



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.

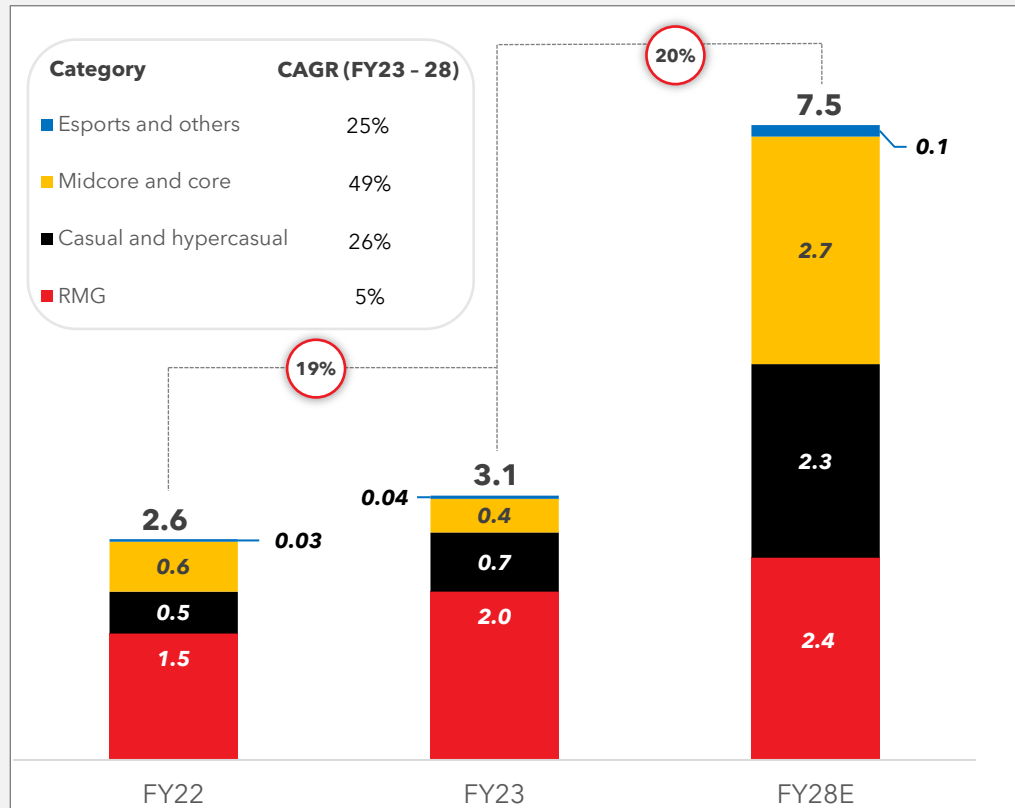
The Indian gaming industry clocked \$3.1 Bn in FY23, and is set to hit \$7.5 Bn by FY28

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.

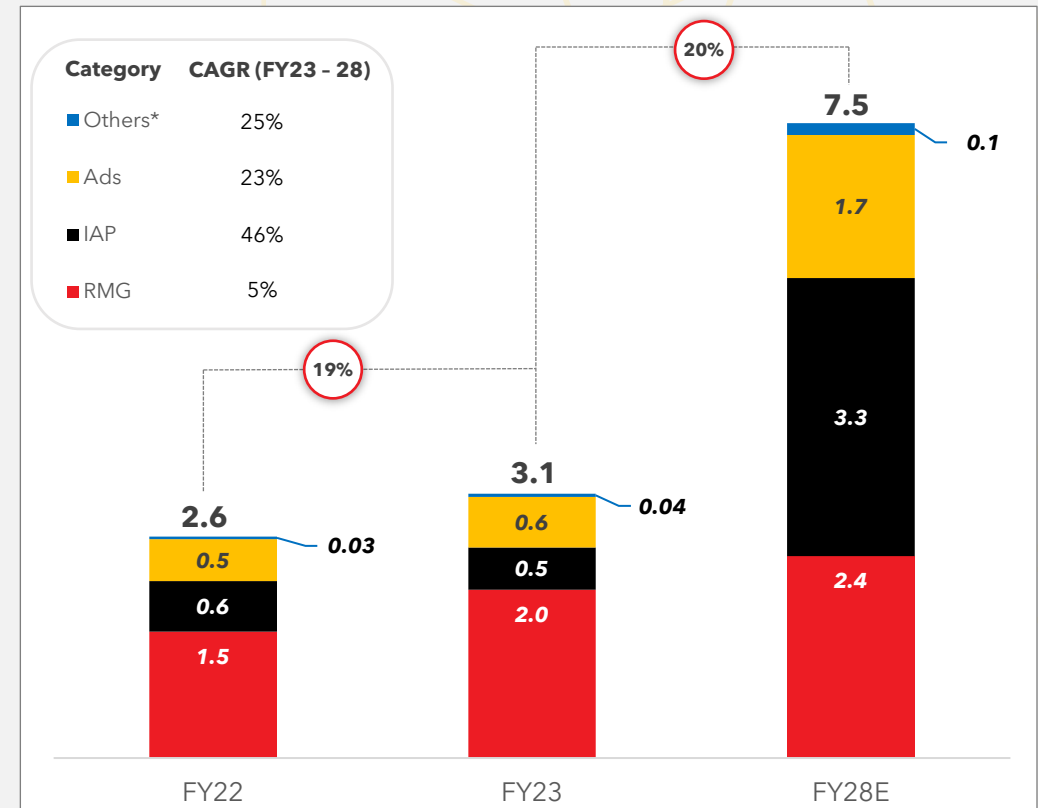
Midcore and casual will be key drivers of revenue over the next 5 years

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

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



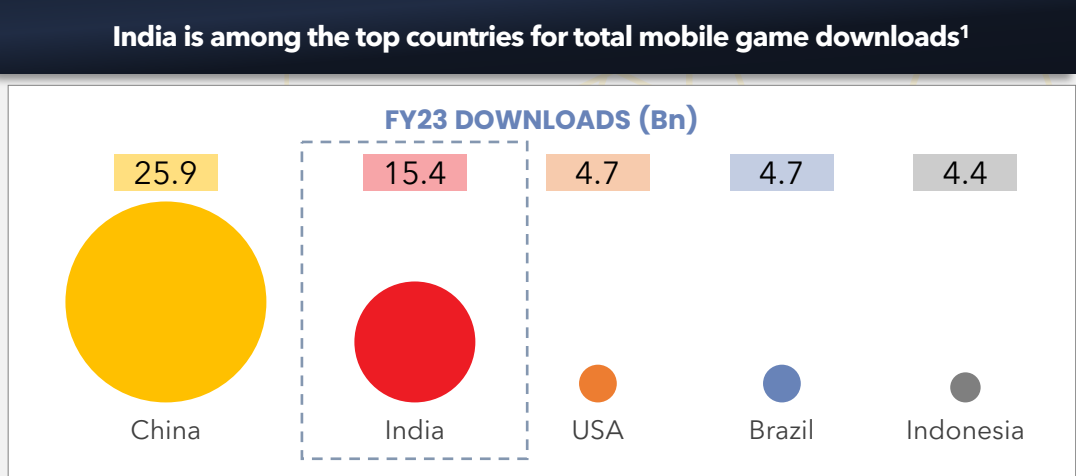
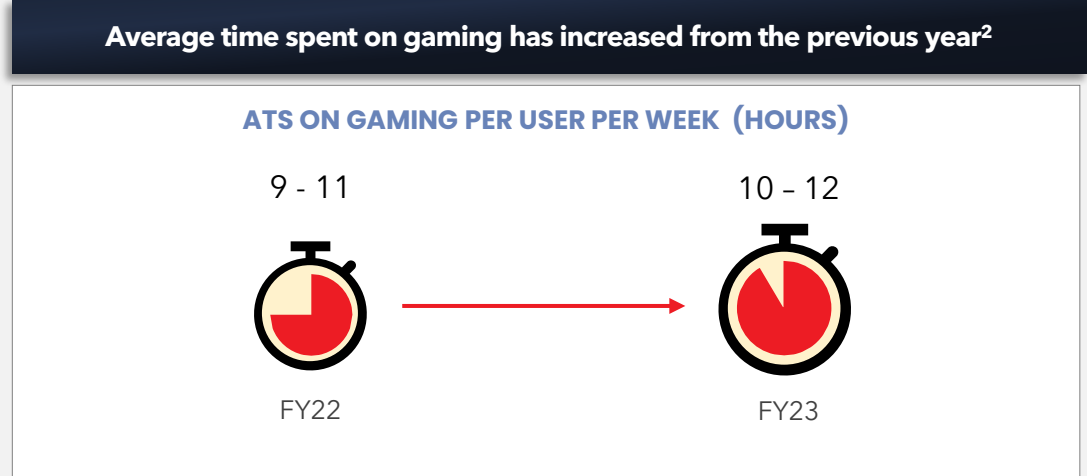
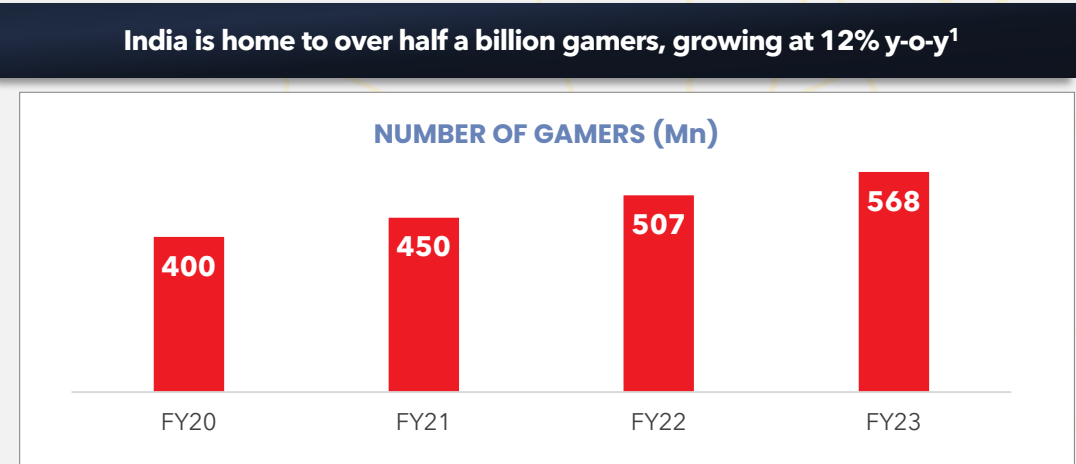
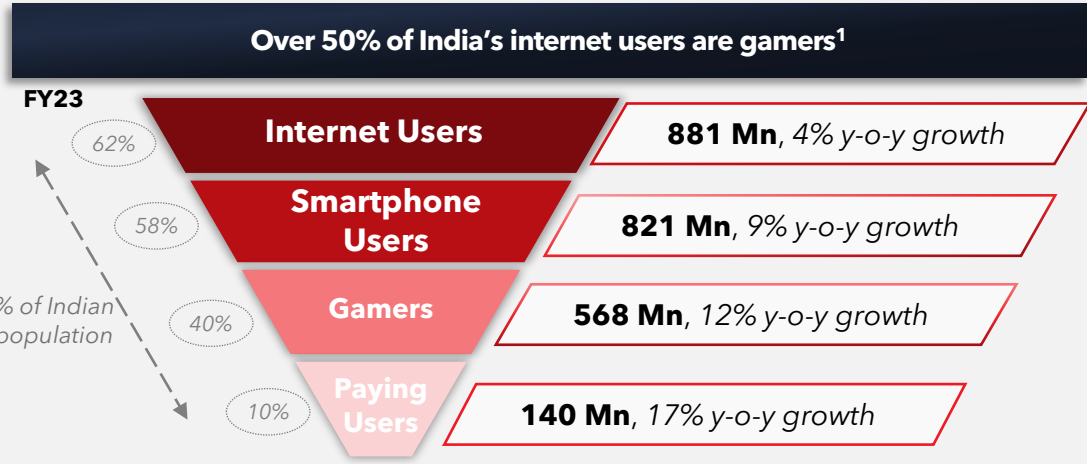
Gaming Market Size in India: Growth by Revenue Stream (\$Bn)



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.

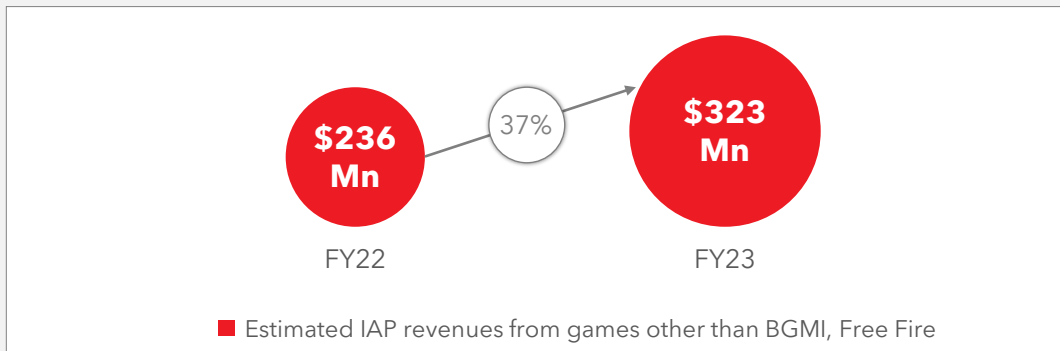


Source: 1: Lumikai Analysis based on third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews
 2: Lumikai analysis based on primary survey by Lumikai

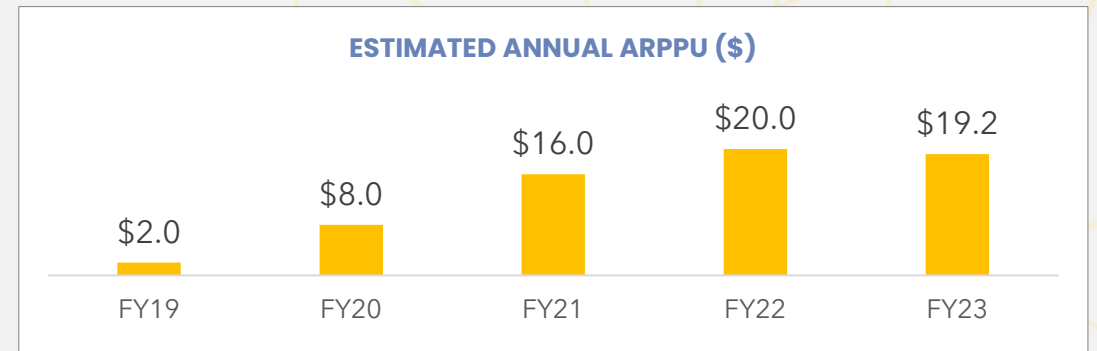
In-game monetization remained stable in FY23, despite the suspension of BGMI and Free Fire

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.

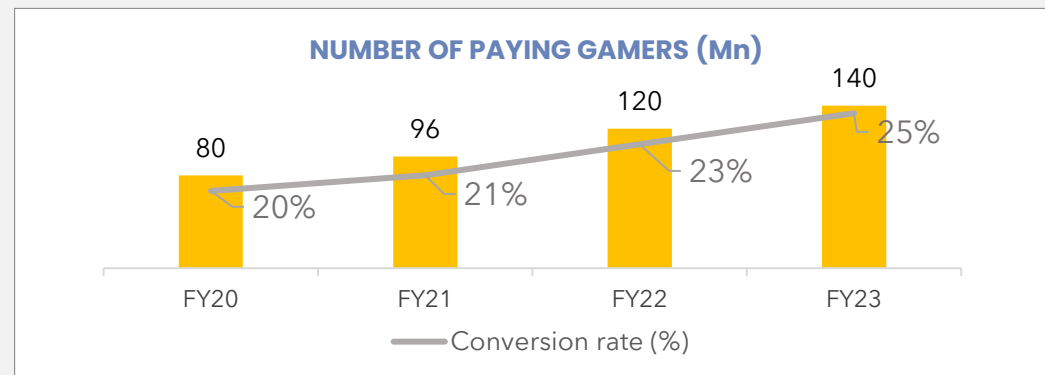
Estimated IAP revenue from games other than BGMI, Free Fire grew 37% y-o-y



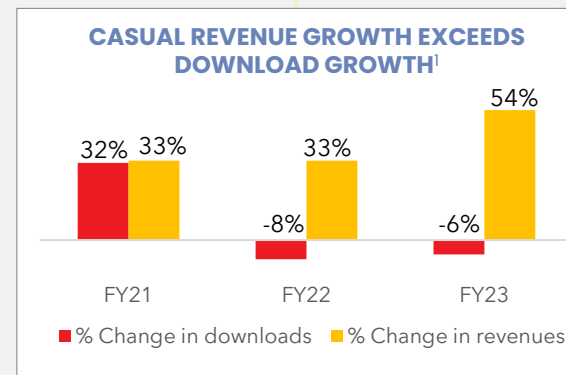
Estimated ARPPU has increased almost 10x since FY19, reaching \$19.2 in FY23



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**

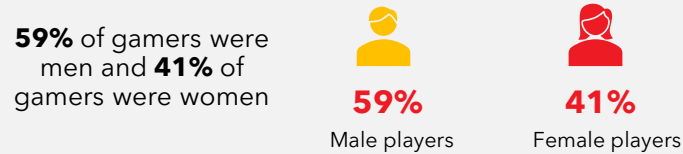
Source: Lumikai Analysis based on third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews
 1: Based on top 10 grossing casual games in FY23

Insights from pan-India survey (1/2)

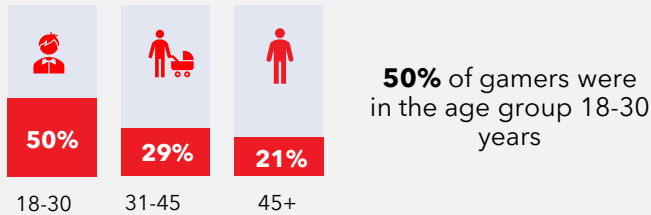
A sample of 2,317 respondents was surveyed across different demographics to gain insight into gamer and non-gamer motivations, behaviours, preferences, and monetisation propensity.

Demographic breakdown

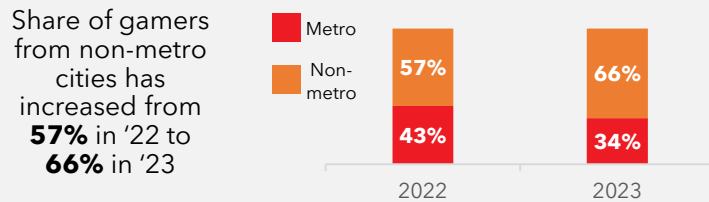
Gender-ratio of gamers



Age distribution of gamers

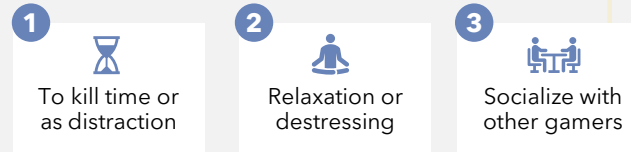


Metro vs Non-metro

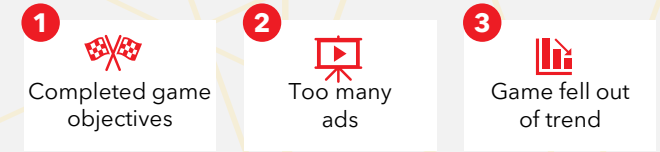


Gamer preferences

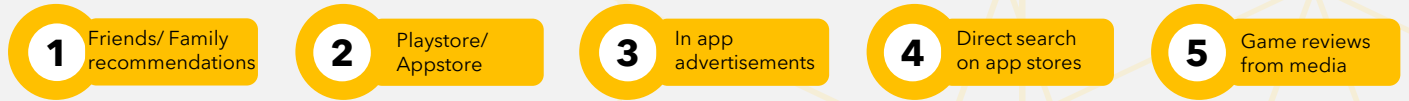
Top 3 motivations to play



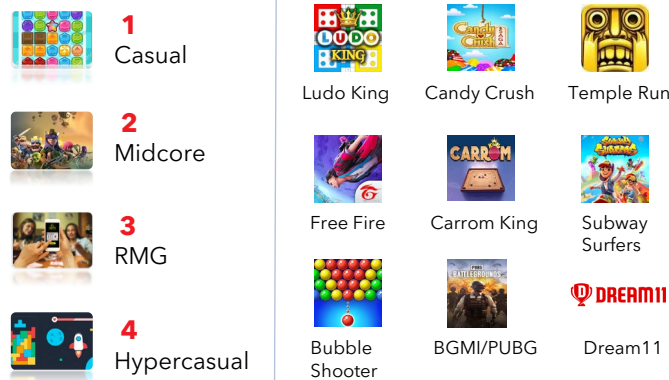
Top 3 reasons to stop playing



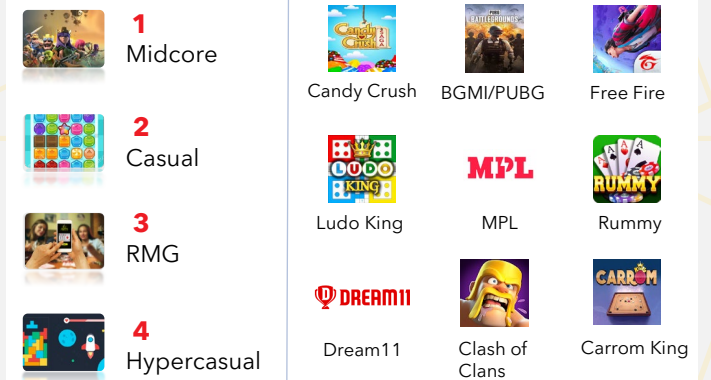
Top 5 game discovery and selection methods



Top games played



Top games that gamers pay for



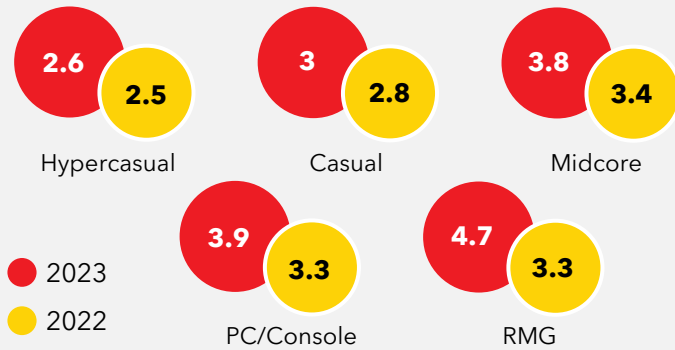
Note: Survey results based on user behavior over a 12 month period from Sept 2022 to Sept 2023.

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



Change in time spent playing games over last 12 months

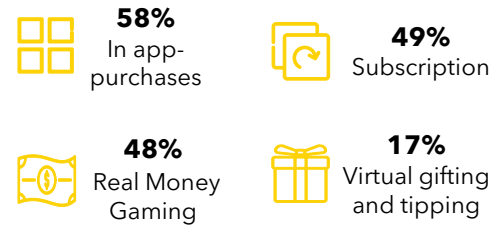
- 41%** Earlier I used to play casual games, now I **play all kind of games**
- 28%** Earlier I used to play the same game and now I **experiment with new gaming genres**
- 23%** Earlier I used to play games for free, now I also **spend money in games**
- 18%** Earlier I used to play games, now I also **watch live game streams** or **stream games myself**

Payment behaviour

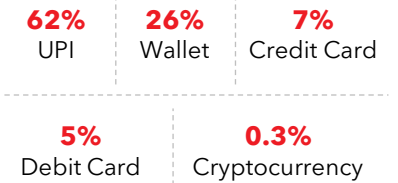
Paying user conversion

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

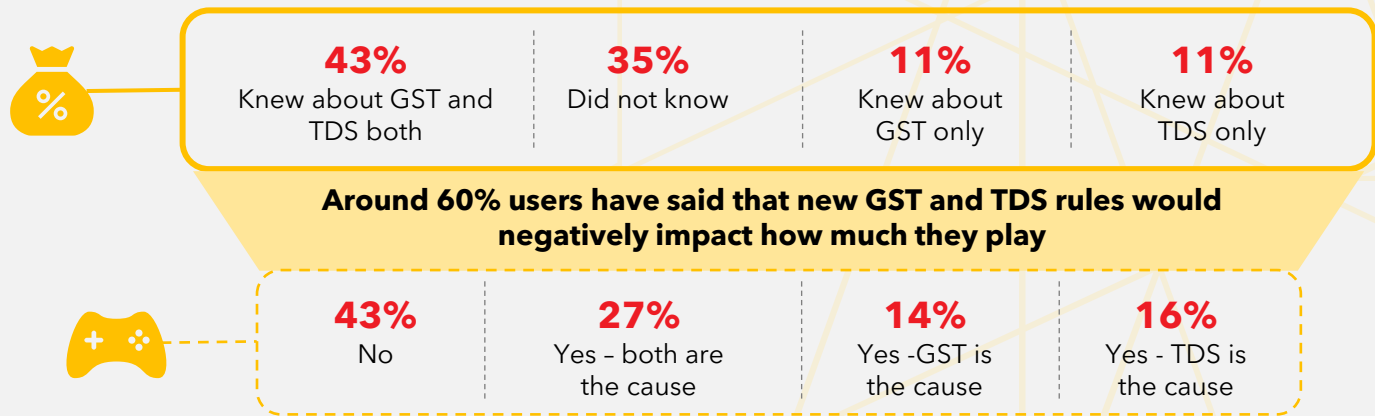
Top kinds of payment made



Top preferred mode of payment



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



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

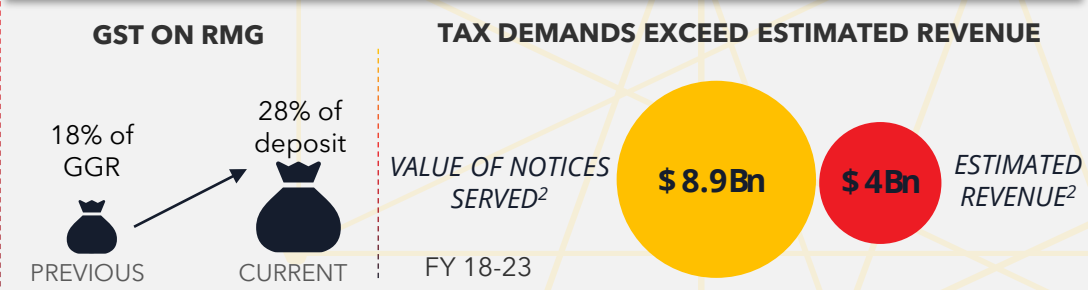
AVGC Incentives

- ❑ 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
- India wins bronze for Dota 2 at the Commonwealth Games 2022
- U18 esports tournament and academy

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



SRB-BASED REGULATION OF RMG BY MEITY

- ❑ 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

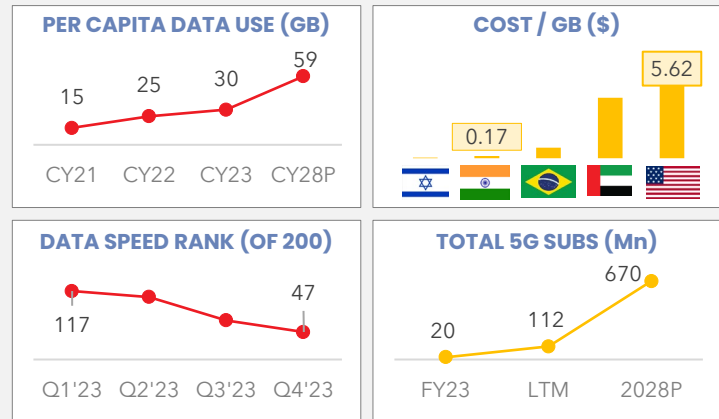
Source: Lumikai Analysis based on third party analytics data providers, secondary research, Lumikai proprietary data, primary survey & expert interviews
 1: List is not exhaustive
 2: Based on publicly available information on 4 of the top RMG companies in India

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

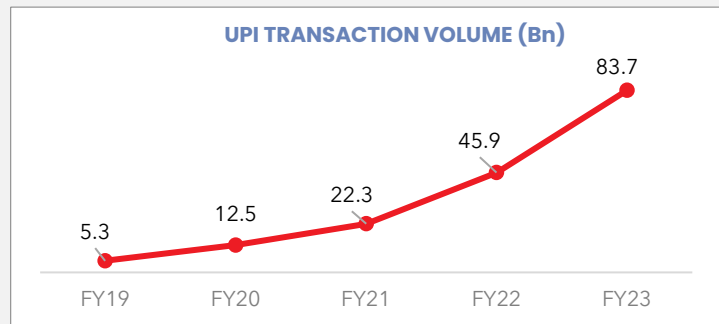
Rapidly improving digital infrastructure and India's evolving position as a game development hub bode well for the industry. Funding has slowed down, mirroring global activity; but direct investment by strategics such as Mixi, Sony, Krafton point towards a positive outlook.

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

DATA INFRASTRUCTURE



DIGITAL PAYMENTS



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

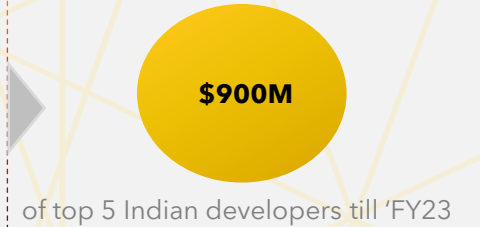
GLOBAL DEVS IN INDIA¹



FROM INDIA TO THE WORLD¹



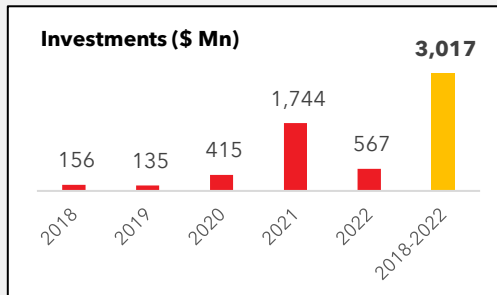
COMBINED 4-YEAR HISTORICAL REVENUE



Investment trends

TOTAL INVESTMENTS

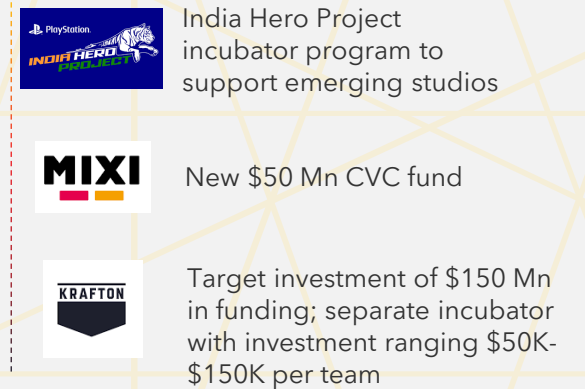
Funding in the Indian gaming sector is down 75% y-o-y in 2023, mirroring the global funding decrease of 79% y-o-y.



ACTIVE FUNDS¹



STRATEGIC INVESTORS



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



Thank you!

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

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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 |