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# India – The gaming industry’s greatest development opportunity

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The world’s largest and most successful integrated casino resort (IR) operators are faced with a dilemma. There are very few markets where they can deploy their expertise and capital to develop integrated resorts on the scale seen in Macau and Singapore.

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Countries in Asia, once viewed as ideal markets that could support multi-billion dollar developments, are proving to be problematic. Japan, at one time regarded as a market capable of rivaling the world’s great integrated resort destinations, has managed to regulate itself into irrelevance. Using the Singapore model as a starting point, Japan policy makers created a regulatory framework that managed to scare off some of the world’s most successful developers.

They also failed to communicate the economic benefits of IR development to Japan's citizens, many of whom have now grown ambivalent if not openly hostile to the concept. Furthermore, the process of awarding licenses is moving at a glacial pace, to a point where the cities and operators who are ultimately selected will be lucky if they can open their resorts by the end of the decade.

With a population of 98 million and a rapidly growing middle class, Vietnam was also once considered a potential market for IR development. After watching the initial success of the IRs in Singapore, Vietnam's policy makers set the minimum capital requirement for IR development at \$4 billion, probably because that was within range of what was spent in Singapore. They then doubled down and announced that Vietnamese residents would be prohibited from gambling in those IRs. The capital requirement was eventually reduced to \$2 billion.

The Grand Ho Tram Resort, initially a partnership with Asian Coast Development (Canada) Ltd and MGM Resorts (but completed without the U.S. operator), ultimately opened but failed to achieve its financial projections. Hoiana, a development led by Suncity Group Holdings Limited, opened in 2020, and it remains to be seen if it will succeed without the all-important resident market. Policy makers had recently designated two properties as pilot projects where residents can gamble, but they are located in remote tourist destinations. They too failed to attract the interest of major IR developers.

The Philippines did enjoy success at its attempt at IR development. Entertainment City, a multi-property development along Manila Bay, has proven very successful but was initially shunned by international developers. Casino resort developments in Cebu, all built on a smaller scale than those in Manila, are also proving successful, primarily attracting gamers from Korea, China and Japan.

South Korea was once considered a viable market for IR development, despite regulations that prohibit residents from gambling in its casinos. Two integrated resorts are currently under development in Incheon, near the international airport. It remains to be seen if the non-gaming elements will be sufficient to overcome regulations that only permit foreigners to enter their casinos.

The resort city of Sihanoukville, Cambodia continues to attract regional casino-resort developers, albeit operators with roots in the Peoples Republic of China. Naga Corp, the gaming company that operates the hugely successful NagaWorld complex in Phnom Penh, is the only publicly traded company that expressed an interest in developing an IR in that market.

### **The last frontier**

One country that rarely receives the attention it deserves is the Republic of India. India is the world's second most populous nation, with 1.4 billion citizens. It has a highly educated workforce and a diversified economy. Most important, it is a democracy and laws at the national level already permit casino gambling. The decision whether to authorize gaming is made at the state level. Comprised of 28 states and eight union territories, Indian state legislatures can determine whether to permit IR development within their jurisdictions. State legislatures are

capable of formulating their own laws governing IR development and the percent of foreign investment that would be permitted.

Currently, two jurisdictions permit casinos—Goa and Sikkim. Delta Corp operates three offshore and one land-based casino in Goa, and another land-based casino in Sikkim. It recently unveiled plans to develop its first integrated resort in Goa, having received approval from the local tourism authority. However, both Goa and Sikkim are located in fairly remote resort locations, not near large urban populations. Thus, their economic impact will always be limited.

Sudhir Kalé, founder of GamePlan Consultants and the gaming industry's foremost expert on gaming in South Asia, provided these insights:

*“India has the largest middle-class population in the world, comprising 600 million people. The average wages are expected to quadruple between 2013 and 2030. And contrary to popular belief, many Indians love to gamble as evidenced by the tens of billions bet on cricket, especially during an India-Pakistan game. I believe the country is ready for large-scale integrated resort casinos. It makes little sense for Nepal and Sri Lanka to be beneficiaries of Indian punters' spend when the country could tax gambling revenues, create employment, and also bring the so-called 'black money' into circulation.”*

The proclivity to gamble among the citizens of India has led to a rapid growth in online gambling. In addition to a vibrant online gaming market operated by Indian casino operators, operators in other nations have directed their online marketing efforts into India. State legislators are starting to take notice as wagering dollars are exported to online casinos in other nations.

Like many advanced democracies, politics in India can be raucous. Casino gambling, sports betting and other forms of wagering are hot-button issues that politicians on both sides of the issue love to debate. Nevertheless, the pandemic is having a severe economic impact on the country's tourism sector as well as regional economies. There may come a point when legislators at the state level recognize the impact that IR development can have on their economies and bet on IR development as a tool for economic growth, taxation and tourism. Should that happen, India may emerge as one of the largest gaming markets on the planet.

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