

Tech start-ups**India's fantasy sports start-ups bat for glory during new cricket season**

Online gaming sector has become investor darling despite strict national rules on sports betting



A match between the Mumbai Indians and the Chennai Super Kings last year. The restart of the Indian Premier League is expected to spur gaming activity © AP

Benjamin Parkin in Mumbai and **Stephanie Findlay** in New Delhi SEPTEMBER 26 2020

As Virat Kohli and AB de Villiers helped bat Royal Challengers Bangalore to victory in the Indian Premier League this week, the cricketers' red kit bore the logo of an ambitious new sponsor: MPL, a gaming and fantasy-sports start-up backed by Sequoia Capital.

MPL, or Mobile Premier League, is among a crop of young companies flush with foreign cash that are looking to dominate India's market for online games where real-money prizes are up for grabs.

India's loosely regulated fantasy sports market has taken off in recent years despite a taboo against a pastime perceived as dangerously close to sports betting, which is largely prohibited.

Foreign venture capitalists, buoyed by the growth of fantasy sports [in the US](#) and elsewhere, have nonetheless poured funds into the sector in the hope that India's fervent love of cricket will help turn it into the next frontier for online gaming.

VC investments into gaming start-ups, including fantasy sports, jumped from a minuscule \$25m in 2015 to \$337m so far this year, according to data provider Venture Intelligence.

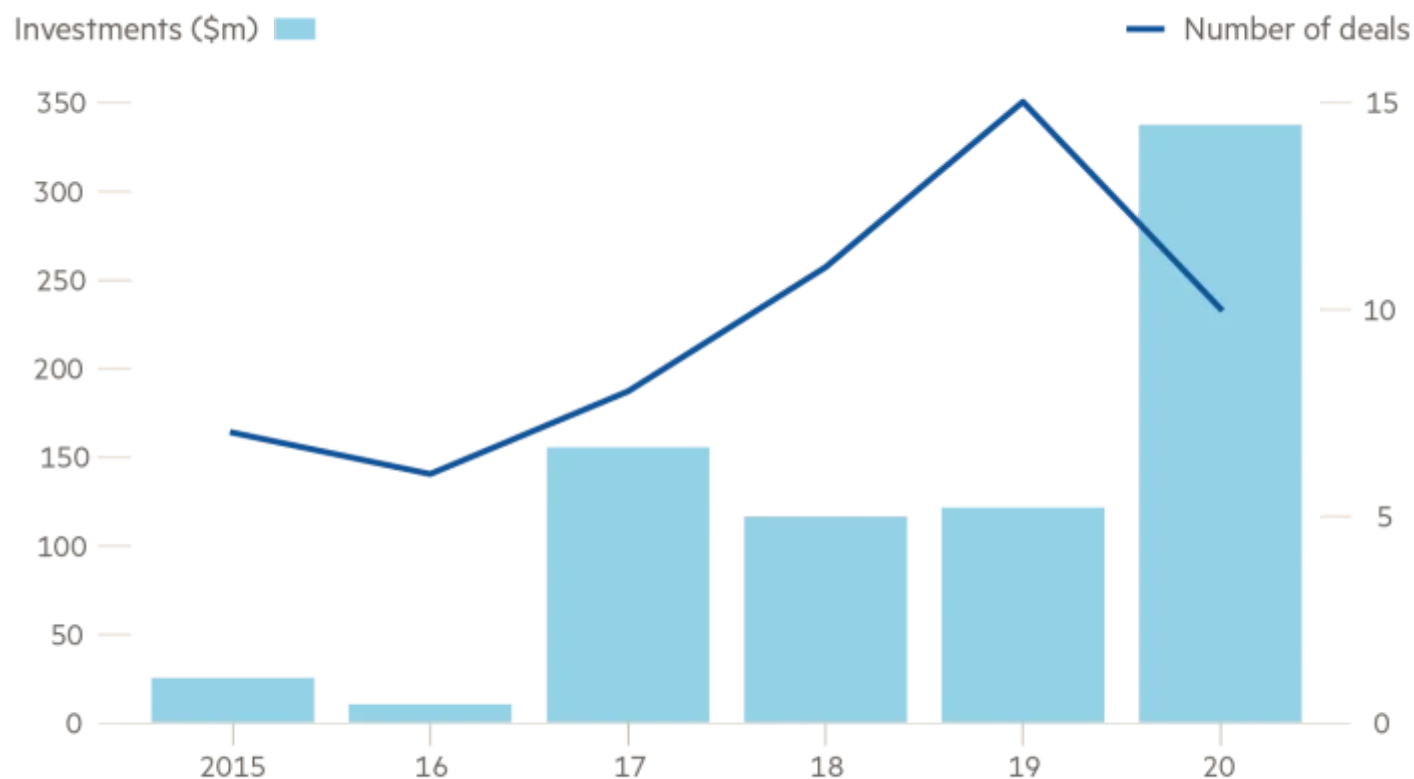
Dream11, which has more than 75m users, this month raised \$225m from US investment groups Tiger Global Management and TPG Capital and is now the main sponsor of the IPL, which started play last week after a six-months [delay](#).

"The number of sponsors from the gaming industry [in the IPL] is quite crazy," said Sai Srinivas, MPL chief executive. "It's a bit like the ecommerce boom that happened in India a few years back."

MPL, which counts India captain Mr Kohli as a brand ambassador, also raised \$90m in fresh funds this month from groups including US-based SIG and RTP Global from Moscow.

Others such as My11Circle, MyTeam11 and 11Wickets are also competing for market share.

VCs have poured funds into India's gaming start-ups



* Year to date
 Source: Venture Intelligence
 © FT

While sports betting is severely restricted in most Indian states, fantasy sports operators were given an opening after a state high court judged in 2017 that they were running “games of skill”, making them distinct from gambling despite the offer of cash prizes. Promotions for the apps tout success stories from users who win sums as high as Rs10m (\$150,000), a windfall in a country with annual per capita income of \$2,000.

Yet the sector remains stuck in a regulatory grey area and is banned in a number of states including Telangana, home to tech hub Hyderabad. This uncertainty bubbled over a day before the IPL started last week when Google [temporarily removed](#) fintech group Paytm — a payments platform that is India's answer to PayPal — from its Play Store for allegedly violating its gambling policies.

But Galina Chifina, a partner at RTP, said India's lucrative potential outweighed qualms about the lack of regulatory certainty.

“Given the vote of confidence that we're seeing from the global investment ecosystem . . . we think [the regulation] would somehow crystallise in a couple of coming years,” she said. “The risk-reward ratio in this case still makes a lot of sense.”

The fantasy sports market in India, already valued at \$885m, is expected to grow more than 40 per cent this year according to New Delhi investment bank Maple Capital Advisors, mirroring a broader boom in gaming.

“About four or five years ago, we had 20 to 25 game development studios in India,” said Justin Shriram Keeling, general partner at New Delhi-based Lumikai, one of India's first gaming venture capital funds. “Fast forward to now and there are 350.”

But the platforms continue to face a number of obstacles, not least being barred from Google's popular Play Store.

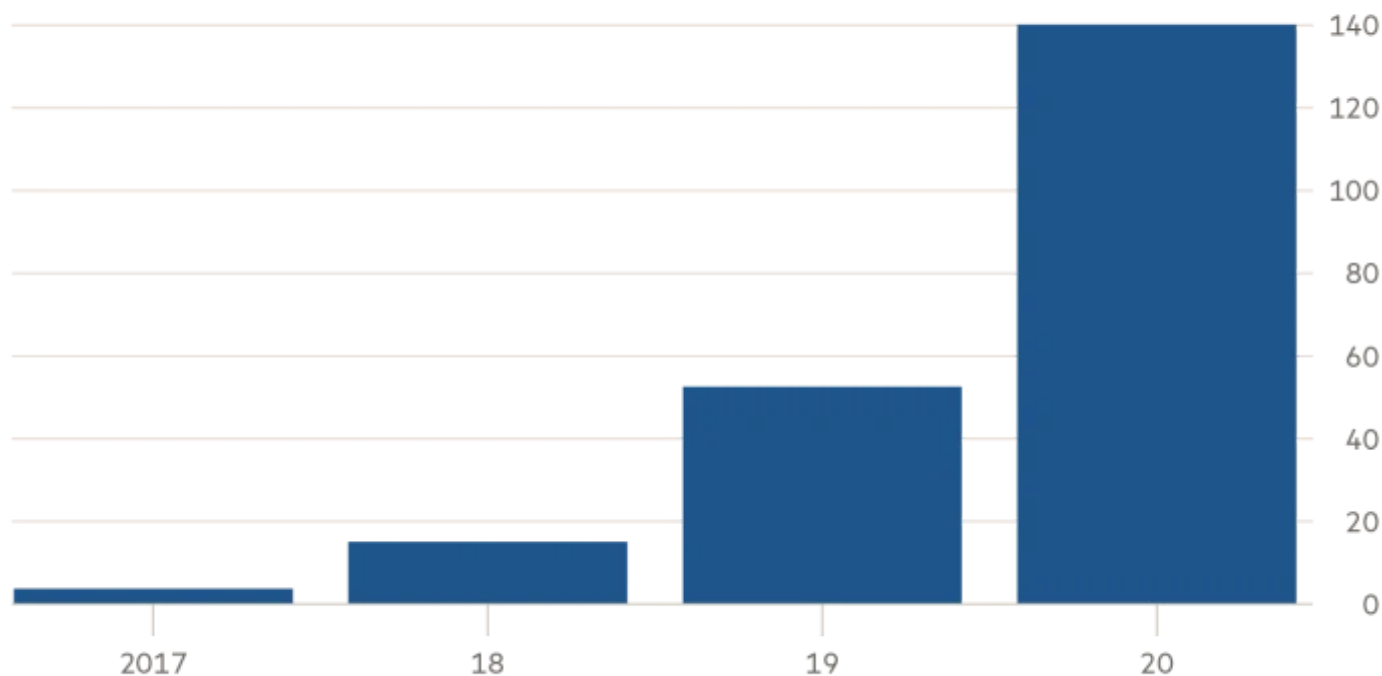
While Paytm's standalone gaming app Paytm First Games — along with the likes of MPL and Dream11 — are not available on the Play Store, Google took action against the company's flagship app for violating their own gambling policies by running a cricket-themed cashback promotion.

Paytm chief executive Vijay Shekhar Sharma retorted that the promotions were equivalent to other cricket cashback offers widely used by others, including Google's own payments app. He accused the search-engine giant [on television](#) of “bullshit of a different degree”.

Google said: “Our policies don’t allow online casinos or support any unregulated gambling apps that facilitate sports betting, including daily fantasy sports in India.”

Winnings from fantasy sports have swelled

Rs bn



Sources: KPMG; Federation of Indian Fantasy Sports
© FT

While Google runs a cricket cashback promotion in India, it said this is not considered gambling because the winnings are not linked to an actual cricket game.

Not being available on the Play Store complicates fantasy gaming groups' efforts to reach consumers, given that Google's Android operating system dominates India's smartphone market.

Analysts said this forces start-ups to spend heavily on cashbacks and steep discounts to attract new users. “Everyone is in a burn state,” said Rishi Alwani, an Indian games expert in Mumbai. “If you're not on the Play Store there is no visibility, and user acquisition costs are through the roof.”

Sudhanshu Gupta, chief operating officer at Paytm First Games, acknowledged that not being on the Play Store was an issue but said that the company would break even “as early as next year”.

He is optimistic that fantasy sports will not run into big regulatory issues. “With Dream 11 being the official sponsor of IPL, I don't think it can get more official than that,” he said.

New sports leagues have proliferated in India

2007

I-League (football)

2008

IPL (cricket)

2013

Hockey India League

Golf Premier League

Premier Badminton League

2014

Indian Super League (football)

Pro Kabaddi League

2015

Pro Wrestling League

2017

Ultimate Table Tennis

Super Boxing League

2019

Pro Volleyball League

The Indian authorities have in recent years indicated a willingness to soften their stance on gambling, just as the US Supreme Court in 2018 overturned a federal ban on [sports betting](#).

Two years ago India's law commission released a report outlining the potential benefits of legalising the sector and lawmakers the same year introduced a bill designed to regulate online sports betting, although it stalled.

“The path towards legalisation is a long one,” said Ranjana Adhikari, co-head of gaming at law firm Nishith Desai Associates, but “the conversation is moving in the right direction”.

Some campaigners who favour stricter regulation have balked at the recent cricket-themed publicity blitz and have lobbied the government to treat gaming start-ups as they would alcohol or tobacco companies — including by restricting advertising — because of the risk of addiction and financial harm.

“It's ridiculous to the core . . . for venture capital funds to go and invest in these grey areas,” said Sachin Taparia, founder of campaign group LocalCircles.

But Bhavin Pandya, chief executive officer of Games24x7, a Tiger Global-backed online rummy operator that has branched into fantasy sports by launching My11Circle, said the growth of India's middle class and hunger for new forms of entertainment mean online games are here to stay. "There's only so many times you can go to the mall," he said.

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