

Online Gaming - India Story

Investment Trends

Initiating Coverage



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Maple Capital Advisors
Engaging to Create Value



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Preface



Pankaj Karna

Founder and MD - Maple Capital Advisors

We are in challenging times, with extreme disruption across the consumption spectrum owing to the COVID 19 pandemic that has engulfed the world. With billions of people locked down and despite substantial impact across sectors, internet connectivity and content has kept consumers connected, engaged and informed. This is probably the single biggest change from the Spanish Flu epidemic in 1918. This has allowed concepts like Work From Home, Education from Home and Entertainment from Home span out like we have never known before.

In India with over 570 MN people on the internet and over 85% of which are on mobile, gaming and streaming has been a popular form of internet engagement. In these locked down times, we see this consumption has grown at least 20-30% despite significant impact on live sports, a big driver of fantasy sports gaming..

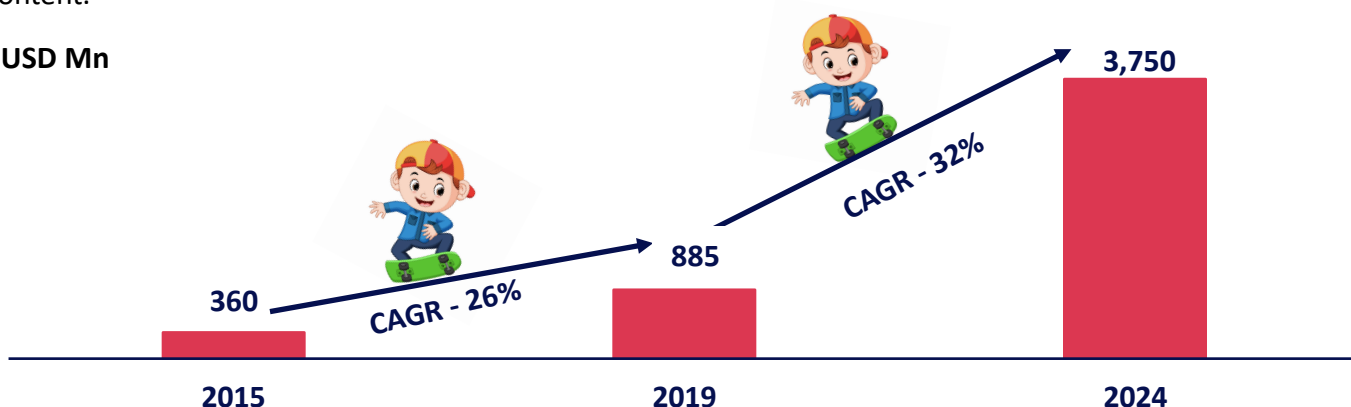
We have seen growing investment traction in gaming with over \$350 MN of investments. With growing internet penetration, compelling economics, usage statistics and increasing ecosystem of entrepreneurs and developers focusing on this space we expect good growth in investments which are likely to at least double in this space in the next 1-2 years. Marquee VC's have begun meaningful investments and its likely that Private Equity will enter Gaming in a more meaningful way going forward We also expect select consolidation by larger platforms to add categories and fill gaps.

Overall Gaming is at inflexion stage in India with rapid rise in consumption expected and investments likely to accelerate. We have seen this play out in China and India too is likely to show similar trends.

Indian Online Gaming Sector Overview

With one of the world's largest & youngest demographics, India is poised to become a leading market for Gaming. Currently valued at USD 885 million, the Indian Gaming Industry is expected to grow at 41.6 % (FY20-21) due to the growth of digital infrastructure and substantial rise in quality and engaging gaming content.

USD Mn

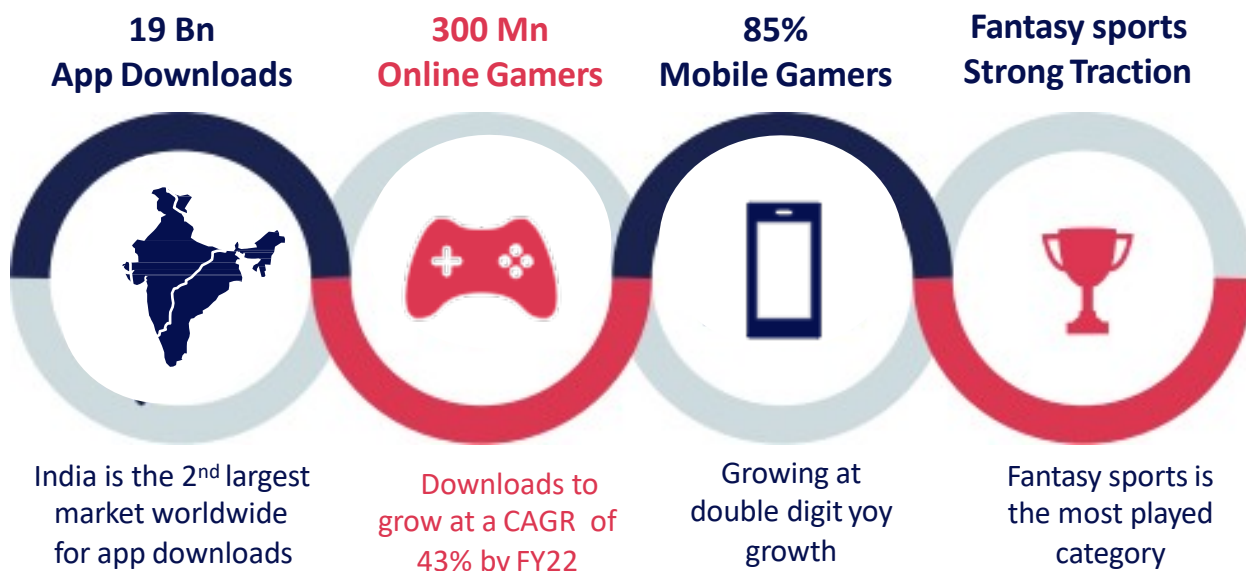


Source: KPMG : India's Digital Future 2019

1USD= INR70

With more than 500 Mn smartphone users in India as of December 2019, mobile gaming has taken the lead by tapping 85% share of online gaming in India. Thus it is pretty evident that several gaming developers are going to capitalize on increasing number of smartphones users, ease of use & strong penetration.

The four key segments of online games are: casual games, card games, fantasy sports, and esports. These games are either offered free, for a freemium, or require users to pay as they play. There are also gaming content platforms creating gamer ecosystems.



Source: KPMG : India's Digital Future 2019 & All India Gaming Federation

Key Players

Top Games in India

S.No	App	Business model	Downloads (Mn)	Rating
1	Teen Patti	Freemium	50 +	4.3
2	Coin Master	Freemium & paid	100+	4.4
3	8 Ball Pool	Freemium	500+	4.4
4	Teen Patti Gold	Freemium & paid	50+	4.5
5	PUBG Mobile	Freemium & paid	100+	4.0
6	Candy Crush Saga	Freemium	1000+	4.6

Source: Kpmg report

Key Fantasy Sports Indian Players

S.No	App	Business model	Downloads (Mn)	Rating
1	Dream11	Freemium & paid	80+ (users)	4.3
2	MyTeam11	Freemium & paid	15+ (users)	4.5
3	Halaplay	Paid	10+ (users)	3.1
4	11wickets	Freemium & paid	3+ (users)	4.8

Approx numbers as per Google Play store and public sources

Key RMG Indian Players

S.No	App	Business model	Downloads (Mn)	Rating
1	Ace2Three	Freemium & paid	12+ (users)	4
3	RummyCircle	Freemium & paid	40+ (users)	4.2
2	Adda52	Freemium & paid	2+ (users)	4.2
4	Pokerbaazi	Freemium & paid	0.5+ (users)	4.2
5	Pocket52	Freemium & paid	NA	NA

Approx numbers as per Google Play store and public sourced

Key Gaming Platforms

S.No	App	Business model	Downloads (Mn)	Rating
1	Games2win	Freemium & paid	300+	4.2
2	MPL	Freemium & paid	40+ (users)	3.8
3	Moonfrog Labs	Freemium & paid	50+	4.6
4	Junglee Games	Freemium & paid	25+ (users)	4.1
5	99games	Freemium & paid	15+	4.7
6	Nazara Technologies Ltd	Freemium & paid	1+	3.9

Approx numbers as per Google Play store and public sourced

Players with Compelling Unit Economics

USD Mn

S. No	Company	Category	Latest FY	Revenue	EBITDA
1	Play games 24x7	RMG	2019	129.35	38.52
2	Head Infotech India	Platform	2017	41.31	23.59
3	Delta Corp	RMG	2019	40.23	3.59
4	Nazara Technologies	Platform	2019	24.08	3.55
5	Moonfrog Labs	Platform	2019	18.9	7.99
6	Junglee Games	Platform	2018	13.67	0.61
	Gameskraft	RMG	2019	8.18	4.61
7	Jetsynthesys	Platform	2019	6.5	1.39
8	Games2win	Platform	2020 E	6.0	3.1
9	Baazi Networks	RMG	2019	4.0	0.3
10	Zapak Digital Entertainment	Platform	2018	2.71	1.53

- There are over 400 gaming start ups in India
- The fantasy sports landscape in India has witnessed a significant transformation; number of fantasy sports operators have increased by seven times (~7x) over 2016-2018, whereas the number of users has grown by over twenty five times (~25x) from June 2016 to Feb 2019
- While Fantasy sports has shown strong user growth but lags on profitability
- Increasing traction towards multiplayer games has been observed post the onset of PUBG in India.
- Real Money games have shown substantial growth and profitability and are now ready for diversification
- Platforms have demonstrated good unit economics and between 10-30% EBITDA margins
- It seems gaming is getting traction and scale. We believe that the time is right for Indian companies to mirror practices of the global gaming industry that has capitalised on key ingredients like talent, creativity, consumers and increasing capital – all of which are available in India

Emerging Trends in Indian Gaming Landscape



Multi Player Formats

This format engages more than 1/3rd of India's gamers by providing them with an opportunity for social interaction and a sense of achievement over other gamers. They are more likely to pay for games and make in-app purchases.

Gaming as a career

The sector is attracting talent across value chains. With chat options available in games, real money involved and tournaments being held more people are considering gaming as their career.



Investor Traction

The sector has caught investor's eyes and global giants like Alibaba, Tencent have invested and see great potential in coming future. Investors feel India has an untapped market in gaming which is yet to evolve, hence start ups have seen good VC traction.

Upcoming Indian Content

While fantasy sports is the most loved gaming segment, local companies have come up with Indian games like rummy and teen patti. Gamers are engaging in casual as well as heavy games, giving local developers an opportunity to develop in multiple languages and pre-load these games on handsets.



Emergence of E-sports

Events such as 'ESL India Premiership 2018', 'COBX Masters 2018', 'UCypher' etc. have helped change the Indian e-sports scene. Gaming companies are making substantial investments towards developing the e-sports ecosystem in India. Number of e-sports platforms are emerging like Jetsynthesys, gaming monk, gamerji, e-war etc.

Investment Drivers in Indian Gaming Landscape



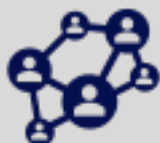
Traffic

Month on Month growth in number of Impressions, downloads, active users and repeat users



Revenue Mix

Right mix of advertisement and subscription, platform fees and deposit revenue



Overall Unit Economics

Customer acquisition cost, operating cost, marketing cost and team cost and overall profitability



Product Quality & Pipeline

High rating, additions to existing portfolio of games and performance are key

Investments

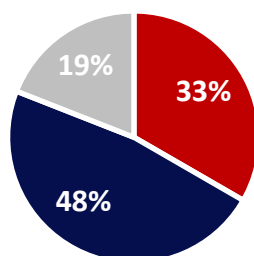
Key Deals over last 5 years

Year	Game	Investors	Total investment (\$Mn)
2016	Dream11	Tencent, Steadview Capital	100
2020	Nazara Technologies	IIIFL, Kae Capital	82
2018	Head Infotech India	Matrix, Clairvest	75
2019	Mobile Premier League	Sequoia & Times Internet	41
2020	PayTM Games	One97 & AG Tech holdings	20
2015	Moonfrog	Tiger Global & Sequoia	16
2014	Octro	Sequoia	15
2015	Games2win	Clearstone, SVB , Eventures & ICICI Eco-net	11
2018	Mecha Mocha	Blume, Shunwei, Accel India , Neoplux & Akatsuki Fund	10
2020	Zupee	Matrix, Orios, Smile, Falcon Edge, WestCap	9
2019	Halaplay	Nazara Technologies and Kae	8
2019	WinZO	Kalaari , Kstart	6
2020	Rooter.io	PayTm, Founder Bank Capital, Anthil, lead Sports	3
2020	Rheotv	Lightspeed, sequoia	2
2018	Square Off	India Quotient, Kstart, RB	2
2018	Pocket 52	Special Invest fund	2
2019	SuperGaming	Dream Incubator Inc., Akatsuki Entertainment, Better	1
2015	Real Teen Patti	Matrix	1

*Table specifies total investment received as of last date of investment

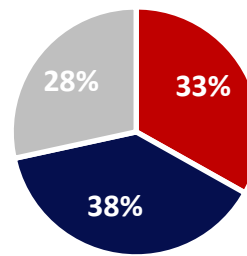
Break up of number of deals

Total no. of deals: 21



Break up of amount of deals

Total amount. of deals: \$350 Mn



■ Fantasy Sports ■ Platforms ■ Real Money Gaming ■ Fantasy Sports ■ Platforms ■ Real Money Gaming

- ✓ Between 2014-20, the total Venture Capital funding in Indian gaming start ups was \$350 Mn which is growing at a CAGR of 22% .Recent trends indicate that the growth is accelerating. The segment has also witnessed increased overseas investments and partnerships given its growth trajectory.
- ✓ Marquee VC's like Sequoia, Accel, Kallari, Blume, Steadview, Matrix have made meaningful investments in gaming.
- ✓ While number of transactions in platforms led the investments, value wise real money and E-sports led investments

- ✓ The unit economics are getting compelling for serious players in Series B-D to get active in the space.
- ✓ While the sector in India has not seen any meaningful M&A, select leaders are actively looking at consolidating to address gaps in portfolio and ensure continued traction
- ✓ Platform trends include the “Netflix” of games model to enhancing content and creation of world quality games.

Strategic Partnerships: Khel Group partnered with Star Group and launched pokerstars in India. Pokerstars.IN currently operated by Sachiko Gaming Pvt. Ltd. .Alibaba backed, PayTM and Hong Kong’s AGTech Holdings launched a gaming platform Gamepind. Youzu launched local casual strategy games last year. Vietnam based StomStudio also partnered with mobile game publisher Gamesbond to create mobile games in India. Google & Apple have been very active too.

COVID -19 Impact

Online gaming companies are seeing a spurt in traffic as firms go into shutdown mode triggered by Covid-19 scare. Working professionals and students have turned to online games for entertainment and social connect.

Between the weeks of Feb. 10-16, 2020 and March 16-22; 2020, visits to online gaming websites or apps increased by 24%. Engagement, as measured by time spent on gaming sites or apps, increased by 21% during the same time period.

- **Games2Win :** The platform saw increase in daily users from 1.1-1.2 Mn people earlier to 1.5 Mn people now
- **WinZO Games:** The platform saw a surge of three times in online traffic on its games
- **Hitwicket :** The platform saw increase in user numbers by 10-15% over the past few weeks
- **Gamerji :** The platform used to have 12,000-15,000 play on an average on their platform every day; now, the numbers range between 40,000 and 55,000
- **Rummy:** Traditionally south based user base has seen diversification to NCR, Kolkata and Gujarat in the COVID period.

Despite impact from IPL, players like MPL have grown substantially through added categories and platformation strategy.

- **MPL:** While fantasy sport operators have suffered due to the suspension of live matches, platforms like Mobile Premier League (MPL) have continued to grow by offering multiple games. MPL offers over 40 RMG games across casual games, card games, fantasy sports, and esports. It acts as a common platform to organise competitions among its users. Games like World Cricket Championship, Archery, Quiz, are seeing increased traction on MPL.
- **Baazi Games:** As no live matches are happening, fantasy games have come to a standstill. But the other two verticals, namely poker baazi and rummy baazi have seen 8 to 10% surge in traffic recently.

Overall, all platforms have seen a surge in number of impressions and downloads but their revenue from advertisements has substantially reduced as many advertisers have withheld advertisements in this period.

Expert Insights

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Shailesh Lakhani

MD, Sequoia Capital



Mobile gaming, aided by 1) more powerful smartphones, 2) increased bandwidth, 3) relevant local content and 4) micropayments and new business models will be the dominant entertainment form for Indians this decade. Gaming companies in India are already the highest profit generating domestically controlled Internet companies, and gaming, like it is for Tencent in China, will be the cornerstone business model for the next generation platform companies in India. Gaming will be the amongst the most powerful cultural influences and where many of us spend much of our online time.

”

Roland Landers

CEO, All India. Gaming Federation

The transactional online skill gaming Industry has been growing in the excess of 30% YoY over the last few years. The number of investment deals that have materialised in the last three years is testimony to the humungous potential the Indian market offers to this sector, which is estimated to reach a billion dollar in 2021. As the Industry expands and consolidates, the AIGF will continue its efforts towards recognition



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Alok Kejriwal

Co-Founder & CEO , Games2win



We are focused on building a global games company from India vs for India. The company has achieved double digit EBITDA Margins and has touched up to 310 Mn downloads Our view is that the global (export) market of mobile games is very lucrative and profitable. We want to be the first listed company in India on the stock exchanges by 2023.

Regulations



Navin Syiem

Partner - Luthra & Luthra

Gambling laws in India prohibit betting or wagering and any act which is intended to aid or facilitate the same. Gaming/Gambling being a State subject, gaming/gambling laws in India may differ from state to state. The Indian Legislative paradigm is at a very nascent stage when dealing with 'Online' gaming and has thus, not yet developed a consistent legislation qua 'online gaming'. It is pertinent to note that online gaming involving a monetary stake is neither per-se prohibited in India, and neither de facto regarded as a 'gambling activity'.

However, judicial precedents suggest that online game involving skill even if played with stakes would not amount to gambling. For eg. Dream 11's format of fantasy sport to be a game of skill and does not amount to gambling.



Anirudh Rastogi

Founder and Managing Partner

Gaming is regulated differently from state to state. Broadly, there are 3 (three) governance models followed in India:

- States that distinguish between "games of skill" and "games of chance". While games of chance are expressly prohibited in these states, games of skill are exempted from gambling laws and can be offered freely without restrictions. Most Indian states follow this approach.
- States that do not distinguish between "games of skill" and "games of chance". These states do not exempt games of skill from their gambling law. Hence, all games (whether based on skill or chance) are prohibited in these states. The states of Assam, Odisha, and Telangana follow this approach.
- States that may or may not distinguish between "games of skill" or "games of chance" but have licensing conditions for offering any game in the state. Hence, games of skill cannot be offered freely in these states. The states of Nagaland and Sikkim follow this approach

Status of key games in India

- Fantasy sports - Punjab and Haryana (2017), Maharashtra (2018), and Rajasthan (2020) have declared fantasy sports as games of skill. The High Court in these states observed that fantasy sports require assessment of players, knowledge of the game, judgement and discretion which makes it a game of skill. The Supreme Court has also dismissed certain challenges made to these judgments, which further brings credibility to the status of fantasy sports as a game of skill.
- Poker - The status of poker as a game of skill varies from state to state. West Bengal, Nagaland explicitly classify poker as a game of skill in their gambling legislation. Various other courts have also identified that poker includes elements such as bluffing, memorising cards, calculating the opponents' move, and patience to drop or hold cards which make it a game of skill.
- Rummy – The status of rummy as a game of skill is fairly settled in India. Nagaland and West Bengal explicitly mention rummy as a game of skill under their gambling legislation. The Supreme Court (1968) along with several other High Courts have identified that rummy requires skill such as memorising cards, strategy, analysing the fall of the cards and building up of rummy.

Conclusion

Mobile games are likely to dominate the gaming arena. With growth in engagement and willingness to spend, in-app purchases on gaming platforms are also set to rise in times to come. Tier 2 and Tier 3 cities hold a promising story and may accelerate the future growth.

While multiplayer gaming formats are the new trend, localised games are likely to start picking up pace with more and more penetration, ease of use, increasing awareness and most importantly – a sense of familiarity.

We believe that investments in the space will double in next couple of years and will see strong traction from VC's, Private Equity and select strategic players.

Emerging technologies like AI, Virtual Reality, Augmented Reality and Simulation while at a nascent stage of adoption in India could benefit in coming years. Lastly growing sports and gaming federations will play a key role.

In Collaboration with All India Gaming Federation



The All India Gaming Federation (AIGF) a registered not for profit society, set up in May 2016 with the objective of bringing recognition to the transactional online skill gaming Industry. AIGF is a self-regulated Industry body and has been at the forefront of ensuring global best practices for its stakeholders through its self-regulation skill games charter, which are based on the four principles of Legality, Integrity, User Rights and Good Governance and focuses on advertising guidelines, responsible gaming and player protection.

AIGF has adopted the Charter on Online Games of Skill which each of its member has adopted. The charter incorporates general principles on legality, transparency, responsible gaming, financial integrity, intellectual property and grievance redressal. While the industry looks for regulatory certainty around games, such initiatives to self-regulate gain importance.

AIGF Charter, available at https://cmsstorage.rationalcdn.com/assets/ps/assets/pdf/ps-in_en-us/aigf.pdf.

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Accelerator – Investing in promising early stage scalable tech driven ideas

Private Equity - Working closely with PE funds and Advising on induction of equity or like instruments

LEverage Capital - Advising on structured debt spectrum covering, acquisition financing, convertibles, special situations

Authors

Shriya Khanna

Senior Analyst

sk@maple-advisors.com

Venkatesh Meka

Management Associate

vm@maple-advisors.com



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maple-advisors.com

