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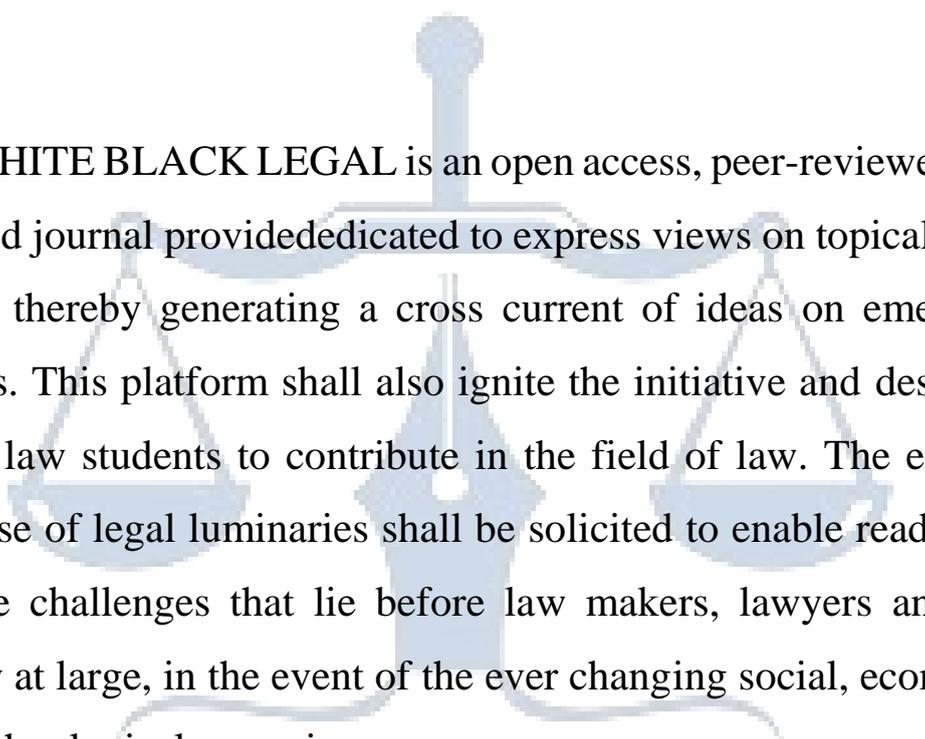


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With this thought, we hereby present to you



"BEYOND THE FIELD": NAVIGATING SPORTS INVESTMENT LAW IN INDIA

AUTHORED BY - ADV MEEKHA MARIAM ABRAHAM

Abstract

In international level sports industry has grown into a multi-billion-dollar sector, currently the franchise, infrastructure, broadcasting, and sponsorship investments. Investment law plays a key role in regulating these transactions, offering legal certainty, safeguarding investors, and ensuring the integrity of sport. The article examines the role of investment law on the sports industry, focusing on foreign direct investment (FDI), private equity ownership, sponsorship agreements, dispute resolution mechanisms and regulatory concerns. India's liberalized FDI policies allowing foreign investment in sports have introduced a huge amount of capital, while private equity investments have professionalized the sector. But problems of regulatory fragmentation, commercialization-related issues, and sponsorship-broadcasting right conflicts persist. The article suggests the need for a robust legal framework so that investor interests are weighed against the cultural and social ethos of sports so that sustainable growth is realized in India's evolving sports landscape.

Introduction

“Sport is a preserver of health”¹ it is very important for a nation. Sport is no longer contained within the ground it has become a worldwide business by commercial investments, corporate sponsorships, and international trade. Financial investment of sport has brought various stakeholders into play, such as multinational companies, private equity investors, sovereign wealth funds, and institutional investors, who view sport as a high-growth industry. From multibillion-dollar media rights transactions to high-profile takeovers of football clubs, sports investment is a hallmark of contemporary professional leagues.

Investment law has a critical role in making sports global level reaching out from country boundaries. The development of business of sport by controlling foreign direct investment (FDI), safeguarding investors, guaranteeing fair competition, and resolving disputes. Legal

¹ *Hippocrates – Greek physician*

structures, such as bilateral investment treaties (BITs), domestic foreign investment policies, and international arbitration regimes, regulate the inward flow of capital into the sporting industry. Even though these instruments of law permit cross-border investment, they bring with them some regulatory issues, especially foreign ownership caps, rules on financial fair play (FFP), and commercialization in sports.

Most notable among all the recent advances has been state-sponsored players deepening their interests in sport investing.. These investments provide economic solidity and worldwide draw to clubs and leagues, while also threatening the sport in regard to competition, governance, and integrity. Likewise, private equity companies have started to buy interests in leagues and franchises, posing legal concerns regarding the long-term viability and competitive equilibrium of sporting competitions. The nexus between investment law and the sports business, examining the legal regimes governing sports investments, the issues created by foreign ownership and financial regulations, and the role of mechanisms for resolving disputes in safeguarding investor rights. Knowledge of how investment law configures the global sports industry and what legal changes might be needed to reconcile economic interests with sporting integrity. “Sport has the power to change the world ... Sport can awaken hope where there was previously only despair”² so it important gave priority this sector.

Legislation Regarding Sports Investment in India

In India sports investment has emerged as a significant area of economic and legal discourse, particularly in nations with a rapidly developing sports industry like India. The regulation of sports investment is guided by a combination of domestic law, foreign direct investment (FDI) policy, bilateral investment treaties (BITs), and competition laws. While global legal principles, such as fair and equitable treatment under BITs, inform investment policy, each country also has its own regulations regarding foreign ownership, financial fair play, and sport competition.

Some times it is hurdle because India does not have a specific sports law. It is a combination several other laws. In India, the legal environment for sports investment is characterized by liberalized FDI regulations, investment protection under BITs, and control by regulatory bodies

² Nelson Mandela, *Speech at the Laureus World Sports Awards (May 25, 2000)*, <https://www.laureus.com/world-sports-awards>.

such as the Competition Commission of India (CCI) and national sports federations (NSFs). This essay takes into account the most significant legal provisions for Indian sports investment, i.e., FDI regulations, BIT protections, and adherence to competition law.

India has been opening up FDI policies in recent years, inviting 100% FDI through the automatic route into the sport sector, including establishment of sports infrastructure and promotion of sports events. This policy innovation has encouraged foreign investors to enter Indian sporting franchises, grounds, and sports training centers. For instance, major global players and private equity houses have taken stakes in IPL and ISL clubs, bringing finance, talent, and international best practices.

The trends of FDI that started in 90 s in India also raises regulatory concerns, such as compliance with the Foreign Exchange Management Act (FEMA) and the same time maintaining consistency with India's broader economic and cultural interests. The government has even introduced measures such as the Khelo India program to promote sport from grass root level. Apart from all investment law applies to the majority of sport business fields, such as the right to broadcast sport, sponsorship contracts, and infrastructure construction. Increasing demand for online streaming and web-based sport content has given rise to new intellectual property rights problems, licensing agreements, and foreign investment regulation issues. Sponsorship contracts with politically exposed stakeholders or business areas (e.g., gaming and crypto-currency) pose regulatory challenges for sport institutions.

Now increasing investment in sports, legal conflicts pertaining to investment protection, financial regulation, and commercial contracts have increased. Arbitral institutions like the Court of Arbitration for Sport (CAS) and investor-state dispute settlement (ISDS) institutions are central to resolving such conflicts. The disputes over television rights, sponsorship contracts, and foreign ownership thresholds have established critical precedents within investment law and sport regulation.³

³ *Economic Diplomacy Division, India's Sports Sector Attracts Foreign Investors, INDBIZ (May 2, 2018), <https://indbiz.gov.in>.*

Foreign Direct Investment in Indian Sports: Exploring Opportunities and Regulatory Framework"

Indian sport sector has undergone a tremendous growth, with the rise of franchise-based leagues, increased media coverage, and greater emphasis on developing sporting infrastructure. To further drive this growth, the Government of India has pursued a liberal approach to Foreign Direct Investment in the sport sector. By allowing 100% FDI through the automatic route, India has welcomed foreign investors to assist in the development of sports infrastructure, leagues, and activities. FDI Regulations in the Indian Sports Sector the Indian government permits 100% FDI in the sports sector under the automatic route as per the Consolidated FDI Policy published by the Department for Promotion of Industry and Internal Trade (DPIIT). This means that foreign investors are free to invest in the Indian sporting industry without seeking prior approval of the Reserve Bank of India (RBI) or the Ministry of Youth Affairs and Sports. The auto route facilitates the investment process, and foreign investors can invest in the Indian market with ease.⁴

Permissible Areas for Sports FDI

The area of FDI in the sporting sector is broad and encompasses different major areas:

- **Development of Sports Infrastructure:**

One of the major areas for FDI is focusing on sports infrastructure, including stadiums, training academies, sports complexes, and other supporting facilities. This investment is essential to upgrade the existing infrastructure and construct new ones to cater to the increasing demand for sports in India. Better infrastructure is not only good for professional players but also promotes sports in international level.

- **Franchise-Based Sports Leagues:**

India witnessed the emergence of various successful franchise-based sports leagues like the Indian Premier League (IPL), Indian Super League (ISL), and Pro Kabaddi League (PKL). All these leagues have drawn large-scale foreign investment, and the ownership and management of these leagues lie in foreign hands. The IPL, for example, is a global phenomenon whereby foreign investors were at the forefront of its success. FDI in the sector has assisted in the enhancement of the quality of Indian sports and their saleability.

⁴ *Foreign Exchange Management Act, 1999, No. 42, Acts of Parliament, 1999 (India).*

- **Media and Broadcasting Rights**

Broadcast and media rights constitute another significant field for FDI. Foreign investor collaboration is feasible for Indian bodies to purchase and operate media rights of sporting events. This has created greater awareness of Indian sporting events on global platforms, contributing to their popularization and increased visibility. The commercialization of media rights also earned humongous revenues that can be leveraged for developing sports.

Forbidden areas for Sports FDI

As the Indian government extends its arms to FDI in the sports industry, there are some activities which are not available for foreign investment. Betting, gambling, and lotteries are illegal or prohibited under Indian law. FDI is banned in these sectors because the government does not want to compromise the integrity of sports and allow illegal means.

India's foreign direct investment policy in the sport is contrasted with that of some international models. A case in point is Germany's 50+1 model that prohibits outside investors from holding large stakes of soccer clubs to block supporters and society from losing clubs. Indian sport leagues are run and owned in private hands by enormous foreign stakeholders and ownerships of franchises. This has rendered the Indian leagues attractive to foreign investors who can own significant portions of teams and acquire control of how they are run.

The liberal FDI policy of the Indian sporting industry offers enough scope for foreign investors. The increasing popularity of sports in India and the emphasis of the government on infrastructure development create a positive investment climate. Foreign investors can use their resources and expertise to help develop sports infrastructure, improve the quality of leagues, and increase the popularity of Indian sports through media associations.

In addition to this, success of leagues like IPL and ISL is a testament to commercial success of Indian sport. Foreign investment can be enjoyed with the added viewership, sponsorship agreements, and merchandising retailing of the leagues. Another set of opportunities is offered in the form of the government-initiated push towards sports promotion at grassroots levels with initiatives like the Khelo India scheme.

Challenges and Considerations

While there are the opportunities, foreign investors have to navigate a couple of humps when investing in the Indian sports industry. These include regulation compliance, cultural considerations, and adapting to the peculiar game in the Indian market. Also, while the automatic route eases the investment process, investors need to ensure that their operations comply with relevant laws and regulations, especially with regard to areas of prohibition such as betting and gambling.

Investment Protection Through Bilateral Investment Treaties (BITs)

India has signed a number of BITs with nations to protect foreign investments in a variety of sectors, including sports. The treaties provide protection to foreign investors through:

- Fair and Equitable Treatment (FET): Protection of investors from arbitrary or discriminatory government actions.
- Protection Against Expropriation: Preventing nationalization of investments without due procedure and compensation.
- Investor-State Dispute Settlement (ISDS): Facilitating foreign investors to turn to arbitration if there is a dispute with the Indian government.

India's Model BIT (2016), nevertheless, is stricter in the conditions it prescribes for investors to meet before they can seek recourse to arbitration after exhausting local remedies. This provision affects sport investors who seek international legal recourse in case of disputes arising under regulatory or contractual obligations

Relevancy of Competition and Antitrust Laws in Sports Investment

In India Competition Act, 2002 was introduced by replacing MRTP Act , in order for smash anticompetitive practices and promote fair competition .

The Competition Act, 2002, governs monopolistic practices and anti-competitive conduct in India's sporting industry. The Competition Commission of India (CCI) has been playing a key role in regulating anti-competitive arrangements in sport, namely with regard to:

- ❖ Broadcasting rights: The CCI has previously investigated cases pertaining to exclusivity of sport media rights in order to prevent monopolization.

- ❖ League structure and market dominance: Leagues such as the IPL and ISL have found themselves in the firing line with respect to their franchisee structures and player purchase policies.
- ❖ League economic disciplines: Although there is no run-of-the-mill Financial Fair Play regulation as per UEFA norms, league administrators introduce wage caps and spending limits so as to maintain parity in the contest.

As sports become increasingly a commercial activity in India, the CCI is bound to be more actively involved in regulating the industry. The CCI can concentrate on preventing sports associations from misusing their dominant positions and ensuring fair competition in sectors such as broadcasting, sponsorship, and merchandising. The CCI can also cooperate with foreign competition authorities to prevent cross-border anti-competitive conduct in international.⁵

The Competition Commission of India (CCI) plays a crucial role in regulating the commercial aspects of sports in India. While addressing anti-competitive practices and ensuring fair competition, the CCI creates fair playground for stakeholders, players, teams, broadcasters, and consumers. As the sports industry continues to grow, the CCI's role in this sector is expected to become even more significant.

Magna Carta of Indian Sports Law

Zee Telefilms Ltd. & Ors. v. Union of India & Ors⁶ (2005) is considered a landmark case in Indian sports law, often referred to as the "Magna Carta" of Indian sports law. The case revolved around whether the Board of Control for Cricket in India (BCCI) can be considered as a "state" under Article 12 of the Indian Constitution and thus be subject to writ jurisdiction under Article 32 of Indian Constitution.

In this case, petition against BCCI after the latter terminated a broadcasting rights agreement. The petitioners argued that BCCI, as the governing body for cricket in India, exercised public functions and should be treated as a state entity under Article 12, making it accountable under fundamental rights

⁵ *Competition Act, 2002, No. 12, Acts of Parliament, 2003 (India).*

⁶ (2005) 4 SCC 649

The five-judge Constitution Bench of the Supreme Court held that BCCI does not constitute a "state" within Article 12, on the ground that:

- ❖ Absence of Government Control: BCCI is an independent body, not substantially financed or controlled by the government.
- ❖ No Pervasive and Deep State Control: There is no direct involvement of the government in its administration.
- ❖ Although BCCI undertakes public functions such as team selection and organizing cricket, the performance of public duties does not necessarily render an organization a "state."

This ruling is often called the "Magna Carta" of Indian sports law because it laid the foundation for the legal framework governing private sports bodies in India. While it denied BCCI under state it paved way for discussions on judicial review over sports governance and public accountability of autonomous sports bodies.

Although BCCI was not deemed a "state" in this case, in *BCCI v. Cricket Association of Bihar*⁷ (2015), the Supreme Court held that BCCI is subject to judicial review under Article 226 due to its public functions. Thus, *Zee Telefilms* remains as a keystone for shaping the evolving legal oversight of sports administration in India.

BUDGET -2025 & SPORTS

The Union Budget presented by Nirmala Sitharaman on February 1, 2025 allocated Rs. 1000 crore for financial year 25-26. This 200 crore more comparing to last year.

CONCLUSION

The investment law has a essential role in development of Indian sports spurred by the intensifying commercialization of sport and the expanding role of private investors, corporations, and financial institutions. Investments in sports are regulated by a multifaceted regulatory regime comprising competition law, corporate governance, intellectual property rights, and sector-specific regulations. Investors must navigate this labyrinth to be in a position to comply and steer clear of risks The Competition Commission of India (CCI) is at the core of the objective of encouraging fair competition and preventing anti-competitive behavior in the sports industry.

⁷ (2015) 3 SCC 251

In the matters of broadcasting rights, sponsorship agreements, and league governance stress the importance of ensuring a level playing field. The private leagues like the Indian Premier League (IPL) and Indian Super League (ISL) have created new sources of investment for sports infrastructure, technology, and player development. These sources come with the demand for strong legal frameworks that secure the interests of investors and ensure sustainable growth. As sports investments continue to cross borders increasingly, regulating global rules and addressing cross-border law issues will be a must. A compromise between regulators, sports leagues, and investors can help create an integrated global regime of sports investments. In all, then, the law for sports investments is multifaceted and full of promise. By surmounting the regulation hurdles, promoting innovation, and advancing moral behaviour, stakeholders can unlock the potential of sport as an economic driver of development and improvement of culture. As the sector continues to evolve, a forward-looking and responsive approach to sports investment law will be key to its long-term and fair progress.

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Regulatory Oversight and Governance in Sports Investment

The Ministry of Youth Affairs and Sports , along with national sports federations (NSFs) and autonomous bodies such as the Board of Control for Cricket in India (BCCI), regulates sports investments. These entities ensure compliance with government policies and oversee financial transparency in sports organizations. However, challenges persist due to the lack of a single comprehensive legislation governing sports law in India.

Conclusion

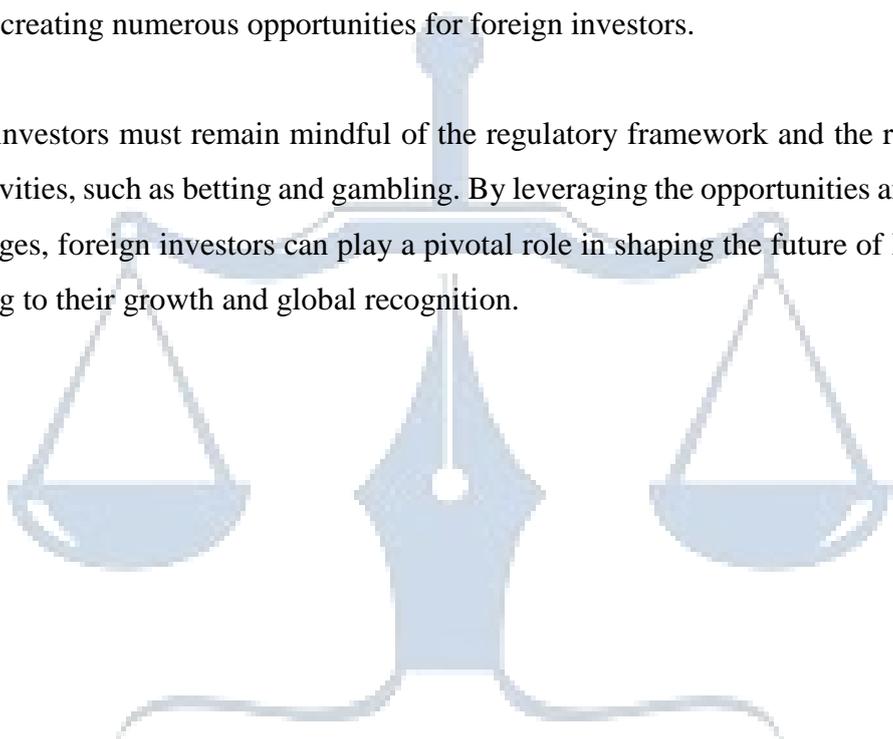
India offers a liberalized investment climate for sports, bolstered by 100% FDI allowances and protections under BITs. However, compliance with competition laws, sectoral regulations, and investor protection mechanisms remains crucial for foreign entities. The growing commercialization of sports in India necessitates a balanced legal framework that encourages

investment while maintaining fair competition and regulatory oversight.

Conclusion

The Indian government's liberal FDI policy in the sports sector reflects its commitment to promoting sports infrastructure, leagues, and related activities. By allowing 100% FDI under the automatic route, India has positioned itself as an attractive destination for foreign investment in sports. The development of world-class infrastructure, the success of franchise-based leagues, and the commercialization of media rights have transformed the Indian sports landscape, creating numerous opportunities for foreign investors.

However, investors must remain mindful of the regulatory framework and the restrictions on certain activities, such as betting and gambling. By leveraging the opportunities and addressing the challenges, foreign investors can play a pivotal role in shaping the future of Indian sports, contributing to their growth and global recognition.



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