

Asia's Sleeping Tiger

By [Kit Szybala](#) Thu, Apr 21, 2016

Why India promises to become the next major gaming market in the region



Since the emergence of Macau and Singapore as two of the world's largest gaming markets, casino developers have looked at other

jurisdictions within Asia for the next great opportunity. Japan, South Korea, Vietnam, the Primorye region of Eastern Russia, the Philippines and Cambodia have all generated varying amounts of interest from international casino developers. Japan, with its large and prosperous population, now appears to be out of play, at least for the foreseeable future.

The remaining countries' nascent casino industries are all highly dependent on gamers from China and, as has been clearly demonstrated over the past two years, gaming revenue from Chinese. As such, the next great Asian casino development opportunity remains elusive.

One market that has been largely ignored, both from a development opportunity and as a target market for casinos in nearby jurisdictions, is India.

There is much to like about India. India offers a stable democratic society, the world's second-largest population, an enormous and growing middle class, a burgeoning capitalist-driven economy, and a population that has long embraced and enjoyed various forms of wagering. [Global Market Advisors, in its white paper from which this article was derived](#), examined the Indian casino market, both as an opportunity for casino-resort development within India's borders and casino development in neighboring jurisdictions that target Indian gamers.

The Indian Market

India's 1.25 billion residents and \$2.18 trillion economy present an opportunity to casino developers and to India's state governments interested in stimulating economic development. In 2011, the National Council of Applied Economic Research (NCAER) estimated that India's middle-class population would reach 267 million this year, making it the second-largest in the world, next to China.

By 2025, NCAER expects this number to double to nearly 547 million. Much of the middle-class population resides in urban areas, where they can be more easily marketed to. India's eight largest metropolitan areas all have populations above 5 million, with three metropolitan areas having populations above 14 million.

In 2015, India had a labor force of 502.1 million, making it the second-largest in the world behind China. The IMF estimated that India's GDP grew from \$1.8 trillion in 2012 to nearly \$2.2 trillion in 2015, which was higher than GDP levels achieved in Russia, Australia and Korea. India's chief economic adviser, Arvind Subramanian, recently stated that India's economy should achieve a growth rate between 8 percent and 10 percent in the next two to five years.

With these strong trends and a positive economic outlook, the country is positioning itself to become increasingly more attractive to the gaming industry.

The Indian Gamer

Wagering has long been a part of Indian culture. Gambling halls were in fact legal for centuries and were only banned by British colonial authorities in 1867. The Public Gaming Act banned all forms of gambling with exceptions for horse racing, lotteries and certain card games.

India's post-colonial constitution gave individual states the right to authorize and regulate various forms of gambling. Of the 29 states in India, 13 states offer a lottery, six allow horse racing, and two states currently allow and offer casinos. Sports wagering, although technically illegal, occurs throughout Indian society, with verve and passion. The card game rummy is considered a game of skill and is also very popular in households, clubs and illegal gambling halls alike.

Indian gaming patrons are made up of a variety of different economic and demographic backgrounds including young entrepreneurs, middle-class residents, factory owners, wealthy housewives and successful businessmen. These gamers frequent legal and illegal gaming venues domestically and seek out gaming opportunities abroad.

The G3-247 Report titled "Searching for Symmetry" estimates that annual Indian casino gaming spend (both legal and underground) accounts for approximately \$30 billion. However, these figures do not include the amount of cash wagering that regularly occurs at card games in private clubs and in homes during religious festivals like Diwali. The report also estimates that Indians spend a combined \$60 billion annually on online wagering, horse track wagering, sports betting and casino gaming.

Indian gamers have strong gaming preferences and exhibit unique gaming habits. They overwhelmingly prefer table games and particularly enjoy globally recognized games like roulette, blackjack and baccarat, but also prefer traditional games like Indian Flush (Teen Patti), Mini-Flush and Andar Bahar. Although the Indian gamer's preferences for table games are similar to those of the Chinese gamer, their gaming mindset is wholeheartedly different. Indian gamers do not necessarily only gamble to win, they gamble to enjoy the thrill of the gaming experience.

Indians tend to display more calculated and reserved gambling behavior. For example, many Indian patrons often do not keep large stacks of chips on the table. Instead, they repeatedly reach into their pockets to replenish their stacks. Many Indian gaming patrons bet at a slower pace, often take breaks, and switch games regularly.

The Indian Casino

Although Indians demonstrate a serious propensity for casino gaming, casinos are not readily available in India today. At the time of this writing, only two Indian states, Goa and Sikkim, offer some form of legalized casino gaming. The Union Territory of Daman and Diu also permits casino gaming; however, its first casino is still awaiting the approval of its gaming license.

As Goa and Sikkim cater to the Indian gamer, live and electronic table games dominate the casino floor and private poker and flush rooms are also prevalent. Indian casinos usually feature a small number of slot machines, but they are mainly ornamental, as they are often very old, non-functional and underplayed.

Both Indian casino markets are located in very attractive tourist destinations. Goa, located on the western coast of India, features beautiful beaches and relics from its Portuguese past. Sikkim, located in northwestern India, is nestled in the Himalayas and offers tourists scenic vistas and religious experiences at its various monasteries. Both states have utilized casino gaming as a way to capture additional revenue from their tourist bases.

Gaming in Goa

Goa and Sikkim are not easily accessible or proximate to large metropolitan areas. To reach the casinos in Goa, most patrons fly. Once patrons arrive in Goa, they can avail themselves of approximately 15 casinos, with a total of 350 live and electronic tables and 160 slot machines. Despite its modest supply of gaming positions, Goa is the largest gaming destination in India. The G3-247 report estimates that Goa accounts for nearly 95 percent of India's casino gaming revenue. BBC News noted that Goa's casinos receive approximately 15,000 visitors a day, with visitation increasing by 30 percent annually.

A vast majority of visitors arrive from Indian states outside of Goa. Currently, Goa is dominated by two gaming operators, Delta Corp. Ltd. and Pride Group, which own eight of the market's 15 casinos.

Four offshore casinos, housed in riverboats, also serve the market. A fifth casino is expected to reopen soon. These casinos feature a total of 250 live and electronic tables and a much smaller number of slot machines.

Although these casinos feature the largest array of gaming amenities in India, they do not offer a gaming environment or non-gaming amenities that would attract many casual gamers.

The gambling boats float in the Mandovi River, but there have been efforts to move them out to the Indian Ocean, which is unsuitable for riverboats such as these. Therefore, a scheduled move has been postponed indefinitely.

The market's remaining electronic gaming tables and machines are located in casinos situated in suspiciously rated five-star hotels. These eleven casinos are spread along the state's coastline. Patrons pay lower entry fees for these casinos, ranging from US\$11 to US\$23, and receive the same range of items in return. Electronic gaming tables dominate the casino floor, as they are limited to them by law.

Even so, many of these games are manned by live dealers and offer an experience similar to that of a live table game. These casinos have extremely limited non-gaming amenities and, as such, typically attract only serious gamers. At most, these casinos offer a small buffet, bar and live entertainment.

Gaming in Sikkim

Some gamers venture to the two casinos in Gangtok, Sikkim. However, to do so is a daunting task. To reach Sikkim, patrons must fly into Siliguri then drive three to five hours along a poorly paved, narrow mountain

highway with limited (and often non-existent) guardrails and burdensome traffic. With these obstacles, it is understandable why Sikkim's gaming market generates far less gaming revenue than Goa.

Patrons can gamble at Casino Sikkim and Casino Mahjong. Casino Sikkim is located in central Gangtok within the basement of the Royal Plaza Hotel. It features a small variety of table games, a flush room, and very dilapidated slot product. Casino Mahjong is located just outside of central Gangtok in the Mayfair Spa Resort. This casino features a more diverse set of amenities in a more attractive gaming setting, including a main casino floor, poker room, flush room, buffet/dining area and small entertainment stage.

To enter either casino, patrons must pay entrance fees ranging from US\$15 to US\$53 and receive in return the same items as in Goa. The market only offers around 30 table games and 30 slot machines. With such a small offering of gaming and non-gaming amenities, the market's casino product does not make the trip's required hurdles worthwhile.

With a few exceptions, the gaming facilities in Goa and Sikkim offer a largely underwhelming gaming experience. Despite the unappealing offering, Indian patronage of these facilities continues to increase.

India's Gaming Market Potential

The Indian gaming market is immature and underserved today. India's 1.25 billion citizens are only proximately served by 730 table games, yielding a ratio of nearly 1.71 million people per available table game. As such, Indian gaming operators like Delta Corp. and Pride Group and non-Indian gaming operators like Silver Heritage (see right) are attempting to position themselves to capitalize on the underserved market's potential promise.

In the short to medium term, other operators of casinos in existing markets, such as Singapore and Macau, should recognize the value of the Indian gamer. In the long term, Indian states and the federal government must consider and recognize the significant economic contributions that integrated casino resort developments can bring to their communities in the form of job growth, tax revenue and tourism.

If the right number and mix of attractive integrated casino resorts were strategically positioned throughout India's major cities and along its borders, the tiger that is the Indian gaming market could wake up and generate upwards of \$10 billion, taking its place as a dominant force in Asian gaming.

The Indian Gamer Abroad

Limited gaming inside India has made gaming in surrounding countries a growth industry



Silver Heritage's planned Tiger Palace Resort on the India/Nepal border

With such a limited selection of proximate gaming venues in India, many Indian gamers venture abroad to gamble, frequenting casinos in neighboring countries like Nepal and Sri Lanka that cater specifically to them.

Nepal's capital city, Kathmandu, offers four casinos, the Millionaire's Club and Casino, Casino Mahjong, Casino Royale and Casino Pride, located in four-star or above hotels. The existing casinos in Nepal offer a similar array of gaming and non-gaming amenities to the casinos in India. In total, these facilities feature approximately 100

table games and more than 100 slot machines.

One international operator has taken a keen interest in the market: Silver Heritage Limited. With its existing operation at the Millionaire's Club and Casino and previous experience in the market area, Silver Heritage is planning to open another casino, the Tiger Palace Resort, on the Nepal/India border. But the opening of the Kathmandu casino was a rough one, and involved helping to re-start a dormant industry after it had been shut down by the Nepal government in 2014. And then a 7.8-magnitude earthquake hit the capital of Kathmandu, killing nearly 10,000 people.

"We won the license in February 2015 and the earthquake hit at the end of April," says Mike Bolsover, the COO of Silver Heritage. "We had about 400 employees just finishing training. Although it was a horrible event, we were lucky in that none of our employees suffered directly. There was very little damage to the property, which is in the five-star Shangri-La Hotel. We were able to deliver aid immediately and did our part as good corporate citizens. We're now part of the rebuilding process."

Part of that process is the hotel-casino on the border.

"It's a five-star hotel," says Bolsover. "Our plan is to build about three facilities like this so we'll employ multiple thousands of Nepalese over the course of the next two or three years."

Bolsover says the Indian market is "fantastic."

"In addition to Indians traveling to Nepal, there's a lot of Indian expats living and working in Nepal," he says. "Since the Nepalese are not allowed to gamble, this is also a big market for us."

It's not the only market that Silver Heritage is approaching, however.

"We had an event last month with 400 people in our 22-table casino," says Bolsover, "and over 80 of those people were ethnic Chinese. It's more than we'd hoped for in the beginning, but with four flights from different cities in China, it's a market we can develop. But our business model is based on the Indian market, which is thus far underserved."

Bolsover says the Goa and Sikkim markets inside India aren't really that popular.

"The Indian customer we see," he explains, "isn't overly enamored with those markets. And Macau is built solely for mainland Chinese. And these two cultures have different expectations about what they would like to see in a casino environment."

Sri Lanka, an island located off the southeastern coast of India, also features several casino gaming facilities that attract Indian gamblers. All of the gaming facilities are located in or near the nation's capital of Colombo. These casinos generally offer a similar gaming product to those in Nepal and India, but also attempt to cater to a variety of other demand segments.

Specifically, Sri Lanka's casinos target India's southern metropolitan areas, like Chennai, Cochin, Bengaluru and Madurai, as many of them are closer to Sri Lanka's casinos than Goa's. Sri Lanka's casinos offer a total of approximately 250 table games as well as slot machines and live sports betting. Plans for Crown Resorts to build an integrated resort in Colombo were scuttled when a new prime minister was elected, who nixed any gambling expansion.

Outside of these neighboring gaming markets, Indian casino visitation is limited. In 2015, only 167,578 Indians visited Macau, the 10th largest visitor source market to Macau in that year. Indian visitors also fell within the top 10 countries that produce visitors to Las Vegas in 2015, but the number of total visitors is also minimal.



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