

The rise & rise of Dream11, and fantasy sports gaming in India

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Lower Parel in Mumbai is hardly an area that you will associate with technology startups. But on the 19th floor of a high-rise which includes banks, media companies, stock brokers and corporates sits Dream11, India's latest Unicorn, a term used for a private company which is valued more than \$1 billion.

Just above its small reception gate – the side which employees see while exiting the office – is a digital scoreboard which shows how many registered users Dream11 has. On March 14, the number was 52.5 million. The company has set a target to reach over 100 million by the end of 2019, which will be a quarter of the 400 million that consume cricket online in India, according to cofounder & CEO Harsh Jain.

The aggressive target is expected to be mostly achieved during the Indian Premier League (IPL), while the cricket World Cup is expected to be a cherry on the top.

“For a brand like ours focused on India, IPL is much bigger. Because in IPL, India is playing for all 60 days,” says the 33-year-old Jain. If it achieves the numbers, it will be a rare feat as few Indian internet companies have crossed the 100 million user milestone. The others are Flipkart, Paytm and Reliance's MyJio. Overseas players like Amazon, Facebook and Whatsapp also

have over 100 million users.

It will be significant for Dream11 more so as the company's mobile application is not available on Google's Play Store. That is because Google does not allow mobile apps offering cash contests on its platform. So the app has to be downloaded from the company website with a disclaimer that it could be unsafe to download the application.

Despite this, Dream11 has been able to attract interest from not only consumers but also top investors around the world. The company does not like to talk about fundraises. It has till now not announced any of its financing rounds, including when it raised \$100 million from Chinese internet giant Tencent last year at a valuation of about \$700 million, which any other internet company would have bragged about. But its numbers do the talking.

Dream11 has projected total transactions on the platform of about \$650 million for the year ending March, with net revenue of \$100 million, based on the approximately 15% service fees it charges, according to an investor briefed on the company.

“They have surpassed projections and will easily be over \$1 billion in annual run rate now,” said this investor.

These numbers are attracting big investors. In the coming weeks, the company will be valued at \$1.1 billion when Hong Kong-based hedge fund Steadview Capital completes its deal to buy part of the shares held by Dream11's early investors like Kalaari Capital, Multiples and Think Investments for \$60-80 million, according to two sources briefed on the developments. Jain declined to comment on the capital raise.

HOW IT STARTED

Dream11 was co-founded by Jain, who did engineering from the University of Pennsylvania, and Bhavith Sheth, a graduate from Mumbai's DJ Sanghvi, back in 2008, when both were around 22. Jain was then working as marketing manager at infrastructure and real estate firm Jai Corp, promoted by his father Anand Jain.

Dream11 started as a personal project, as both Jain and Sheth were big fans of English football fantasy leagues. They wanted to do something similar for IPL, which had just started, and thought there will be others like them.

At the same time, the duo dabbled in other ventures, including a digital and social media agency called Red Digital in 2010 which they sold to Gozoop for about Rs 7 crore in 2013. Meanwhile, Jain and Sheth also got their MBAs from the US.

Initially, Dream11 ran as an ad-based model with a season-long format, which did not find many takers. By 2012 the company decided to stop this model and instead focus on daily matches and allow users to put money on the teams.

Dream11 allows you to choose a team before a match starts, and pick which players will perform the best. Based on their performance during the actual match, you accumulate points and get a rank at the end of the game. If you participate in a game with money, it goes into a common pool, and you get winnings based on the ranks after being charged a service fee.

Things started to take off from the end of 2014 when the company raised its first round of funding from Kalaari Capital. Jain was introduced to the VC firm by Snapdeal co-founder Kunal Bahl, who was with him at the University of Pennsylvania.

From just 300,000 users in January 2015, the company reached 1.3 million by the end of the year. This number jumped to 5.7 million by the end of 2016, then to 17 million in 2017, and to over 50 million now.

“We focused on a mass market game which is high entertainment value for people with low disposable income, but which won’t hurt the pocket if they lose,” said Jain. The average transaction size on the platform is Rs 35.

IS THIS LEGAL?

Just about 15% of the players on Dream11 have till now paid for a game; the remaining participate for free. The number of

paying users used to be as low as 5% a few years ago, but referrals and the use of cricketer Mahendra Singh Dhoni as brand ambassador has helped build credibility. The company has had its share of legal wrangles. In 2017, one of its users took Dream11 to the Punjab and Haryana high court after losing money. But the courts ruled in favour of Dream11, saying that it is not gambling but a game of skill as users have to build a team based on current form and past performance of athletes.

But the court ruling does not make fantasy gaming legal in India, and there could be further challenges. Every state has its own rules on it. Jain helped set up an industry body called Indian Federation of Sports Gaming (IFSG) in 2017 to establish self-regulation standards for the industry – there are some 50-60 fantasy gaming platforms in India – before the government comes out with legislation.

This was important because even after the Supreme Court declared rummy as a game of skill in 2015, some states like Telangana banned it, impacting companies in the space. “Self-regulation is really stemming from what happened in states with rummy operators,” said Ranjana Adhikari, co-head of the media and gaming practice at law firm Nishith Desai Associates.

NOT GAMING, BUT SPORTS

Dream11 has a 90% share in the fantasy gaming space right now, according to a recent KPMG and IFSG report. It will also be the first billion dollar valuation gaming company from India.

But Jain does not like Dream11 being described as a gaming company. “We are a sports company,” he says, adding that the platform will aim to help the consumer get everything they need in sports. This will include merchandise from their favourite players and teams, tickets for matches and memorabilia.

Right now, it is rebranding and scaling up the content platform SportsGuru, where users get analysis on how teams and players are expected to do in upcoming matches. This platform may start subscriptions in the future.

“We have created something like the equity market for sports in India. Now we are looking to have a platform which will have equity research,” said Jain.

Dream11’s success is attracting more players. The fantasy sports gaming market is expected to reach \$5 billion in the next two years in India, said Halaplay co-founder Prateek Anand. Halaplay was founded in 2017 by four BITS Pilani alumni and has got backing from players like Nazara, maker of Chhota Bheem games, and Delta Corp, which runs casinos in Goa and Sikkim, where gambling is legal.

Anand says his strategy is to make fantasy sports gaming more social. He plans to do that by removing service fees on head-to-head, where users play against a few opponents, typically players they know. “We want to get the users playing on WhatsApp groups to come on the platform,” said Anand.

But Jain is not worried about new players. His platform hosts about 3,000 games a year or 9 games a day across cricket, football, kabaddi, basketball and hockey. If one includes Formula 1, badminton, rugby, golf, volleyball, tennis and squash, the market is even bigger.

“There are 10,000 matches a year, 30 matches a day. Brands need to target sports fans, and we can help,” said Jain.