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# Private Equity and Sports – Is it a match?

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As India prepares for a potential bid to host the 2036 Olympic Games and 2030 Commonwealth Games, the recently released National Sports Policy 2025 (2025 Policy) signals a pivotal moment in the country's sporting and legal landscape. The 2025 Policy introduces a renewed focus on infrastructure development, athlete welfare, and governance reform. However, what has sparked particular interest in legal and business circles is the policy's indirect yet notable nod to private sector participation, reigniting the debate on whether India is prepared to facilitate and regulate private equity and venture capital (PE-VC) investments in sports.

## Wha's new

The National Sports Policy 2001 (2001 Policy) was a document of its time - cautious, state-centric, and developmental in outlook. It focused primarily on broad objectives: infrastructure development in schools and colleges, grassroots-level talent identification, promotion of women's participation in sports, and improving India's international sporting performance. While it identified broad focus areas, it lacked specific incentives and mechanisms from both the Union and state governments. Though private sector involvement was acknowledged in the 2001 Policy, it was largely limited to corporate sponsorships and donations, with no clear framework to encourage or regulate investments.

In contrast, the 2025 Policy reflects India's evolved socio-economic context. It embraces a more holistic and commercially viable model for sports development. The 2025 Policy focuses on five key areas: (a) grassroot level talent identification through Khelo India programmes, sports in schools, inclusion of para- and indigenous sports, diaspora outreach; (b) infrastructure development through Public-Private Partnership (PPP) models, sports manufacturing, and multi-city franchise leagues; (c) governance and monitoring through robust governance frameworks, public-private funding, corporate social responsibility (CSR) engagement, AI/data analytics, national monitoring with KPIs, timeline benchmarks; (d) social inclusion; and (e) aim to meet all requirements for Olympics 2036. Implementation is envisaged through the Ministry of Youth and Sports, National Sports Federations, state governments, educational institutions and private sector players.

Notably, the 2025 Policy explicitly refers to PPPs in sports infrastructure, encourages CSR engagement, and amplifies the role of private sector in athlete development and sports education. The tone and direction of 2025 Policy seem more open to institutional and structured private involvement than the 2001 Policy.

## Private investment in sports: Then and now

Under the 2001 Policy, private investment in sports was neither structurally incentivised nor legally clarified. Government funding remained the primary mode of support, with limited roles for NGOs and private entities. Further, private equity or neutral capital, as an investor class, was invisible from the ecosystem.

Historically, PE-VC activity in Indian sports has been sparse and concentrated in niche segments like IPL franchises, sports merchandising, and fantasy gaming platforms. Institutional investment in infrastructure, athlete management, or grassroots sports academies remains negligible. The key deterrents have included lack of widespread acceptance of other sports, administrative concerns, regulatory clarity, limited visibility on returns, and a policy vacuum.

The 2025 Policy marks a shift, albeit a measured one. While it reiterates reliance on PPPs for infrastructure and training centres, it stops short of explicitly encouraging PE-VC investment or offering a regulatory framework for such financial participation. However, its emphasis on commercial partnerships and ROI-based policy development creates interpretive space for more sophisticated private investment models to emerge, such as Corporate India & PE academies, sports tech incubators, and equity-driven league ownership structures. Two important proposals merit emphasis: (i) the monetisation of both hard assets (e.g., stadiums) and soft assets (e.g., digital platforms, community programmes); and (ii) development of ROI-sensitive policies to attract private players into sports development activities.

Despite its progressive tone, the 2025 Policy does not directly address private equity in sports. Nor does it propose a regulatory roadmap comparable to those in sectors like education, fintech, or healthcare. Yet, its references to PPPs and "collaborative engagement with industry stakeholders" create legal latitude to explore corporate participation and PE-VC-linked investment models.

## Creation of an enabling environment for private capital

100% foreign direct investment in sports infrastructure and services is already permitted under the automatic route, and other regulators also seem to be joining hands in enabling effective sports-specific investment frameworks in India.

For example, SEBI (Alternative Investment Funds) Regulations 2012 (AIF Regulations) initially did not provide any sector-specific framework or incentives for sports-focused funds, unlike existing provisions for infrastructure, MSMEs, or social venture funds under Category I Alternative Investment Funds (AIFs). Similarly, the SEBI (Foreign Venture Capital Investor) Regulations 2000 (FVCI Regulations) initially did not provide any special incentives to make investments in identified sectors.

In 2016[1] however, sports infrastructure was made part of the Harmonised Master List of Infrastructure Sub-sectors issued by the Ministry of Finance, which meant that investments in sports facilities, such as stadiums, training centres, or academies qualify for infrastructure-related incentives or regulatory concessions, including those available to investments made through eligible infrastructure-focused AIFs and FVCIs.

Last year (in 2024), important changes were made to Regulations 16(1)(c) and 17(c) of the AIF Regulations[2], allowing Category I and Category II AIFs to create encumbrances on the equity of their investee companies, something that was previously restricted. This relaxation, though limited to infrastructure projects, has significant implications for sports infrastructure. Development of large-scale sports facilities such as stadia, training academies, or high-performance centres typically involves capital-intensive, long-gestation projects that often require layered financing structures. The ability to create encumbrances allows AIFs to support such projects through structured financing arrangements, including securing debt or obtaining credit enhancements. By enabling more flexible capital structuring, this regulatory shift supports deeper private sector participation in sports infrastructure, making it more feasible for funds to back high-investment sports ventures with sustainable financing models.

Internationally, jurisdictions such as the UK and Australia already treat sports infrastructure as part of their broader infrastructure development portfolios, allowing greater access to private and institutional capital. From a legal and policy standpoint, if the Indian government intends to attract sustained and meaningful private capital, <u>certain additional targeted interventions may merit consideration</u>, some of which are articulated below:

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[1] Notification by Ministry of Finance (Department of Economic Affairs) (Infrastructure Section) dated 1 August 2016.

[2] Through the Securities and Exchange Board of India (Alternative Investment Funds) (Fourth Amendment) Regulations 2024, following was inserted in Regulation 16(c) and 17(c) of the AIF Regulations:

*"Category I Alternative Investment Funds shall not borrow funds directly or indirectly or engage in any leverage for the purpose of making investments or otherwise, <u>except for borrowing funds to meet temporary funding requirements and day-to-day operational requirements</u> for not more than thirty days, on not more than four occasions in a year and not more than ten percent of the investable funds and subject to such conditions as may be specified by the Board from time to time:*

*Provided that Category I Alternative Investment Funds <u>may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonised Master List of Infrastructure</u> issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time."*

*(a) Tax and financial incentives*

To spur investments, particularly in underdeveloped regions, the government could provide tax holidays, accelerated depreciation, or Viability Gap Funding for projects involving sports academies, training centres, or stadium development in Tier-II and Tier-III cities. The United States, for example, provides federal and state-level tax credits for sports facility development through targeted economic development programs. India could expand on its existing CSR provisions for sports by introducing additional incentives such as sport-specific capital subsidies or enhanced deductions for CSR investments in underdeveloped regions.

*(b) Legal recognition of sports as an economic sector*

In India, education has evolved into a formally recognized sector for PPPs, backed by robust legislation and proactive policy frameworks. In contrast, sports have not yet been classified as a distinct economic sector for PPPs. The emerging governance reforms and infrastructure initiatives can be a step towards beginning to address this gap. Designating sports as a distinct economic sector would streamline approvals, simplify land acquisition, and unlock industrial policy benefits. This move would also align with flagship initiatives like Make in India and Startup India, allowing sports ventures to access incentives and support mechanisms otherwise unavailable.

*(c) Integration with urban planning and smart cities*

Positioning sports infrastructure within broader urban development and smart city planning can enable integrated, financially sustainable models. Currently, sports facilities are often built in isolation, either as underused public assets or exclusive private ventures, due to fragmented planning and lack of institutional coordination.

Cue may be taken from certain successful implementations of PPP model in the sports sector, such as the collaboration of the Odisha Government with corporate houses to encourage sports through establishing high performance centres as training centres. The private sector collaboration in Odisha has been with large enterprises such as Reliance Industries Limited, Dalmia Cement Bharat Limited, and Jindal Steel Works. Another example of a successful private sector collaboration in the sports sector is the building of the EKA Arena in Ahmedabad (India's first convertible sports stadium). This stadium was built on PPP model between Government of Gujarat and SE TransIndia.

By embedding multi-use sports complexes into mixed-use zones alongside health, education, and recreation facilities, cities can unlock blended financing: municipal bodies provide land or trunk infrastructure, private players build and operate, and long-term funding comes via leases, user fees, or structured instruments. Strategic co-location would not only improve financial viability but also transform sports infrastructure into inclusive, high-impact community assets.

Drawing from the success of Odisha and Gujarat state governments, if sports development at the state level is executed with legal clarity and policy coherence, it could significantly improve the risk-reward profile for private equity investors considering entry into Indian sports.

*(d) Promulgation of the National Sports Governance Act 2025*

The National Sports Governance Act 2025 (NSG Act) received the President's assent on 18 August 2025. The primary objective of the NSG Act is to recognise national sports bodies and regulate their functioning to ensure it is in line with the requirements of international federations which conduct sports events in India. The NSG Act provides for establishing: (i) National Olympic Committee, (ii) National Paralympic Committee, and (iii) National and Regional Sports Federations for each designated sport. The national bodies will have affiliation with respective international bodies. These bodies will also have affiliate units at state and district levels. NSG Act requires these bodies to establish: (i) certain committees for their functioning, (ii) a code of ethics to govern conduct of persons such as members, affiliates, athletes, coaches, and sponsors, and (iii) a grievance redressal mechanism for complaints from such persons. This has been introduced to ensure national sports bodies in India are at par with international standards and follow ethical governance.

Another key feature of the NSG Act is that it has given the power to National Sports Board to recognise any sports body as a 'National Sports Body'. The NSG Act does not provide details as to how the National Sports Board can recognise a National Sports Body – which is expected to be introduced by a regulation / rule under the NSG Act. Through this, one can assume, institutional sports bodies in India will have higher accountability and transparency in its functioning.

The NSG Act also provides for detailed dispute resolution mechanism through establishing a National Sports Tribunal. The constitution of the tribunal is to include members through recommendation of the Chief Justice of India, Secretary to the Minister of Law in India among others. It is expected that the establishment of this tribunal may provide a forum for settling sports related disputes with a more focused view of rulings from a commercial aspect.

The NSG Act is at a nascent stage, and it is yet to be seen how it will be implemented. Specific rules under the NSG Act will also be required to standardise the process for recognising National Sports Body. Further, the jurisdiction for National Sports Tribunal would also need to be outlined. The promulgation of the NSG Act provides a mechanism for maintaining ethical sports practice akin to international standards – as a result, providing India to meet the global requirements to host sports events of international stature.

## Role of private deal-makers

While the government's role in creating an enabling policy environment is critical, private dealmakers must take the lead in developing credible, scalable investment structures. PE-VC investors require more than policy intent, they need viable exit pathways, predictable returns, and clear legal safeguards. To attract PE-VC capital into the Indian sports ecosystem, especially in high-capital areas such as franchise-based leagues, sports-tech ventures, and infrastructure projects, it is critical to design and implement credible exit mechanisms. Institutional investors not only assess growth potential but also demand clarity and predictability around returns and liquidity, both of which are often uncertain in the sports sector, where revenue cycles are tied to performance, media rights, sponsorship, fan engagement, and macroeconomic variables.

Structured investment vehicles offer one promising avenue. In mature markets like the U.S. and parts of Europe, sports entities have securitised future cash flows from long-term broadcast deals, merchandise sales, or naming rights to raise institutional capital. These instruments offer predictable returns while shielding investors from direct performance risk. Investors in India can explore similar structures, including trust-based vehicles or securitisation trusts, that aggregate income-generating contracts and issue tradable securities, providing both funding and exit avenues.

Ultimately, the success of private capital in sports depends not just on government incentives, but on how effectively private deal-makers can innovate within the existing legal and financial architecture to build bankable, scalable, and exit-ready investment propositions.

## Concluding comments

The National Sports Policy 2025 is a progressive document that realigns India's sporting ambition with its economic realities. Yet, while it nods toward private participation, it leaves much to be desired in terms of legal clarity and regulatory readiness for private equity investment.

Currently, no guidance has been provided by the government on implementation of the PPP model. Additionally, there is a lack of clarity regarding its implementation at the state level, with no mandated timelines or performance benchmarks currently in place. The 2025 Policy indicates set up of the National Sports Federations (NSFs), governing body responsible for the promotion, regulation, and development of specific sports disciplines in India. Once the NSFs are formed, it can be expected that clear directives will follow, ensuring effective implementation of the 2025 Policy.

As India prepares for a possible Olympic bid in 2036, now is the opportune moment for the government to go beyond general policy intent and deliver a dedicated, investor-friendly sub-policy, one that not only welcomes private capital but also ensures its productive integration into India's sports ecosystem. At the same time, private deal-makers must drive innovation in deal structures, risk allocation, and revenue modelling. Their ability to create bankable, exit-ready propositions will be vital to unlocking the sector's investment potential.

To that end, building a thriving sports economy in India will require a cohesive strategy that combines public vision, private capital, and professional execution. If these elements align, India could emerge not only as a sporting powerhouse, but also as a globally attractive sports investment destination. As policy intent, private interest, and institutional capacity begin to converge, what happens next in this space will be both significant and instructive, for India and for other emerging sports markets globally.

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