Lumikai

Leveling up: State of India Gaming FY'23

Executive Summary

October 2023

In collaboration with

Google

India's gaming market shows resilience in FY23 with promising engagement and monetization trends

Growth in number of gamers, rising number of paying users, a growing appetite to experiment with new IPs, and increased time spent on games paint a positive outlook for the sector in the coming years. While new tax policies are expected to adversely impact the RMG segment, new government initiatives for the overall industry are favourable.

India's gaming market is projected to grow at a CAGR of 20% to reach $7.5 Bn in FY28

- India's gaming market hit $3.1 Bn in FY23 and is projected to reach $7.5 Bn by FY28.
- Future growth is expected to be driven by growth in in-app purchases and ad revenues in casual and midcore games.
- Growth in RMG over the coming years is expected to be muted due to recent tax policies and industry consolidation.

India was home to 568 Mn gamers in FY23, of which 25% were paying users

- The number of gamers in India grew by 12% compared to last year, while the number of paying users grew by 17%.
- With 15.4 Bn game downloads, India retained its spot as a key leader in global game downloads.
- Avg time spent on gaming increased by 20%, to 10-12 hours per gamer per week.

In-game monetization stayed stable despite the suspension of BGMI and Free Fire

- ARPPU reached $19.2 in FY23, growing nearly 10x since FY19.
- Estimated IAP revenues from games other than BGMI and FF grew 37% year-on-year.
- Casual games showed increasing monetization, with revenue growth consistently exceeding download growth in the segment in the last 3 years.

Pan-India survey of >2000 users provides insights into gamer behavior

- The male to female ratio of gamers is roughly 60:40, with an increase in number of gamers in non-metro regions.
- Most users stated that they play games to unwind or socialize with friends, and that they stop playing a game once they've accomplished objectives or if they see too many ads.
- Recommendations from friends and family is the key method of discovering new games.

Users showing propensity to experiment with and pay for new IP

- Of the surveyed users, 41% mentioned that they've graduated from playing casual games to all kinds of games, while 28% showed a proclivity to experiment with new genres.
- Over 58% of users said they partake in in-app purchases, with 62% of users claiming that UPI is their preferred mode of payment for games.

The government has been actively involved with the gaming industry in the past year

- Government policies have made a clear distinction between games with cash-based outcomes and games with non-cash-based outcomes.
- The AVGC taskforce recommendations and the recognition of esports as an official sport has lent credibility to the overall gaming industry.
- New tax policies in RMG are expected to adversely impact companies in the short to medium term.

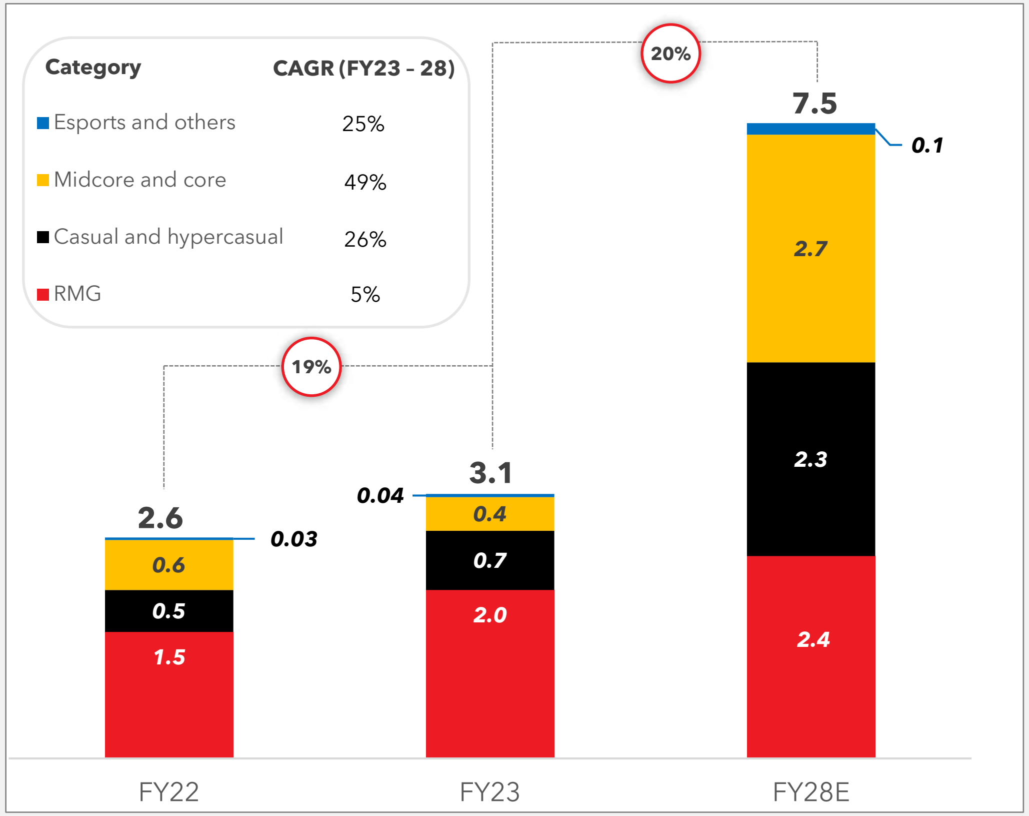
Source: Third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews

The Indian gaming industry clocked $3.1 Bn in FY23, and is set to hit $7.5 Bn by FY28

In-app purchases and ad revenues are expected to drive growth on account of structural shifts towards higher propensity to pay in-game, and growing prominence of casual and midcore games by FY28. RMG revenue grew by 33% in FY23, however given recent taxation policies, we expect RMG growth to slow down on account of heavy tax liabilities and consolidation in the industry.

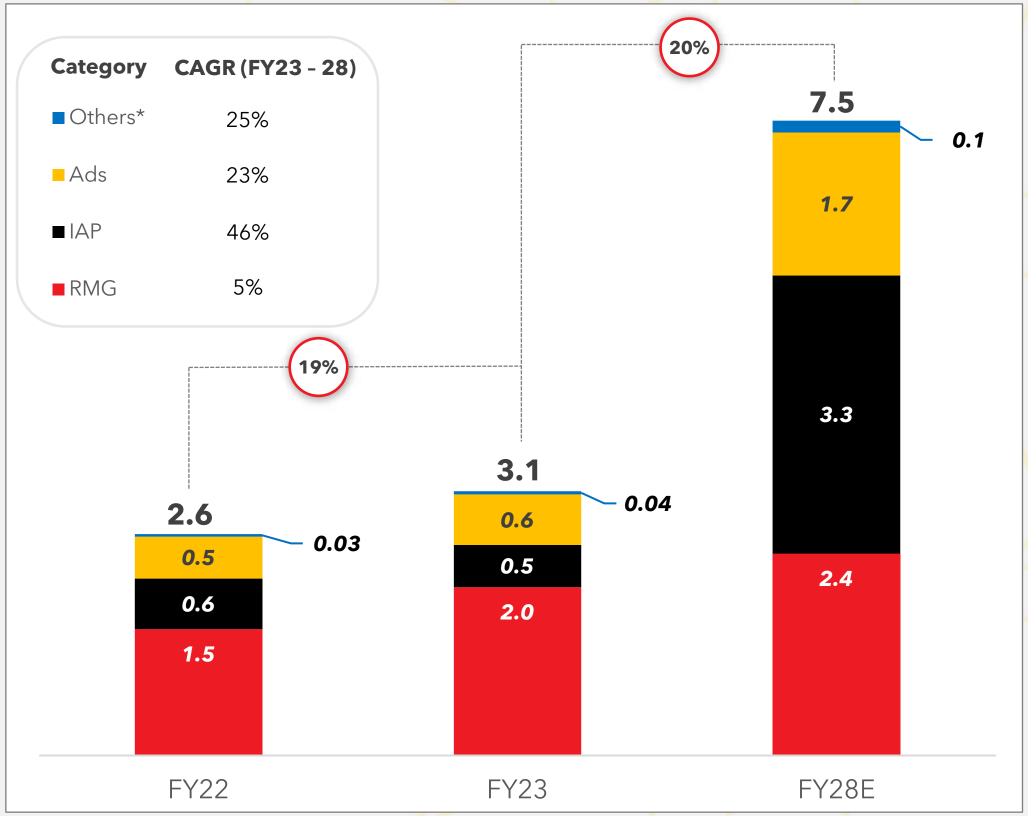
Midcore and casual will be key drivers of revenue over the next 5 years

Gaming Market Size in India: Growth by Category ($Bn)



Monetization over the coming years will be driven by IAPs and ad revenues

Gaming Market Size in India: Growth by Revenue Stream ($Bn)

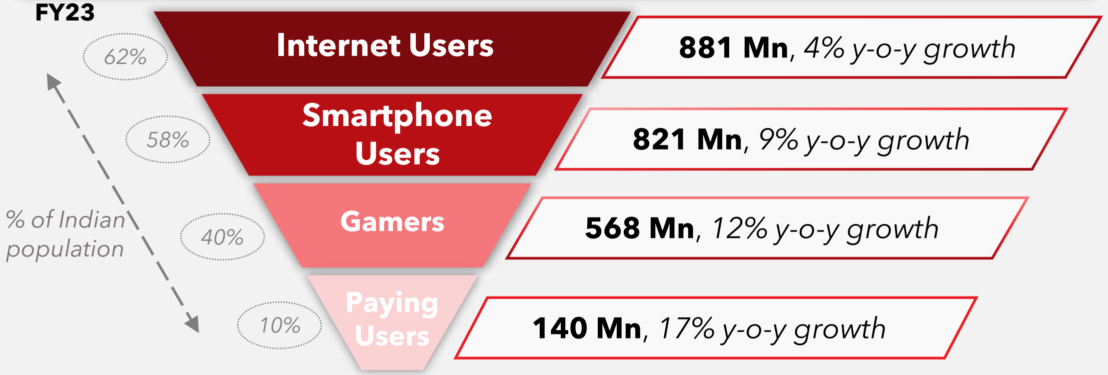


Source: Lumikai Analysis based on third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews
**Others' includes virtual gifting/tipping, subscriptions, and game pass purchases*

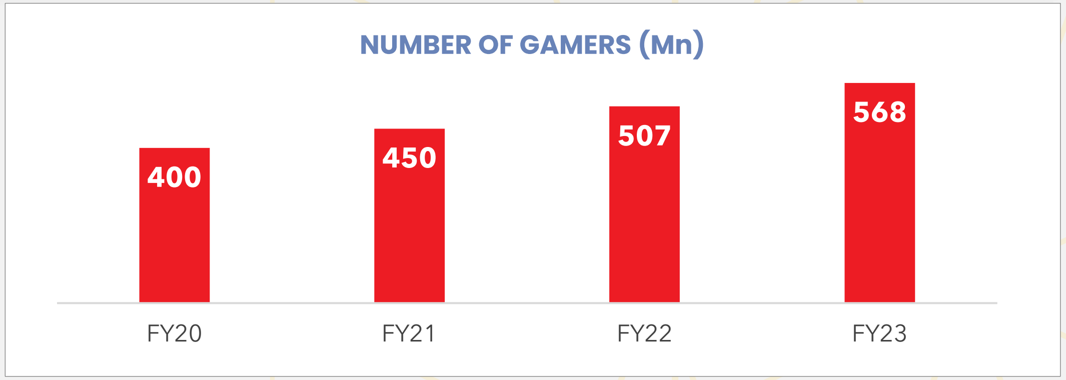
Sustained increase in engagement has contributed to the growth of the Indian gaming industry

The total number of gamers grew by 12% in in FY23. Average time spent per user per week has increased compared to last year, pointing towards a growing propensity to play games. With 15.4 Bn downloads, India is among the top countries in the world for total mobile game downloads.

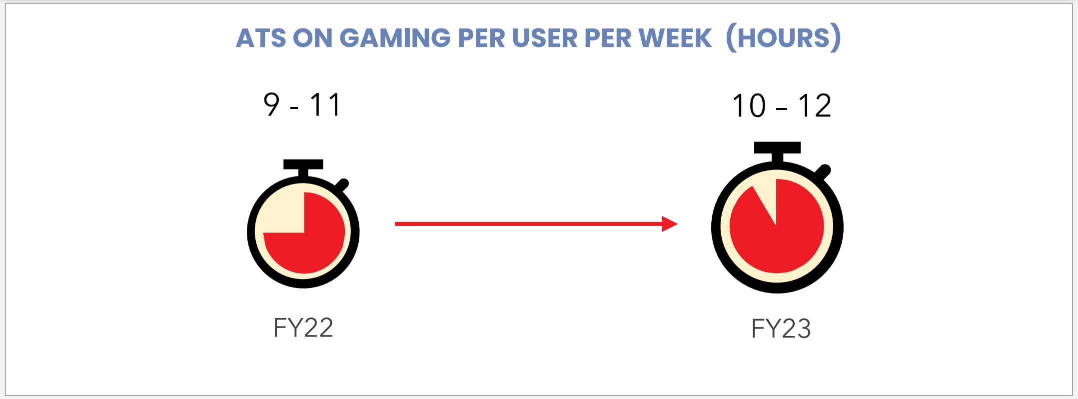
Over 50% of India's internet users are gamers[1]



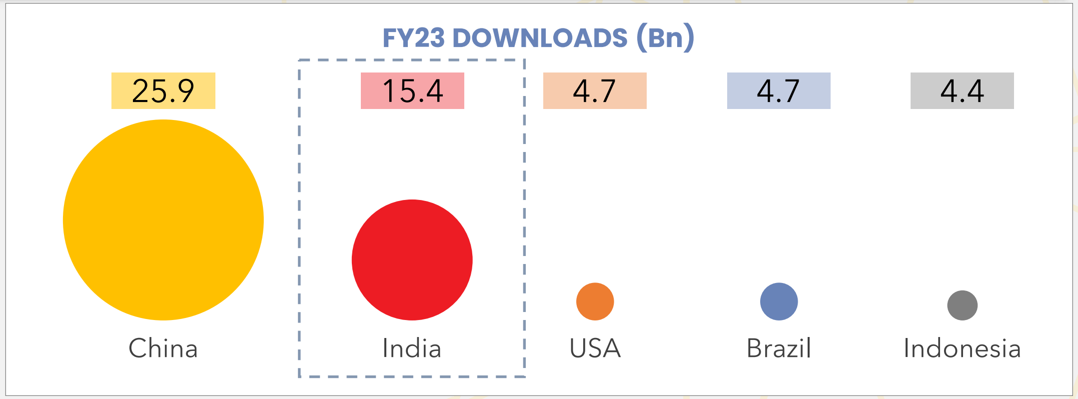
India is home to over half a billion gamers, growing at 12% y-o-y[1]



Average time spent on gaming has increased from the previous year[2]



India is among the top countries for total mobile game downloads[1]



Source: 1: Lumikai Analysis based on third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews
2: Lumikai analysis based on primary survey by Lumikai

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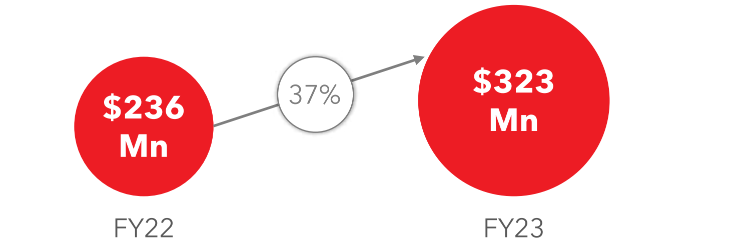
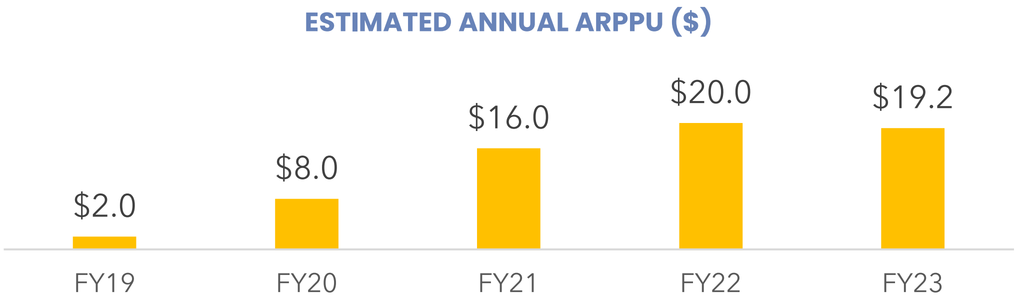
In-game monetization remained stable in FY23, despite the suspension of BGMI and Free Fire

In-app revenue outside of BGMI and Free Fire grew 37% year-on-year, driven by steadily increasing monetization across other casual and midcore games, revealing growing experimentation with newer IPs by Indian gamers.

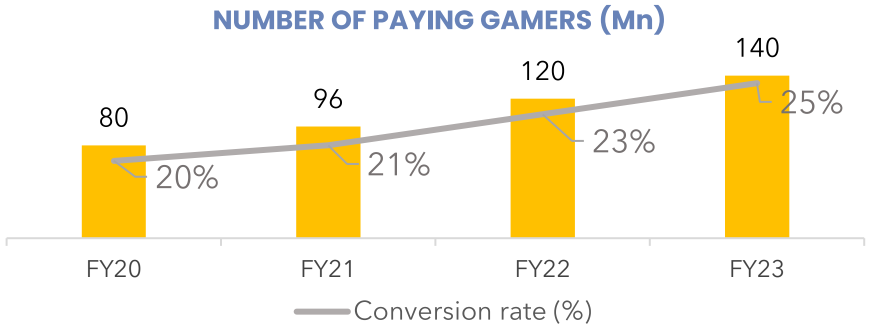
Estimated IAP revenue from games other than BGMI, Free Fire grew 37% y-o-y



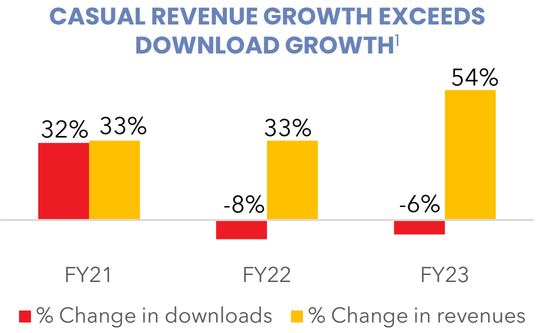
Estimated ARPPU has increased almost 10x since FY19, reaching $19.2 in FY23



Number of paying gamers grew by 17% in FY23



Monetization is improving steadily for the casual genre



Aggregate ad eCPM in India

Playable Ads	$1.75
Interstitial Ads	$1.33
Banner Ads	$0.07

Source: Lumikai Analysis based on third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews

1: Based on top 10 grossing casual games in FY23

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Insights from pan-India survey (1/2)

A sample of 2,317 respondents was surveyed across different demographics to gain insight into gamer and non-gamer motivations, behaviours, preferences, and monetisation propensity.

Demographic breakdown

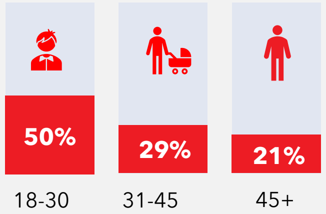
Gender-ratio of gamers

59% of gamers were men and **41%** of gamers were women

59% Male players

41% Female players

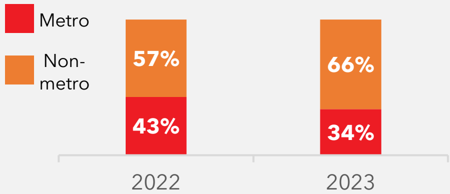
Age distribution of gamers



50% of gamers were in the age group 18-30 years

Metro vs Non-metro

Share of gamers from non-metro cities has increased from **57%** in '22 to **66%** in '23



Gamer preferences

Top 3 motivations to play

1. To kill time or as distraction
2. Relaxation or destressing
3. Socialize with other gamers

Top 3 reasons to stop playing

1. Completed game objectives
2. Too many ads
3. Game fell out of trend

Top 5 game discovery and selection methods

1. Friends/ Family recommendations
2. Playstore/ Appstore
3. In app advertisements
4. Direct search on app stores
5. Game reviews from media

Top games played

1. Casual
2. Midcore
3. RMG
4. Hypercasual

Ludo King, Candy Crush, Temple Run, Free Fire, Carrom King, Subway Surfers, Bubble Shooter, BGMI/PUBG, Dream11

Top games that gamers pay for

1. Midcore
2. Casual
3. RMG
4. Hypercasual

Candy Crush, BGMI/PUBG, Free Fire, Ludo King, MPL, Rummy, Dream11, Clash of Clans, Carrom King

Note: Survey results based on user behavior over a 12 month period from Sept 2022 to Sept 2023.

Insights from pan-India survey (2/2)

User behavior reveals a growing propensity to experiment with new games and IPs, with 20% more average time spent on games than the year before, alongside an increasing desire to spend money in games.

Engagement behaviour

Avg. weekly hours spent on gaming

Segment	2023	2022
Hypercasual	2.6	2.5
Casual	3	2.8
Midcore	3.8	3.4
PC/Console	3.9	3.3
RMG	4.7	3.3

Change in time spent playing games over last 12 months

41% Earlier I used to play casual games, now I **play all kind of games**

28% Earlier I used to play the same game and now I **experiment with new gaming genres**

23% Earlier I used to play games for free, now I also **spend money in games**

18% Earlier I used to play games, now I also **watch live game streams** or **stream games myself**

Payment behaviour

Paying user conversion

25% of gamers have spent money on games/ gaming platform

Top kinds of payment made

- **58%** In app-purchases
- **49%** Subscription
- **48%** Real Money Gaming
- **17%** Virtual gifting and tipping

Top preferred mode of payment

- **62%** UPI
- **26%** Wallet
- **7%** Credit Card
- **5%** Debit Card
- **0.3%** Cryptocurrency

Awareness of recent TDS and GST changes in RMG and fantasy segment

43%	35%	11%	11%
Knew about GST and TDS both	Did not know	Knew about GST only	Knew about TDS only

Around 60% users have said that new GST and TDS rules would negatively impact how much they play

43%	27%	14%	16%
No	Yes – both are the cause	Yes -GST is the cause	Yes - TDS is the cause

Note: Survey results based on user behavior over a 12 month period from Sept 2022 to Sept 2023.

Government regulations are shaping the gaming industry

Government policies have established separate legislation and taxation between games with cash-based outcomes and games with non-cash based outcomes. Despite the headwinds facing the RMG sector, the broader policy outlook on gaming, animation, and VFX is positive and favorable.

AVGC Promotion Taskforce report was released in 2022

THREE BROAD PILLARS OF INDIA'S AVGC VISION

1 *Create in India* 2 *Create world-class products* 3 *Promote Indian content*

RECOMMENDATIONS FROM THE REPORT [1]

Market Development

- Awareness campaigns
- Annual AVGC Expo, "Game India Hackathon", other events
- AVGC startup and SME representation at events
- IP protection framework

Infrastructure

- Nat'l CoE to oversee AVGC development
- Regional CoE at state level
- R&D labs at IITs, NITs, IISC
- Centers of entrepreneurship
- Tech incubators, software access

Talent development

- UGC-recognized curriculum
- Standardized degree courses
- AVGC scholarship(s)
- Skill partnerships with industry
- Job aggregation portal to be set up by industry players

AVGC Incentives

- Tax breaks for 3-5 years for global players to set up shop
- Local production grants
- R&D grants for industry
- Concessions and subsidies on power bills

Recognition of esports as an official sport has lent credibility to the segment

- Officially recognized sport by GOI
- 15-member Indian esports contingent (19th Asian Games Hangzhou 2022)
- India wins bronze for Dota 2 at the Commonwealth Games 2022 (commonwealth sport; Birmingham 2022 commonwealth games)
- MP Gov't: U18 esports tournament and academy

RMG taxation to adversely impact companies in the short to medium term

GST ON RMG

PREVIOUS: 18% of GGR

CURRENT: 28% of deposit

TAX DEMANDS EXCEED ESTIMATED REVENUE

FY 18-23

VALUE OF NOTICES SERVED[2]: $ 8.9Bn

ESTIMATED REVENUE[2]: $ 4Bn

SRB-BASED REGULATION OF RMG BY MEITY

MeitY Government of India

- MEITY: nodal ministry for online gaming
- Amendments to IT rules notified in April 2023 to regulate gaming
- SRB-based regulation proposed
- 3 SRB proposal applications received

Source: Lumikai Analysis based on third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews
1: List is not exhaustive
2: Based on publicly available information on 4 of the top RMG companies in India

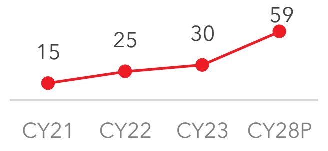
The India gaming story is evolving, with multiple ecosystem forces supporting growth

Rapidly improving digital infrastructure and India's evolving position as a game development hub bode well for the industry. Funding has slowed down, mirroring global activity; but direct investment by strategics such as Mixi, Sony, Krafton point towards a positive outlook.

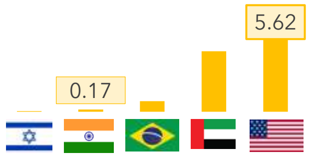
Gaming has been a key benefactor of the rise in digital consumption

DATA INFRASTRUCTURE

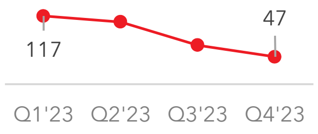
PER CAPITA DATA USE (GB)



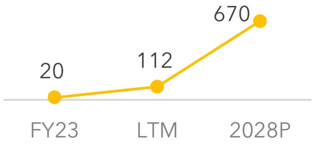
COST / GB ($)



DATA SPEED RANK (OF 200)

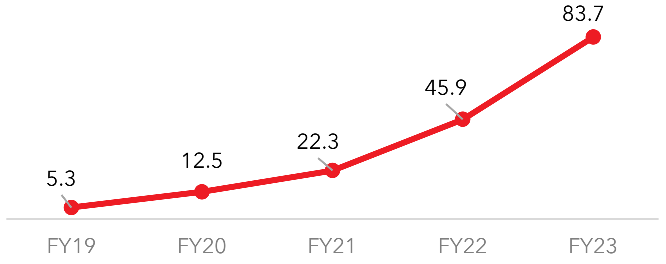


TOTAL 5G SUBS (Mn)



DIGITAL PAYMENTS

UPI TRANSACTION VOLUME (Bn)



India is increasingly cementing its position as a development hub for world-class games

GLOBAL DEVS IN INDIA[1]

zynga, GSN games, EA, UBISOFT, KRAFTON, glu

FROM INDIA TO THE WORLD[1]

GAMEBERRY LABS, BOMBAY PLAY, SPEARMINT GAMES, gametion, PLAYSIMPLE

COMBINED 4-YEAR HISTORICAL REVENUE

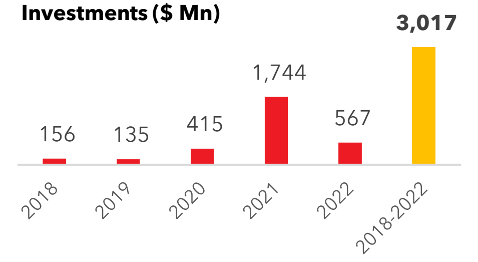
$900M

of top 5 Indian developers till 'FY23

Investment trends

TOTAL INVESTMENTS

Funding in the Indian gaming sector is down 75% y-o-y in 2023, mirroring the global funding decrease of 79% y-o-y.



ACTIVE FUNDS[1]

Lumikai, MAKERS FUND, peak xv, BITKRAFT, HIRO CAPITAL, GENERAL CATALYST, kalaari capital, GRIFFIN GAMING PARTNERS, STEADVIEW CAPITAL MANAGEMENT, COURTSIDE VC

STRATEGIC INVESTORS

PlayStation India Hero Project: India Hero Project incubator program to support emerging studios

MIXI: New $50 Mn CVC fund

KRAFTON: Target investment of $150 Mn in funding; separate incubator with investment ranging $50K-$150K per team

Source: Lumikai Analysis based on third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews
1: List is not exhaustive

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Thank you!

For further queries, please reach out at hello@lumikai.com

Important Disclaimer:

Glossary

ARPPU	Average Revenue Per Paying User
ATS	Average Time Spent
AVGC	Animation, Visual Effects, Gaming & Comics
BGMI	Battlegrounds Mobile India
BN, MN	Billion, Million
CAGR	Compound Annual Growth Rate
CoE	Center of Excellence
eCPM	Effective Cost Per Mille
FF	Free Fire
FY	Financial Year
GB	Gigabyte

GOI	Government Of India
GST	Goods & Services Tax
IAP	In-app Purchase
IP	Intellectual Property
MKT	Market
RMG	Real Money Games (includes Fantasy)
SRB	Self Regulated Body
TDS	Tax Deducted at Source
UGC	University Grants Commission
UPI	Unified Payments Interface
VC	Venture Capital