

# Strategic Business Review and Revitalization Plan for Chess99.com: Viability, Compliance, and Growth in the Evolving Indian EdTech-Gaming Landscape

## 1. Executive Strategic Review

The Indian digital landscape sits at a precipice of transformation, particularly at the intersection of education technology (EdTech) and online gaming. For a platform like Chess99.com, conceptualized to serve the pediatric demographic in India with a trifecta of Play, Learn, and Championships, the market offers unprecedented opportunity tempered by severe regulatory headwinds. The core premise of Chess99—democratizing access to cognitive development through chess—is sound, but the prevailing business model, which appears to rely partially on tournament entry fees and competitive play monetization, faces an existential threat from the *Promotion and Regulation of Online Gaming Act, 2025* (PROGA 2025) and the historically restrictive *Telangana Gaming Act*. The "Real Money Gaming" (RMG) sector is undergoing a regulatory purge, necessitating a pivot from a "gaming-first" monetization model to an "education-first" (E-sports) model.

Our exhaustive analysis indicates that for Chess99 to survive and thrive, it must decouple its revenue streams from the legal definition of "wagering." The platform must rebrand the exchange of money not as "stakes" but as "participation fees for professional development," thereby aligning with the Supreme Court's oral indications regarding the exemption of legitimate tournaments. Furthermore, the operational reliance on generic payment gateways must be replaced with robust, compliance-heavy banking partnerships, given the friction major aggregators like Razorpay and Stripe now impose on gaming-adjacent merchants. This report outlines a comprehensive restructuring of the business plan, moving beyond simple user acquisition to detail a hyper-local launch strategy in Vanasthalipuram, Hyderabad, leveraging specific school partnerships and welfare associations to build a defensible moat before scaling. We also provide a granular financial and technical roadmap, contrasting cloud costs and detailing anti-cheat protocols essential for maintaining platform integrity.

The strategic imperative is clear: Chess99 must transition from a "play-to-win" platform to a "pay-to-learn-and-compete" academy. This distinction is subtle in product design but monumental in legal standing. By anchoring the business in the high-trust environment of schools and leveraging the low-cost acquisition channels of local communities in Hyderabad, Chess99 can bypass the expensive "burn wars" of national competitors like Chess.com and

CircleChess. The path to viability lies in owning the "Junior" niche locally before attempting to scale nationally, ensuring that every rupee spent on acquisition builds a long-term subscriber rather than a transient tournament player.

## 2. Regulatory & Legal Feasibility Study: The Telangana Constraint

The most critical vulnerability in the current Chess99 business plan is its exposure to the volatile legal framework governing online games in India, specifically within the state of Telangana. The regulatory environment has shifted dramatically with the introduction of new central legislation, creating a complex interplay between federal mandates and state-level prohibitions.

### 2.1 The Impact of the Promotion and Regulation of Online Gaming Act, 2025

The recently enacted *Promotion and Regulation of Online Gaming Act, 2025* represents a paradigm shift in Indian digital law. While the Act aims to promote the industry, its primary mechanism is the prohibition of "online money games" (RMGs) that involve wagering. The Act seeks to promote online gaming as an emerging industry while ensuring consumer protection, responsible gaming practices, and safeguards against illegal betting and gambling.<sup>1</sup> It creates a regulatory framework for online games in India, including e-sports and online gambling, and prohibits online money games while defining punishment for offering and advertising them.<sup>1</sup>

The 2025 Act defines an "online money game" broadly, capturing any game where a user deposits cash with the expectation of winning money based on the outcome. This definition poses a lethal risk to Chess99 if tournament entry fees are pooled to fund the prize pot. Such a structure mimics the mechanics of gambling/wagering. However, a vital lifeline exists in the form of "E-sports" recognition. The Act recognizes E-sports as competitive sports and aims to promote and develop them.<sup>1</sup> Crucially, the Supreme Court has orally indicated that regular competitions and tournaments may be excluded from the ambit of the Act as they do not come under the definition of 'betting and gambling'.<sup>2</sup> During hearings, Justice Pardiwala explicitly stated that the government "does not object to tournaments" and that they are "completely excluded".<sup>3</sup>

This distinction is the cornerstone of Chess99's survival. The platform cannot operate a "pot-limit" tournament model where the prize pool is mathematically derived from the entry fees (e.g.,  $\text{Entry Fees} \times \text{Participants} = \text{Prize Pool}$ ). This creates a direct correlation between the stake (entry fee) and the win (prize), fitting the definition of wagering. Instead, Chess99 must adopt a **Fixed Prize Model**. The prize pool must be announced in advance and guaranteed by the platform or sponsors, independent of the number of participants. The entry fee then becomes a purely administrative charge for logistics, server costs, and platform usage,

severing the link to "wagering." This nuances interpretation allows Chess99 to operate within the "E-sports" exemption, provided it strictly adheres to the definition of a tournament rather than a gambling game.

## 2.2 The Telangana State Exception and Constitutional Tension

Even if federal law provides exemptions, Chess99 operates in Telangana, the most restrictive jurisdiction in India regarding gaming. In 2017, Telangana amended its *Telangana Gaming Act, 1974* to ban *all* forms of online gaming involving money, explicitly removing the distinction between "games of skill" and "games of chance".<sup>4</sup> This amendment was a response to the rapid mushrooming of online money games and the associated social harms.<sup>2</sup> Following Telangana's lead, neighboring Andhra Pradesh also banned all forms of online gambling in 2020.<sup>5</sup>

There is currently a profound constitutional standoff. The Central Act (PROGA 2025) attempts to override state bans by regulating the internet (a central subject), but Telangana's state police powers allow them to enforce local bans on "gambling" under Entry 34 of the State List.<sup>6</sup> Legal experts warn that the new law risks straying into constitutional overreach, eroding judicial precedent and weakening federal principles.<sup>6</sup> Article 246(3) of the Indian Constitution gives states exclusive power to make laws on certain subjects, including gambling.<sup>6</sup> This means that while the Centre can regulate the "online" aspect, the "betting" aspect remains under state purview.

For a Telangana-based entity like Chess99, collecting money for tournaments could face criminal liability under state law, regardless of federal exemptions for skill games. The *Telangana Gaming Act* does not distinguish between games of skill and games of chance, leading critics to argue that it violates Article 19(1)(g) of the Constitution, which guarantees the Right to Trade and Occupation.<sup>4</sup> However, until the Supreme Court definitively strikes down the state amendment or upholds the central law's supremacy, the risk remains acute. A Telangana-based company facilitating any form of monetary exchange for gameplay could be targeted by local law enforcement.

## 2.3 Compliance Protocol for Chess99

To operate legally and sustainably, Chess99 must adhere to a strict compliance protocol that navigates both central and state regulations.

### 1. Eliminate "Stakes" and "Wagering":

Users must never participate in 1-on-1 matches where money is wagered (e.g., "Put ₹100, win ₹180"). This is unambiguously illegal in Telangana and Andhra Pradesh.<sup>5</sup> The platform must be strictly devoid of any mechanics that resemble a casino or betting exchange.

### 2. Restructure Tournaments as "Professional Competitions":

Tournaments must be framed as "Professional Competitions" or "Championships." The prize money cannot be a redistribution of the specific entry fees collected for that event. Instead,

Chess99 should utilize a model where entry fees cover operational costs (proctoring, platform maintenance, content), and prize pools are funded through separate marketing budgets or corporate sponsorships. This separation is crucial to defend against accusations of running a "prize chit" or "money circulation scheme."

### 3. Strategic Corporate Domicile:

Given the hostility of Telangana's laws, the business entity must not be registered in Telangana if it handles prize money. The corporate structure should ideally be domiciled in a permissive state like Haryana or Delhi, where the legal framework for skill gaming is more developed.<sup>8</sup> Haryana, for instance, specifically distinguishes between "gambling" and "games of skill," exempting the latter.<sup>9</sup> Operating from a jurisdiction that recognizes the legitimacy of skill-based gaming provides a layer of legal protection, even if the users are in Telangana (subject to geo-fencing).

### 4. Terminology and Branding:

All marketing and platform terminology must be scrubbed of "gaming," "betting," or "win cash" language. Instead, terms like "Championships," "Scholarships," "Grants," and "Talent Hunt" should be used. The value proposition must be educational and developmental, not financial.

### 5. Geo-Fencing Capabilities:

The platform must possess the technical capability to restrict Real Money Gaming (RMG) features for users in specific states if the legal climate shifts or if enforcement becomes aggressive. For users in Telangana, Andhra Pradesh, and Tamil Nadu, the platform might need to offer "Token-only" tournaments where prizes are non-monetary (e.g., merchandise, coaching sessions) rather than cash transfers.<sup>8</sup>

## 3. Market Dynamics & Competitive Intelligence

Understanding the competitive landscape is essential for defining Chess99's unique value proposition. The market for online chess in India is saturated with global giants and innovative local players, yet significant gaps remain in the hyper-local and educational segments.

### 3.1 The Competitor Landscape

The market is dominated by a few key players, each with distinct strengths and weaknesses.

Competitor	Business Model	Strengths	Weaknesses	Threat Level to Chess99
<b>Chess.com / ChessKid</b>	Freemium Subscription	Global brand, massive user base, polished UI, "Gold" standard curriculum. <sup>10</sup>	Expensive for Indian purchasing power (approx ₹3000/year even with	<b>High</b> (Product Quality)

			PPP); generic, not localized. <sup>12</sup>	
<b>CircleChess</b>	Community/Tech Utility	"Caissa" AI Coach, WhatsApp integration for tournament management, No commission on entry fees. <sup>14</sup>	Heavily focused on tournament organizers rather than just kids/learning; Tech-heavy UI; disruptive zero-commission model. <sup>14</sup>	<b>Medium</b> (Direct Substitute)
<b>ChessBase India</b>	Content/Commerce	Massive YouTube influence, retail dominance of ChessBase software, trust via Sagar Shah. <sup>16</sup>	Primary revenue is software sales/media, not a dedicated "play & learn" platform for kids; revenue drying up from software piracy. <sup>16</sup>	<b>Low</b> (Partner Potential)
<b>KaabilKids / Kings Chess</b>	Coaching Academy	Structured curriculum, live coaching, FIDE certified trainers. <sup>18</sup>	High CAC, service-heavy (not scalable software), geographically limited; competes directly for high-value parents.	<b>Medium</b> (Local Competition)
<b>Lichess</b>	Open Source/Free	Free forever, no ads, massive	Zero monetization means no	<b>High</b> (Price Anchor)

		community.	marketing budget; UI is utilitarian, less "fun" for kids; strict anti-cheat but no proctoring services.	
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### Analysis of Competitor Gaps:

- **Chess.com** and **ChessKid** offer a premium product but at a premium price. Their "Gold" membership costs around ₹1200-₹3000 annually<sup>12</sup>, which is affordable for the upper-middle class but significant for the mass market. Their content is high quality but lacks local cultural resonance.
- **CircleChess** has disrupted the market by offering *free* tournament tools to organizers and taking zero commission on entry fees.<sup>14</sup> This forces Chess99 to avoid a business model dependent on charging organizers for platform usage. CircleChess monetizes through its "Caissa School" and community partner programs<sup>14</sup>, validating the "Academy" pivot.
- **Hyper-local Gap:** None of the major platforms effectively bridge the *offline* school ecosystem with *online* practice in a specific region like Telangana. They are all "cloud-first" and lack the "boots on the ground" to organize inter-school championships that drive local prestige. This is Chess99's primary opportunity: to win by being "Ground-First."

## 3.2 Target Audience Segmentation

To effectively market Chess99, we must segment the audience based on decision-making power and motivation.

### 1. The Decider (Parent):

- **Motivation:** Concerned about screen time but values cognitive development. Wants their child to learn "critical thinking" and "patience".<sup>21</sup>
- **Behavior:** Willing to pay for "Classes" and "Competitions" (Tuition mentality) but skeptical of "Gaming" (Addiction mentality).
- **Price Sensitivity:** High sensitivity for "apps" (expect free/cheap) but low sensitivity for "education/tuition" (willing to pay ₹1000+ per month).
- **Trigger:** "My child won a trophy at school."

### 2. The User (Kid, 6-14 years):

- **Motivation:** Needs dopamine and fun. Bored by static lectures. Loves badges, streaks, and beating friends.
- **Influences:** Follows YouTubers like Samay Raina or Sagar Shah.<sup>17</sup> Consumes "Shorts" content.<sup>23</sup>

- **Retention:** Driven by gamification elements like XP, leaderboards, and cosmetic unlocks (avatars).
- 3. **The Enabler (Schools/Academies):**
  - **Motivation:** Needs prestige (winning inter-school trophies) and hassle-free management tools for their internal clubs.
  - **Pain Point:** Organizing tournaments is operationally heavy (pairings, disputes).
  - **Solution:** A white-label "Chess Club Management System" that automates these tasks.

## 4. Business Model Re-Engineering: The "Academy-First" Pivot

The original plan likely leaned too heavily on transactional revenue from tournament fees. Given the legal risks in Telangana and the zero-commission pressure from CircleChess, we propose a hybrid **"Academy + E-Sports"** model. This model shifts the value proposition from "gambling" to "education," aligning with parental values and legal exemptions.

### 4.1 Revenue Stream Architecture

#### A. The "Scholar" Subscription (Primary Recurring Revenue)

Instead of selling "Gold Memberships" which sound like gaming upgrades, Chess99 should sell "Digital Coaching."

- **Curriculum:** Structured video lessons, tactical puzzles, and "Homework" features. Content should be localized (Telugu/Tanglish) to differentiate from ChessKid.
- **Pricing Strategy:** ₹199/month or ₹1999/year. This is competitively priced against private tuition in India, which can cost ₹15,000+ annually.<sup>24</sup> It frames the cost as negligible compared to offline coaching.
- **Value Proposition:** "The cost of one pizza for a month of brain training."

#### B. The "Championship" Entry Fees (Compliance-Adjusted)

- **Model:** Entry fees are collected specifically to cover "Digital Proctoring & Platform Costs." This creates a service contract rather than a wager.
- **Prize Funding:** Prizes are funded via corporate sponsorships (CSR funds from local Telangana tech companies) or cross-subsidized by subscription revenue. This ensures the prize pool is fixed and independent of the number of participants, breaking the link to "wagering."
- **Differentiation:** Offer "Physical Trophies" delivered to the winner's school assembly. This provides immense social proof and "glory" that a digital bank transfer cannot match, and it avoids the legal complications of cash prizes in strict states.

#### C. B2B School Partnerships (The Moat)

- **Product:** A white-label "Chess Club Management System" for schools.
- **Revenue:** Annual licensing fee per school (₹10,000 - ₹25,000) or a per-student bulk license. Alternatively, the software can be free (Freemium) to capture the user base, with monetization occurring through upselling parents to the "Scholar" subscription.
- **Features:** Inter-class tournament management, school-wide leaderboards, automated certificate generation.

## 4.2 The Gamification Engine (Retention Strategy)

Gamification is critical for retention. Research indicates that gamified experiences can boost student engagement levels by up to 60%.<sup>26</sup> Indian students specifically favor competitive formats like **Kahoot**.<sup>27</sup>

- **Mechanics:**
  - **XP & Levels:** Standard progression to provide a sense of growth.
  - **Leagues:** Weekly promotion/relegation leagues (Iron, Bronze, Silver, Grandmaster) similar to Duolingo, tapping into the competitive nature of students.
  - **Streaks:** Daily puzzle solving streaks to build habit-forming behavior.
  - **The "Battle Pass":** A seasonal track where playing games unlocks cosmetic items. These items should be culturally relevant (e.g., special chess sets based on Indian history/mythology, avatars like a "Chariot" rook or "Raja" king).

## 5. Strategic Marketing & User Acquisition

EdTech customer acquisition costs (CAC) in India are notoriously high due to saturation and fierce competition.<sup>28</sup> Reliance on Meta/Google Ads alone is financially unsustainable for an early-stage startup. We propose a "**Hyper-Local Beachhead**" strategy starting in Vanasthalipuram, Hyderabad, to build a loyal user base and word-of-mouth momentum.

### 5.1 The Vanasthalipuram Pilot (Ground War)

Vanasthalipuram is a residential hub with a high density of schools and aspiring middle-class families, making it an ideal testing ground.

#### 1. School Infiltration:

- **Target List:** Santinos Global School, IDPS (International Delhi Public School), Discoveri Oaks International School, and other local CBSE schools.<sup>29</sup> These schools emphasize holistic development and extracurricular activities.<sup>31</sup>
- **Offer:** A free "Inter-School District Championship" hosted by Chess99.
- **Mechanism:** To participate, students must register on Chess99.com. This acquires users at zero marginal media cost.
- **Incentive:** The winning school receives a "Chess Excellence Trophy" and 50 free annual subscriptions for their library. This appeals to the school's desire for prestige and



educational resources.

## 2. Academy Alliances:

- **Partners:** **Kings Chess Academy, Roy Chess Academy, and Telangana Chess Academy** are prominent in the area.<sup>32</sup>
- **Pitch:** "Use Chess99 for your internal student tournaments and homework tracking. We give you a dashboard to monitor their progress."
- **Benefit:** This converts offline students into online users without competing directly with the academies for coaching revenue.

## 3. Community Welfare Associations:

- **Collaborators:** **NGO's Colony Welfare Association and Landmark Colony Welfare Association.**<sup>34</sup>
- **Event:** "Sunday Morning Community Chess." A physical meetup where preliminary rounds are played on phones/tablets using the Chess99 platform.
- **Goal:** To embed Chess99 into the community fabric and create a visible presence.

## 5.2 Digital Air Cover (Content Strategy)

- **YouTube Strategy:** Do not compete with **ChessBase India** on news or analysis, as they dominate that niche.<sup>16</sup> Instead, compete on *Kids Education*.
- **Content:** Create short, punchy videos tailored for kids and parents. Examples: "Chess Tricks to Beat Your Dad," "The Trap that Wins in 8 Moves".<sup>23</sup>
- **Localization:** Produce content in **Telugu** and "Tanglish" (Telugu-English mix). This is a massive underserved market. A video explaining the "Scholar's Mate" in Telugu with local humor will build an instant connection that global platforms cannot replicate.
- **Influencer Collab:** Partner with micro-influencers and local state champions rather than expensive GMs. They are more affordable and have higher trust within the local community.
- **SEO:** Target hyper-local keywords: "Best chess class for kids in Hyderabad," "Online chess tournament Telangana," "Chess coaching Vanasthalipuram."

## 5.3 User Trust & Safety

- **Parental Dashboard:** Provide a dashboard that sends weekly "Progress Reports" via WhatsApp (which has 90%+ open rates in India).
- **Metrics:** Report on "Focus," "Problem Solving," and "Activity," not just "Wins/Losses." This reinforces the educational value proposition to parents.

## 6. Operational Strategy: Technical Infrastructure & Integrity

Building a reliable chess platform requires navigating latency, anti-cheat enforcement, and cost efficiency. The technical choices must align with the financial constraints of a startup while ensuring a robust user experience.

## 6.1 Hosting & Infrastructure Cost Analysis

A cost-effective infrastructure is vital. Comparing major providers reveals significant differences for a startup budget.

Component	AWS (Estimated Cost)	DigitalOcean (Estimated Cost)	Recommendation
Compute	EC2 t3.medium (~\$30/mo)	Droplet (4 vCPU/8GB) (~\$48/mo)	DigitalOcean for predictable pricing. <sup>37</sup>
Database	RDS Postgres (~\$50/mo)	Managed Postgres (~\$60/mo)	DigitalOcean for ease of management. <sup>37</sup>
Bandwidth	Expensive (\$0.09/GB egress)	Generous (1TB-5TB included)	DigitalOcean significantly cheaper for data-heavy apps. <sup>38</sup>
Complexity	High (VPC, IAM, scaling groups)	Low (Simple UI, straightforward scaling)	DigitalOcean reduces DevOps overhead.

**Recommendation:** Start on **DigitalOcean** or **Linode** to conserve cash flow and reduce complexity. The predictable pricing model helps in financial planning. Migration to AWS can be considered later when auto-scaling needs become complex and traffic scales massively.

## 6.2 The Anti-Cheat Protocol (The Trust Layer)

Nothing destroys a chess platform's reputation faster than cheating. In a "prizes" environment, integrity is paramount.

### 1. Automated Detection (Level 1):

Implement open-source engines like Stockfish server-side to analyze games post-match. Use tools like PGN-Spy <sup>39</sup> to calculate "Average Centipawn Loss" (ACPL) and "Engine Correlation." If a 1000-rated kid plays with 99% accuracy matching Stockfish top moves, they are automatically flagged for review.

## 2. Browser Security (Level 2):

Detect and prevent tab switching or window blurring during tournament games. While not foolproof, it adds friction for casual cheaters.

## 3. Video Proctoring (Level 3 - for Finals):

For prize-money finals, mandatory video proctoring is non-negotiable.

- **Protocol:** Two cameras are required. One webcam facing the player's face, and a secondary device (phone) placed diagonally behind to show the screen, hands, and immediate surroundings.<sup>40</sup>
- **Staffing:** Hire local college students as "Arbiters" to monitor Zoom feeds during weekend finals. This human element adds a layer of seriousness and deterrence.

## 6.3 Payment Gateway Integration

- **Challenge:** Major gateways (Razorpay, Stripe, Cashfree) are extremely risk-averse regarding "Gaming" due to PMLA (Money Laundering) concerns.<sup>42</sup> They may reject onboarding if the site looks like a gambling platform.
- **Strategy:**
  - **Categorization:** Onboard as an "Education/E-learning" merchant. Sell "Courses" and "Event Registration," not "Gaming Credits."
  - **Documentation:** Prepare a legal opinion letter from a reputable law firm (e.g., *Ahlawat & Associates* <sup>44</sup>) certifying the platform as a "Skill-based Education Platform" exempt from gambling laws.
  - **Redundancy:** Maintain relationships with at least two gateways (e.g., Razorpay and PhonePe PG) to ensure redundancy if one freezes the account due to a policy change.

## 7. Financial Planning & Feasibility

### 7.1 Estimated Startup Costs (First 6 Months)

Cost Head	Detail	Estimated Cost (INR)
Incorporation	Private Limited (Telangana) + Legal Opinion	₹25,000 - ₹40,000 <sup>45</sup>
Tech Stack	DigitalOcean Hosting, Domain, SSL, Email	₹10,000 / month
Development	Freelance Devs (React/Node.js) or Agency	₹3,00,000 - ₹5,00,000 (One time)

<b>Content</b>	Video Production for Course (Curriculum)	₹50,000
<b>Marketing (Pilot)</b>	Trophies, Flyers for Schools, Local Ads	₹1,00,000
<b>Anti-Cheat Ops</b>	Manual Proctoring (Per tournament)	₹5,000 per event
<b>Total Initial CapEx</b>		~₹5,00,000 - ₹7,00,000

## 7.2 Unit Economics (Per User)

- **CAC (Blended):** Estimated at ₹300 - ₹500 via digital channels.<sup>47</sup> However, via B2B School Partnerships, this can be drastically lower (<₹50) due to bulk acquisition.
- **LTV (Lifetime Value):**
  - Free User: ₹0 (ad-supported eventually, but negligible initially).
  - Subscriber: ₹1999/year.
  - Tournament Player: ₹100 entry fee x 5 tournaments = ₹500.
- **Break-even:** If CAC is ₹400, a user needs to subscribe for ~3 months or play 4 paid tournaments to break even. This highlights the importance of the subscription model for long-term sustainability.

## 8. Detailed Rollout Roadmap

### Phase 1: Foundation & Compliance (Months 1-2)

- **Legal:** Incorporate "Chess99 EdTech Pvt Ltd" (avoid "Gaming" in the name). Obtain a formal legal opinion on the "Non-Wagering" tournament structure.
- **Tech:** Build MVP using React and Node.js. Integrate Lichess API for board mechanics (if permissible) or build proprietary logic. Implement basic anti-cheat (Stockfish analysis).
- **Content:** Record "Beginner to Winner" module (10 videos) in English and Telugu.

### Phase 2: The Vanasthalipuram Beachhead (Months 3-4)

- **Partnerships:** Sign MOUs with 3 local schools (e.g., Santinos, IDPS). Pitch the "Mental Math & Chess" cognitive development angle.
- **Event:** Launch the "Vanasthalipuram Chess Star 2025" (Offline Finals, Online Qualifiers).
- **Acquisition:** Target 1,000 local registered users through school channels.

### Phase 3: Monetization & Expansion (Months 5-6)

- **Upsell:** Market the ₹199 Premium Subscription to the parents of the 1,000 free users via

WhatsApp and email.

- **Tournaments:** Launch Weekly "Sunday Majors" with fixed prize pools funded by marketing budget.
- **Scaling:** Replicate the "School Cluster" model in neighboring areas like L.B. Nagar and Dilsukhnagar.

## 9. Risk Management

### 9.1 Legal Risk (The "Raid" Risk)

- **Scenario:** Telangana police crackdown on gaming apps due to broad interpretation of the Gaming Act.
- **Mitigation:** Maintain zero "wallet balance" withdrawal functionality for users in Telangana. If a Telangana user wins a cash prize, process it as a "Scholarship Bank Transfer" after manual KYC verification, not an automated wallet withdrawal. Maintain a strict "No Wagering" policy and document all prize pools as pre-fixed.

### 9.2 Platform Integrity Risk (Cheating)

- **Scenario:** A kid uses Stockfish to win a tournament; parents complain, damaging trust.
- **Mitigation:** Strict "Zero Tolerance" ban policy. Include a disclaimer in T&C that "Arbiter decisions are final." Use the "Swiss System" for tournaments so that if a cheater wins early, they face tougher opponents (and eventually manual proctoring) quickly.

### 9.3 Payment Risk

- **Scenario:** UPI charges increase or gateway bans gaming merchants.
- **Mitigation:** Diversify payment methods. Encourage annual subscriptions (one-time payment) over micro-transactions (lowering exposure to per-transaction UPI merchant fees of 1.1% on wallets).<sup>48</sup> Ensure the business is classified as "Education" to minimize gateway scrutiny.

## 10. Conclusion

The business plan for Chess99.com requires a fundamental shift in identity. It cannot be a "Gaming Platform" in the current Indian regulatory climate; it must be a "Competitive EdTech Platform." This distinction is the shield against the PROGA 2025 and Telangana's restrictive laws. By anchoring the business in the high-trust environment of schools and leveraging the low-cost acquisition channels of local communities in Hyderabad, Chess99 can bypass the expensive "burn wars" of national competitors.

The path to viability lies in **owning the "Junior" niche locally** before attempting to scale nationally. The combination of hyper-local school integration, strict legal compliance through a fixed-prize model, and a focus on learning over gambling will ensure sustainable growth and

financial health. The "Vanasthalipuram Pilot" will serve as the proof of concept, creating a replicable playbook for expansion across Telangana and eventually, India.

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