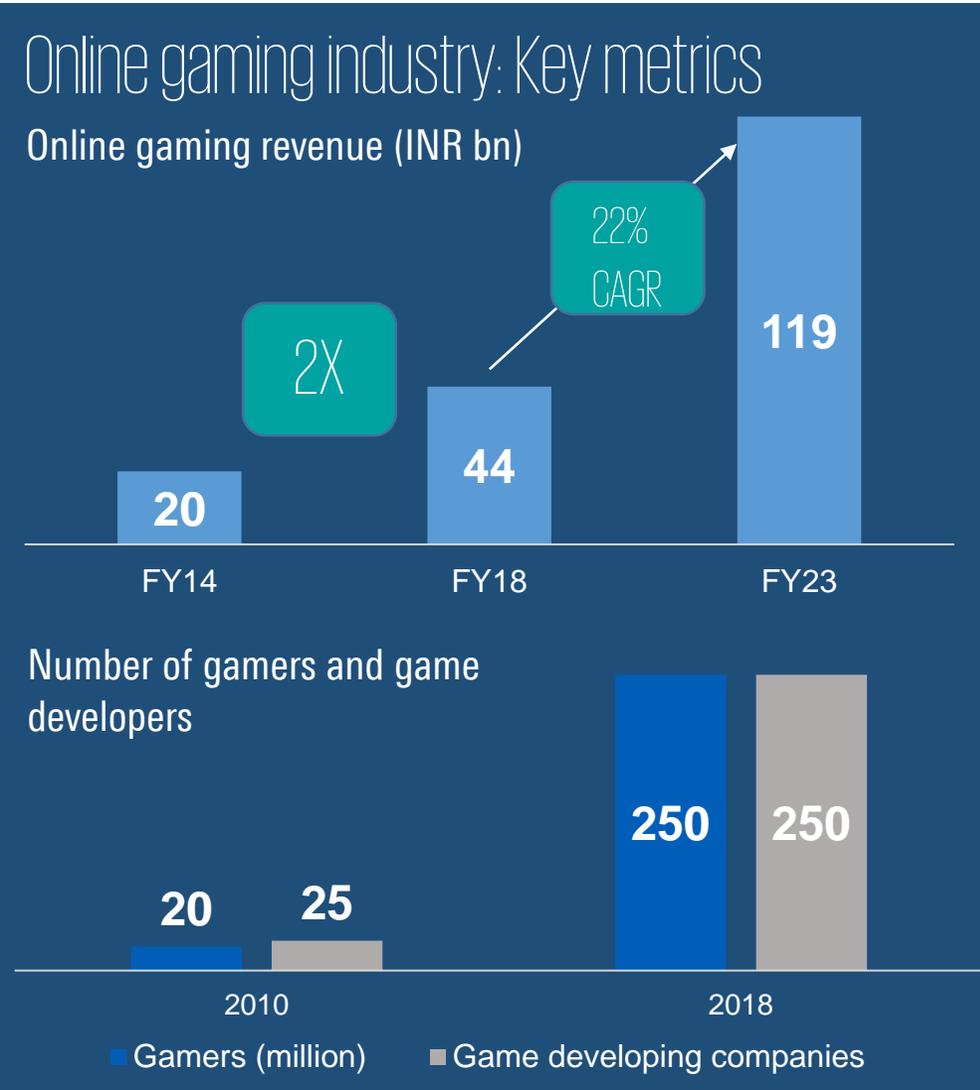
Excerpts from our report

March 2019

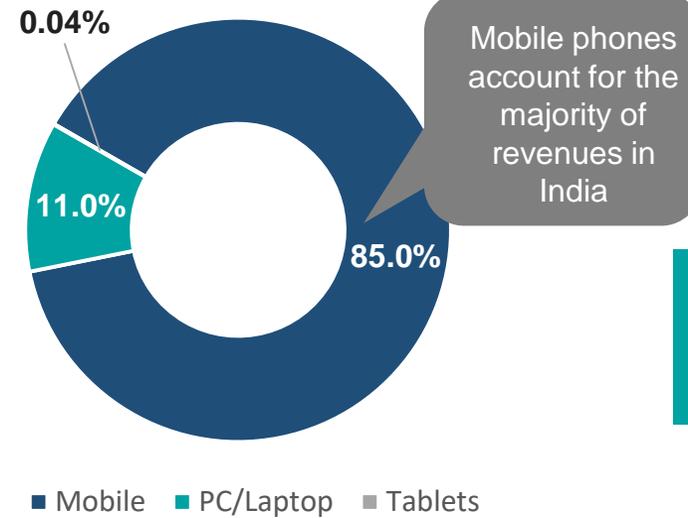
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Rapid growth in digital infrastructure has led to a supercharged growth of online gaming in India



Online gaming segment share, FY17



Key segments of online gaming



Mobile gaming growth drivers

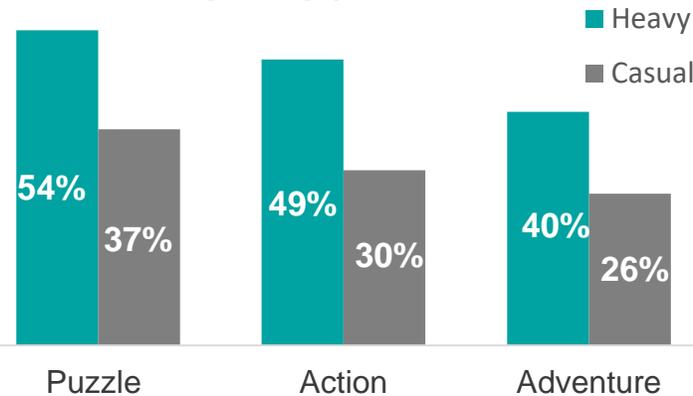


Increasing smartphone affordability and penetration

Expanding internet user base

Declining data prices

Top mobile gaming genres in India



Fantasy sports is witnessing increasing traction in India due to growth of digital infrastructure and the emergence of new sports leagues



Factors driving fantasy sports growth in India



Growth in digital infrastructure

Internet subscribers grew from **368 mn** in Sep'16 to **560 mn** in Sep'18



Rising investor participation

5–6 early-stage investments have been made in this space over the past couple of years



Emergence of sports leagues

Multiple sports leagues sprung up in the recent past, including those for Kabaddi, Football, Basketball and Volleyball



Enhanced clarity around legality

The Punjab and Haryana HC has affirmed Dream11's format as a **game of skill**

Fantasy sports: Key metrics

Number of fantasy sports operators in India



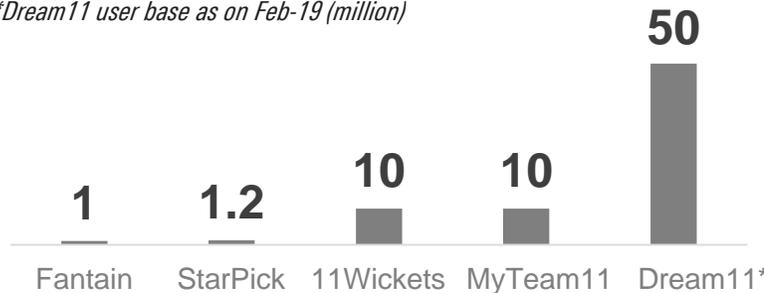
Number of fantasy sports users in India (million)



A number of players have emerged

User base of major fantasy sports operators (2018; million)

**Dream11 user base as on Feb-19 (million)*



There are two models of fantasy sports games offered by these players:

- **Free to Play** — Users play free contests, which may or may not have cash prizes associated with them
- **Pay to Play** — Users pay an entry fee to participate in paid contests. Operators charge a service/platform fee of 15-25% from total pool before winnings disbursement

The Punjab and Haryana high court's affirmation of Dream11's format of fantasy sports has brought legal certainty to the segment

A game of skill can be defined as any game or contest in which the designating element of the outcome is the judgment, skill, or adroitness of the participant in the contest rather than by pure chance

Dream11's format of fantasy sports



High Court order in 2017

As per the ruling of the High Court of Punjab and Haryana in the case of 'Shri Varun Gumber vs. Union Territory of Chandigarh and others' in 2017, 'the element of skill' is the predominant influence on the outcome of the Dream11 format of fantasy sports game



Supreme court validation

An appeal against the above Punjab & Haryana High Court's decision was filed, which was dismissed by the Supreme Court

- Participants have to choose a team consisting of at least the same number of players as playing in a real-life sports team (e.g. five in basketball, seven in kabaddi and eleven in cricket/football etc.)
- The fantasy sports team needs to have a mix of players from both the participating real-life sports teams
- All contests are run for at least the duration of one full sports match
- No team changes are allowed by participants after the start of the sports match

This clarification of the legal status of the fantasy sports format, as offered by Dream11, has helped boost the overall fantasy sports market in terms of a larger number of platforms entering the market with similar formats and also leading to widespread user adoption

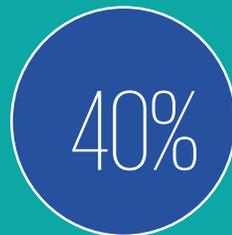
According to our survey, 'Fun and excitement' is the primary motivator for fantasy sports users



Note: A dipstick survey was conducted by KPMG to understand the fantasy sports consumer who has engaged with such platforms over the last year. The survey was conducted taking into account 336 consumers who had played fantasy sports in the last 12 months



of respondents play fantasy sports 1-3 times a week with the majority playing once a week



of respondents in the income group <INR 3 lakhs p.a. play >5 times a week, potentially looking at fantasy sports as a safe and legitimate way to earn incremental income



of respondents consider '**Fun and excitement**' as the primary motivator for engaging with fantasy sports platforms



of respondents who earn <INR 3 lakhs p.a. found the '**Opportunity to win money**' as a secondary motivator for playing fantasy sports



Cricket dominates consumption on fantasy sports platforms with majority of the respondents playing for free



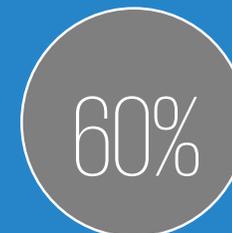
of respondents play for free. For the 46% who pay, 70-75% of payments are reinvestments from previous winnings, cash bonuses & promotion offers from fantasy sports platforms



of respondents played fantasy sports via Apps. The same is in line with the rapid growth of mobile internet in the country over the last 8-10 quarters



of respondents played fantasy cricket followed by 54% of users playing fantasy football

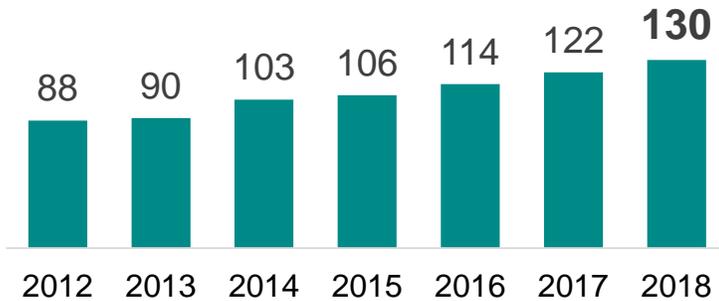


of respondents recall Dream11, the highest amongst all fantasy sports platforms, followed by official websites of popular tournaments in football and cricket



Underground sports betting a huge market in India, however users are clearly able to differentiate between fantasy sports and sports betting

Gambling revenue India (USD billion)



Cricket is the prime source of the gambling revenue, with an estimated **USD200 million** being put on bets, for every One-Day International (ODI) match of Indian team

Although **prohibited** by law, India is still home to a vast network of **underground sports betting**

What makes it undesirable?

- Unregulated flow of money
- Revenue loss for the government
- Corruption in sports
- Loss in productivity of bettors
- Financial losses for bettors

Motivators for betting

- Monetary gain
- Enjoyment derived from risk taking
- Escapism and improved social connect
- Glamorous appeal
- Acceptance among a larger section of society

User's perception around fantasy sports and sports betting - Survey results

69%

of users say that there is **NO OVERLAP** between Fantasy Sports and Sports Betting

Reasons for not associating fantasy sports with sports betting



Fantasy Sports is vastly different from sports betting and can potentially help reduce sports betting in the long run

Aspect	Fantasy Sports	Sports Betting
Dealing with monetary transactions	Transparent and secure, only digital transactions allowed	Unregulated with no legal records of transactions, potential of black money dealings
Transaction sizes	Small, regulated and verifiable. Average Transaction Sizes (ATS) range at INR 25-40	Large outlays of cash, unregulated in nature
Monetary benefits to state	Corporate tax, Income Tax, Prize Money, TDS & GST earnings to the exchequer	No earnings to the exchequer
Playing environment for the users	Age restricted (18+ only) and Government of India (GOI) approved proof required to claim wins	Operating in the grey market with no restrictions
User interests	User interests protected with checks and balances in place	No protection for bettor interests
Corruption in Sports	The outcome of a match or a singular event has no impact on winnings/losing in fantasy sports, thus it does not lead to match or spot fixing	The outcome of a match or a singular event impacts the sports bet directly, which could foster match & spot fixing
Legality	Dream11's format of fantasy sports approved by the Punjab & Haryana High Court and later validated by the Supreme Court of India	Considered illegal in India



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