Research Brief: Gaming in India

July 2016

Since the release of Global Market Advisor's ("GMA") white paper entitled "Gaming in India: An Evaluation of the Market's Potential" in April 2016, India's gaming market has evolved with a new gaming license issued in Goa and the potential legalization of gaming in India's second largest populated state: Maharashtra. In this research brief, GMA quantifies the value of the potential gaming market in Maharashtra and includes an updated review of the gaming market in Goa.

Global Market Advisors, LLC provides clients with market feasibility studies, primary research, economic impact studies, due diligence, payroll control, operations analysis, business and marketing plan development, and player reward program design for the gaming, hospitality, and tourism industries. The principals and associates of GMA have hands-on experience in nearly all aspects of the gaming industry including domestic and international operations, project development, marketing expertise, and detailed market analysis.

THE STATE OF MAHARASHTRA AND ITS POTENTIAL

Political leaders in the State of Maharashtra, which is home to the city of Mumbai, are currently contemplating the legalization of casino gaming and are expected to make a decision on the matter by the end of the year. After the discovery of a 1976 gaming act (the Maharashtra Casinos (Control & Tax) Act-1976), the Bombay High Court has mandated that the state government decide whether or not to notify the act and legalize casino gaming within the state. The Maharashtra Tourism Development Corporation ("MTDC") recently concluded that casino gaming in the state could produce $277 million USD in tax revenue.[1]

MARKET SIZE

The western Indian State of Maharashtra is the second largest state in India by population. In 2011, Maharashtra's population was estimated at 112.4 million or 9.3% of India's total population. In that year, approximately 45.2% of the state's total population was urban and 18.4 million people lived within the urban agglomeration of Mumbai, making it the largest urban agglomeration in India in that year.

[1] *http://calvinayre.com/2016/05/27/casino/maharashtra-to-earn-277m-from-casinos/*

Additionally, approximately 50.8 million people, or 4.2% of India's total population, lived within a five hour drive time of Mumbai in that year.

The size of the state's population is not the only fact that makes it an attractive potential gaming market. The State of Maharashtra's economy was responsible for approximately 23.2% of India's GDP and per capita income was quantified at $1,500 USD in 2011, while the national average per capita income was only $1,100 USD.[2]

Historical Local Population, Greater Mumbai			
Districts*	**2011 Population**	**2011 Urban Population**	**2011 Rural Population**
Mumbai Suburban	9,356,962	9,356,962	0
Mumbai City	3,085,411	3,085,411	0
Thane	11,060,148	8,514,678	2,545,470
Raigarh	2,634,200	970,195	1,664,005
Ratnagiri	1,615,069	263,723	1,351,346
Pune	9,429,408	5,751,182	3,678,226
Satara	3,003,741	570,378	2,433,363
Ahmadnagar	4,543,159	912,617	3,630,542
Nashik	6,107,187	2,597,373	3,509,814
SubTotal	**50,835,285**	**32,022,519**	**18,812,766**
Maharashtra Total	**112,374,333**	**50,818,259**	**61,556,074**
% SubTotal of State Total	45.2%	63.0%	30.6%
Indian Total	**1,210,854,977**	**377,106,125**	**833,748,852**
% SubTotal of India Total	4.2%	13.5%	7.4%
Source: Indian Census/GMA			
**Within five hour drive of Mumbai*			

GAMING MARKET POTENTIAL

With Maharashtra's concentrated population and share of the Indian economy, the State of Maharashtra, and Mumbai in particular, present an appealing gaming market opportunity to the State of Maharashtra and the greater gaming community. This section of the research brief estimates the market's gaming revenue and gaming tax revenue potential.

For the purposes of this analysis, GMA assumed that attractive integrated casino resorts will be strategically positioned in and around Mumbai with excellent access to both local and tourism market demand. GMA assumed that local Maharashtra residents, as well as Indians from other states, would be allowed to gamble in these facilities. GMA prepared its market gaming revenue projections for 2021 in USD.

LOCAL GAMING MARKET POTENTIAL

GMA expects that these casinos will garner a majority of gaming revenue and demand from the local market, which is expected to include the population living within five hours of Mumbai. As such, GMA quantified the size of the local market in 2021. Based on GMA's understanding of historical urban and rural population trends, GMA assumed that India's urban and rural

[2] *http://indianexpress.com/article/cities/mumbai/per-capita-income-state-second-only-to-haryana/*

population would increase at a compound annual growth rate ("CAGR") of 2.4% and 0.7%, respectively, through 2021.

With population estimates prepared, GMA applied appropriate gaming factors to define the size of the local market. In 2021, GMA expects that 52% of the local market population will be of gambling age. To be conservative, GMA further assumed that 25% of the projected local urban population and 17% of the projected local rural population would be classified as middle or upper class in that year.[3] For the purposes of this analysis, GMA assumed that the local adult middle and upper class population would serve as the potential local gaming market.

GMA estimated that 18% of adult, urban residents would gamble approximately twelve times a year with an average gaming spend of $70 and 9% of adult, rural residents would gamble approximately six times a year with an average gaming spend of $80.[4] Based on these applied gaming factors, these two demand segments are projected to generate $874.9 million in local market gaming revenue in 2021. It is important to note that this gaming revenue generation would stem from 1.1 million middle/upper class adults, which only accounts for 1.8% of the projected total local market population in that year. Additionally, this level of local market gaming revenue equates to a revenue per capita figure of only $14.40 in that year.

Projected Local Gaming Revenue, 2021	
Urban Population	40,593,365
Rural Population	20,171,926
Gambling Age	52%
% Upper/Middle Urban	25%
% Upper/Middle Rural	17%
Urban	
% Urban Propensity	18%
Urban Frequency	12
Urban Spend	$70
Urban Gaming Revenue	**$797,903,191**
Rural	
% Rural Propensity	9%
Rural Frequency	6
Rural Spend	$80
Rural Gaming Revenue	**$77,034,163**
TOTAL Local Gaming Revenue	**$874,937,354**
Source: GMA	

TOURISM GAMING MARKET POTENTIAL

If the State of Maharashtra's integrated resorts are properly designed and situated, they can expect to garner gaming revenue from the tourism market as well. Recently, a State of Maharashtra government official presented that the state receives approximately 7.5 million foreign tourists and 18.0 million domestic tourists each year.[5]

[3] These figures are based on historical income information presented in GMA's aforementioned white paper.
[4] It is important to note that GMA increased the anticipated average gaming spend metrics for this market as residents of the State of Maharashtra demonstrate a larger per capita income than the national average.
[5] *http://calvinayre.com/2016/05/27/casino/maharashtra-to-earn-277m-from-casinos/*

Projected Tourist Gaming Revenue, 2021	
Existing Tourist Visitation to Maharashtra	
Foreign Tourists	7,500,000
Domestic Tourists	18,000,000
Estimated Tourist Visitation to Mumbai	
Foreign Tourists	6,375,000
Domestic Tourists	15,300,000
Projected Gaming Factors	
% Gambling Age, Foreign Tourists	80%
% Gambling Age, Domestic Tourists	67%
% Gaming Propensity, Foreign Tourists	10%
% Gaming Propensity, Domestic Tourists	12%
# Gambling Patrons, Foreign Tourists	510,000
# Gambling Patrons, Domestic Tourists	1,224,612
Average Gaming Spend, Foreign Tourists	$175
Average Gaming Spend, Domestic Tourists	$105
Gaming Revenue, Foreign Tourists	$89,250,000
Gaming Revenue, Domestic Tourists	$128,584,260
TOTAL Tourist Gaming Revenue	**$217,834,260**
Source: GMA	

Although the introduction of integrated casino resorts would likely induce new tourism visitation, GMA conservatively assumed that the State of Maharashtra would garner the same level of tourism visitation in 2021. As Mumbai is largely responsible for these tourism levels, GMA assumed 85% of the state's tourists would visit Mumbai in that year.

GMA applied gaming factors to the foreign and domestic tourist market segments based on its understanding of gaming factors experienced in other relevant and comparable gaming markets. In total, GMA expects the foreign tourist demand segment to generate $89.3 million in gaming revenue and the domestic tourist demand segment to generate $128.6 million in gaming revenue in 2021.[6]

SUMMARY OF POTENTIAL

With large levels of local market and tourism market demand and the assumptions defined in this research brief, GMA expects that the greater Mumbai gaming market could generate a total of $1.1 billion in gaming revenue in 2021, with a large majority of gaming revenue stemming from the local market. If the State of Maharashtra were to employ a 25% gaming tax rate, the state could expect to receive approximately $273.2 million in gaming revenue in the subject year.

Projected Total Gaming Revenue, 2021	
Local Revenue	$874,937,354
Tourist Revenue	$217,834,260
TOTAL Gaming Revenue	**$1,092,771,614**
Projected Gaming Tax Revenue	**$273,192,904**
Assumed Gaming Tax	25%
Source: GMA	

[6] It is important to note that these gaming revenue projections do not include the gaming revenue that would be produced by induced gaming patrons. Induced gaming patrons include those gaming patrons that choose to visit the State of Maharashtra because of the introduction of gaming or those patrons (from outside of these defined markets) that are specifically invited by integrated casino resort hosts.

GOA IS GROWING

As expected, Delta Corp was recently granted a license to operate a third offshore casino on the River Mandovi in Goa. The third license will be utilized for the refurbished Deltin Caravela, which closed in May 2013. With its reopening, it will become the fifth offshore casino in the State of Goa. The Deltin Caravela is expected to offer seventeen live table games and ten slot machines. The casino will also feature a restaurant on the sundeck, six hotel suites (with an average size of 500 square feet), two duplex luxury suites, spa and health club, and library. This new license will solidify Delta Corp's position as the gaming market leader in Goa. GMA expects the casino to attract the higher end domestic mass market and VIP play.

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