

India's gaming industry steps up profile with homemade 'AAA' products

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Indian game developers have started creating their own big-budget titles, innovating at a time when the real-money gaming sector in the country is reeling from the government imposing a Goods and Service Tax (GST) of 28 per cent.

October saw the launch of two made in India AAA games, 'Indus Battle Royale' and 'Rage Effect: Mobile'. Before that, there were no such high-profile and homemade products.

The 'AAA' classification signifies high-budget, high-profile games typically distributed and produced by large publishers. Popular AAA games include Minecraft, GTA 5, Call of Duty and Fortnite.

Game developer Goldon Studios launched Rage Effect: Mobile, touted as the first AAA shooter game in India, on Android and iOS platforms. The game crossed 120,000 pre-registrations in its open beta version.

"The launch of AAA titles is like a watershed moment for the Indian gaming industry. It signifies that Indian studios are ready to compete on the global stage, showcasing both the talent and ambition to be better within our ecosystem," said Karn Saxena, founder and chief executive officer (CEO) of Goldon Studios.

According to Saxena, advancements in game development and access to sophisticated technology tools have empowered Indian studios to create high-quality, immersive experiences that were once seen only in Western markets.

Gaming studio SuperGaming launched Indus Battle Royale on iOS and Android to a “stellar reception”, it said. The game got 14 million pre-registrations on Android before launch. After being launched on October 16, it crossed 1 million downloads on the first day.

“We are incredibly humbled by the response from our community. Reaching 1 million downloads on launch day and topping the iOS and Google Play charts is a major milestone for us, but we know this is just the beginning,” said Roby John, CEO and co-founder, SuperGaming.

India’s mobile-first market

Mobile comprises 90 per cent of the Indian gaming market where real-money games (RMG) such as fantasy sports and rummy corner most of the demand.

The RMG sector, which found initial success in India’s nascent gaming market due to its high margins, accounts for 83-84 per cent of the total gaming revenue. It gets 100 million online gamers daily, including 90 million that pay money to play, said a report by E-Gaming Federation earlier this year.

Developers are, therefore, building AAA games in India specifically for mobile users. “With a growing appetite among gamers and the Indian youth for high-quality experiences, we anticipate a surge in big-budget gaming projects. As infrastructure, talent, and technology capabilities continue to improve, Indian studios are becoming more equipped to handle larger-scale productions,” Saxena said.

Mayhem Studios, a developer backed by the Mobile Premier League, early this year announced the closed beta launch of its game Underworld Gang Wars with 7.5 million pre-registrations. LightFury Games, a promising new startup that recently secured \$8.5 million in funding, too is working on producing AAA titles.

There are as many as 15,000 game developers and programmers in the country. Workforce growth in the gaming sector has increased 20-fold from 2018 to 2023, with a 97.56 per cent compound annual growth rate (CAGR) over the same period, according to a report by Primus Partners.

Whether the launch of homegrown titles will lead to more developers working on AAA games remains to be seen.

“Time will tell. We had a lot of high-quality games come in after PUBG was banned, but none of them did very well,” Bhavin Pandya, co-founder and co-CEO of gaming startup Games24x7, told ‘Business Standard’.

“Even if these (newly released) games do well or not, creative developers willing to make such games will do so no matter what. The floodgates will not open based on the success or failure of one game, they will open when the ecosystem and demographic is ready,” he said.

Funding pangs

Developing AAA games is a capital-intensive process. “Funding remains a challenge, especially for AAA projects that require significant investment. To overcome this, some studios are adopting a hybrid approach – combining traditional private funding with innovative financing options,” said Saxena.

This includes investments from venture capital (VC), strategic publishing partnerships, and crowd funding.

Goldon got funding through private investments by VCs and angel investors in the traditional gaming space.

However, the newly imposed 28 per cent GST regime has soured investor interest in India’s nascent gaming sector, Business Standard had reported earlier.

As many as 71 show cause notices have been retrospectively issued to online gaming companies for alleged GST evasion of over Rs 1.12 trillion during financial years 2022-23 and 2023-24, said the Finance Ministry last year in December. Some 27 gaming firms have filed petitions with the Supreme Court to contest the notices.

“For any funding activity to be kick-started, clarity in the retrospective GST burden will be instrumental,” said Games24x7’s Pandya.

Saxena said studios are working to adapt to the new environment, focusing on transparent operations and sustainable monetisation strategies to reassure potential investors.

“The uncertainty around retrospective taxation certainly adds a layer of complexity for investors, particularly those concerned with compliance and long-term sustainability.

“Clarity on taxation policies would instil greater confidence in investors and reduce perceived risks. However, we believe the demand for high-quality gaming experiences is robust enough to attract funding despite these challenges,” he said.

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