

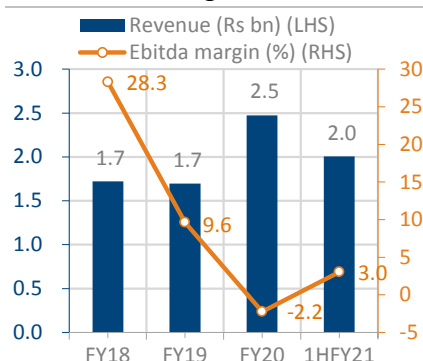


Nazara Technologies

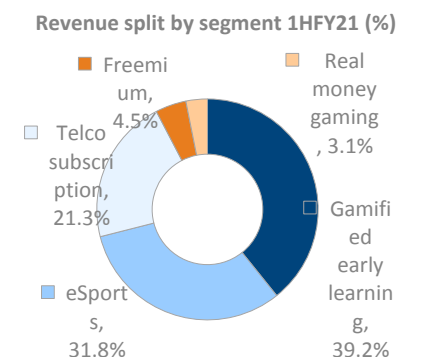
CORPORATE RESEARCH

14 January 2021

Revenue and margin trend



Segment wise revenue split



Source: Company

A diversified play on online gaming market

Nazara is a leading diversified gaming and sports media platform with presence in India and across developed global markets such as Africa and North America. Its offerings include interactive gaming, eSports and gamified early learning. Nazara expects to benefit from the under-penetrated Indian gaming and global gamified early learning markets which are expected to grow at 31.7% and 41.8% CAGR over 2020-23, respectively. Nazara's diversified assets, strong relationships, in-house content, and technology stack are creating the network effect and economies of scale for it to continue its global expansion and increase monetization.

India gaming and e-sports markets are much smaller than US/China: Global gaming market size is estimated to be at US\$158bn in 2020. India gaming market is at US\$1.6bn compared to US\$42.6/39bn for China/US. It is expected to grow at 31.7% CAGR over 2020-23 due to the growth of digital infrastructure and significant rise in quality and engaging of gaming content. Key drivers are a large population of Gen Z and millennials, proliferation of cheap smart phones, high-speed internet and reduction in data prices.

First mover and strong relationships are strengths: Nazara's competitive advantage comes from its capabilities in in-house content creation, game engine development and proprietary technology stack development, and, relationships with telecom operators, app stores, global gaming publishers and platforms in the gaming ecosystem. Their content is developed in India for the global audience, allowing them to achieve scale. They are well-positioned against single-market local competitors, given their presence in multiple markets and insight into consumer needs.

Three vectors of growth: Nazara aims to scale up in the gaming market by 1) building their leadership position in e-sports and simulation games, 2) leveraging the existing distribution network for global expansion in early learning and freemium businesses, and 3) enhancing existing offerings and technology stack to increase monetization and create economies of scale and network effect. Key risks: technology disruptions, regulatory changes, losing partners.

Financial summary (Rs m)

Y/e 31 Mar, (Rs m)	FY18A	FY19A	FY20A	1HFY21A
Revenue	1,720	1,697	2,475	2,005
Ebitda	487	163	(55)	61
Ebitda margin (%)	28.3%	9.6%	-2.2%	3.0%
Net profit	27	175	(21)	(50)
Diluted EPS (Rs)	1.0	6.3	(0.8)	(1.8)
Growth (%)	na	503%	-112%	na
ROE (%)	na	4.6%	-0.5%	na
Net debt/equity (x)	(0.6)	(0.6)	(0.5)	(0.4)

Source: Company

Note: Ebitda and Ebitda margins are calculated excluding other income

RoE (Return on Equity) = PAT (Profit After Tax) / Average of Total Equity of the Current Year and the Previous Year

Net debt / equity = (Total borrowings less cash, cash equivalents and liquid investments) / shareholder's equity

Rishi Jhunjunwala
rishi.jhunjunwala@iiflcap.com
91 22 4646 4686

Ameya Karambelkar
ameya.karambelkar@iiflcap.com
91 22 4646 4661

www.iiflcap.com

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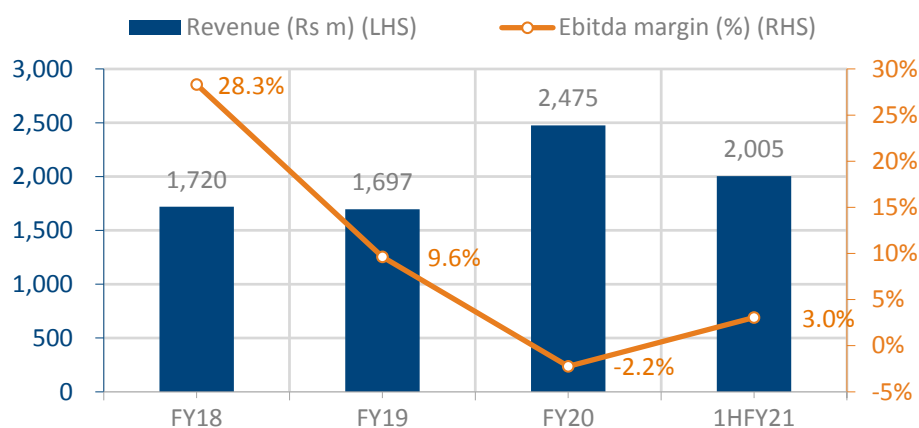
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Company Profile

Nazara is a leading India based diversified gaming and sports media platform with presence in India and across emerging and developed global markets such as Africa and North America, and offerings across the interactive gaming, eSports and gamified early learning ecosystems including World Cricket Championship (WCC) and CarromClash in mobile games, Kiddopia in gamified early learning, Nodwin and Sportskeeda in eSports and eSports media, and Halaplay and Qunami in skill-based, fantasy and trivia games.

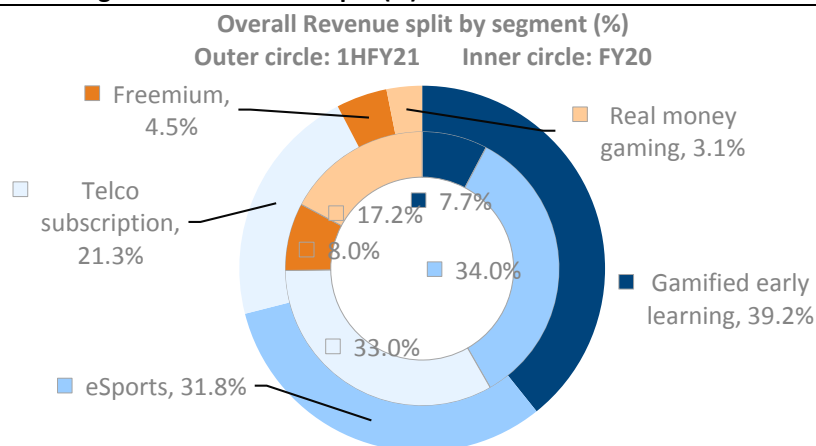
Figure 1: Revenue and margin trend



Source: Company

Given its market-first position in India across sports simulation and eSports (Source: F&S Report) Nazara is well placed to leverage the opportunity that interactive mobile games, eSports content and gamified early learning apps offer. Its effort has been to grow revenue and profitability concurrently by leveraging its capabilities of in-house content creation, game engine development, technology stack development and relationships with other participants in gaming ecosystems.

Figure 2: Segment wise revenue split (%)



Source: Company

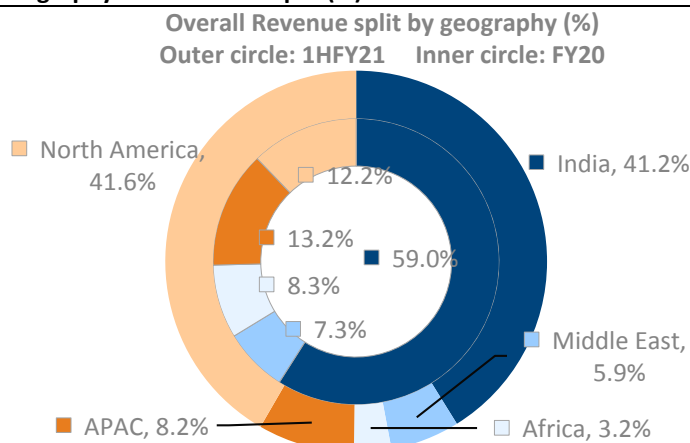
Gamified early learning

Nazara entered the gamified early learning segment in North America through Kiddopia, its flagship gamified early learning app, which it acquired in FY20. Through Kiddopia, Nazara caters primarily to children aged between two and six years. It delivers an immersive self-directed learning experience through gamification, integrating its expertise in developing engaging gaming experiences with the education needs of children.

Kiddopia has the advantage of strong unit economics, evidenced by its subscriber acquisition costs getting recovered in nine months and a high life-time value of subscribers, with monthly subscriber retention rates of 25.73% as of September 2020 for activations in September 2019. The key growth drivers have been in-house creation of quality content and ownership of content IPs, data driven scaling to generate positive LTV/ CAC ratios, and leverage strong technology stack to enhance user experiences across offerings.

In a short span of time, Kiddopia has transitioned into a trusted and well recognized brand for game-based learning, and has received multiple awards and recognitions, including the Approved Award in 2018 by the Parents' Choice Foundation, the 'Brain Child' winner in 2018 at the Tillywig Toy & Media Awards, the 2018 National Parenting Products Award and the winner of the Mom's Choice Awards. Kiddopia was ranked 3rd on the US Apple App Store on December 5, 2020, with an average rating of 4.4 out of 5 stars since its release.

Figure 3: Geography wise revenue split (%)



Source: Company

eSports

eSports is emerging as a spectator sport and is proving to be the largest disruptor to the global traditional sports market, as an outcome of sports and online gaming intersecting to create fast-paced, high-thrill spectator entertainment content. (Source: F&S Report) Nazara capitalised on its acquisition of Nodwin Gaming in FY18, which, amongst the few companies that have championed the case for eSports in India, has established itself as a pioneer, owing to its strong relationships with global gaming publishers and platforms including market leaders such as ESL and Valve Corporation, and is currently dominating the Indian eSports market with over 80% of the total market share in India. Nodwin is among the leading live eSports streaming and on-demand eSports media content companies in India. It has exclusive partnerships with

Electronics Sports League and manages gaming events such as the ESL India Premiership and KO Fight Nights (Source: F&S Report). The key growth drivers for Nazara's eSports business are its large-scale IPs, media rights licensing, and partnerships with global game publishers and owners of endemic and non-endemic brands.

Nazara also owns Sportskeeda, which is the largest eSports news destination website in India, with content across eSports as well as traditional sports such as WWE, cricket, soccer and other sports.

Telco subscription

Nazara's telco subscription offerings currently comprise of over 1,021 android games. It primarily targets mass mobile internet users in emerging markets, comprising largely of first-time mobile gamers, through this segment. Monetisation in telco subscription is undertaken through periodic, daily, weekly or monthly subscriptions by its subscribers, through carrier billing, pursuant to arrangements with telecom operators.

Freemium-based mobile games

Nazara's freemium offerings in mobile gaming include free-to-play sports simulation games and children's games, such as games designed based on cricket, carrom, table tennis and bowling. World Cricket Championship, its cricket gaming franchise, is the largest mobile-based cricket simulation game (Source: F&S Report) and Nazara has launched WCC 3, the third edition of this franchise, in CY20.

Skill-based, fantasy and real money gaming

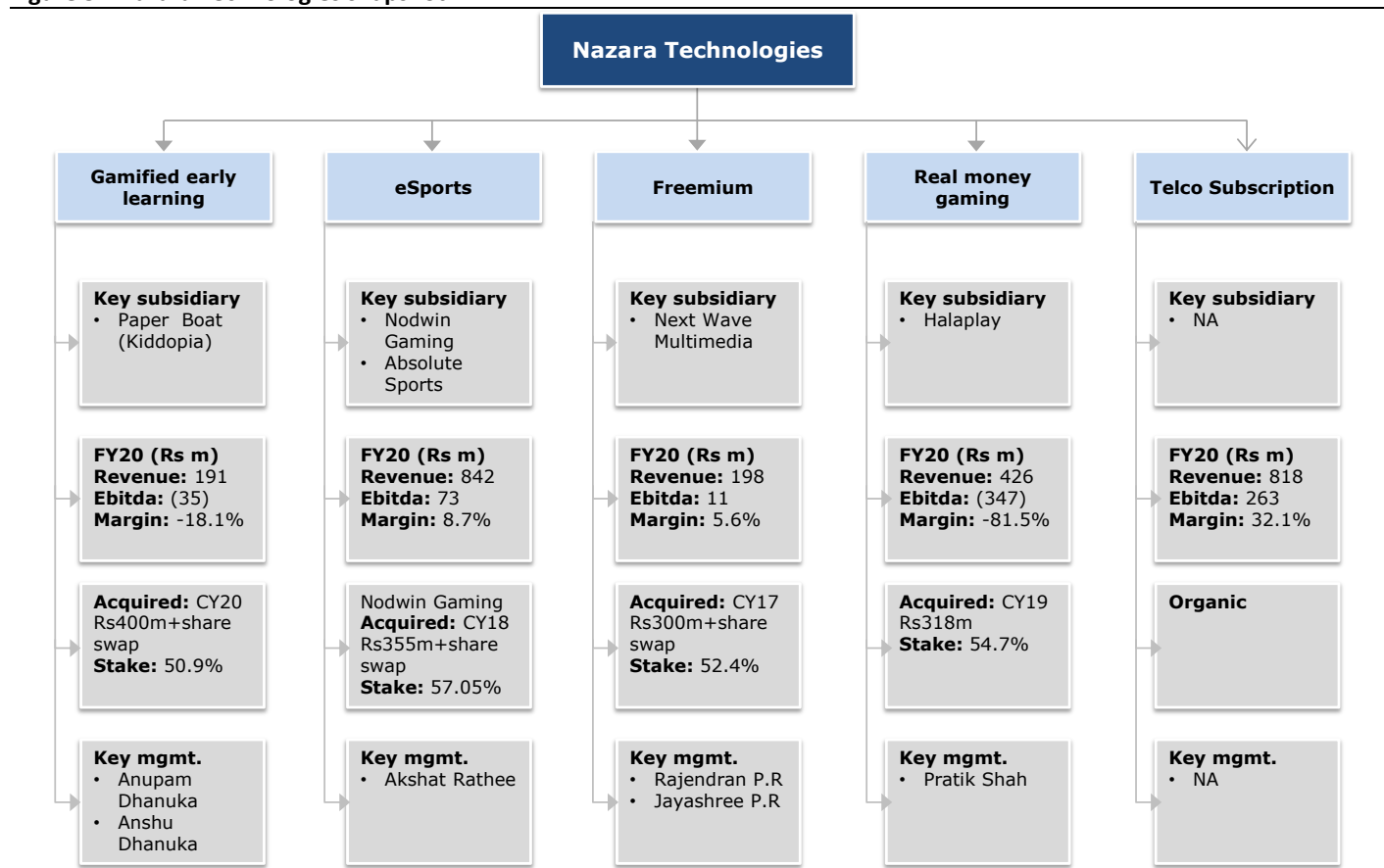
Nazara entered skill-based gaming in India and has strategically created presence in the real money gaming segment. With the acquisition of Halaplay, and investments in Sports Unity, the company is also participating in sports fantasy gaming and trivia games. (Source: F&S Report).

Figure 4: Shareholding pattern

Key shareholders	Percentage of the pre-offer equity share capital (%)
Promoter & Promoter Group	24.2%
Arpit Khandelwal	12.5%
Jhunjhunwala Rakesh Radheshyam	11.4%
Plutus Wealth Management LLP	6.9%
IIFL Special Opportunities Fund	6.0%
IIFL Special Opportunities Fund - Series 4	4.9%
IIFL Special Opportunities Fund - Series 5	4.2%
IIFL Special Opportunities Fund - Series 2	3.9%
Emerging Investment Ltd	1.9%
IIFL Special Opportunities Fund - Series 3	1.9%
Riyaz Suterwalla	1.7%
Turtle Entertainment Gmbh	1.7%
Manish Agarwal	1.5%
Seedfund2 International	1.3%
Total	84.0%

Source: Company

Figure 5: Nazara Technologies snapshot



Note: Stake as of Sep 2020 Source: Company

Figure 6: Key management personnel

Name	Designation	Comments
Manish Agarwal	Chief Executive Officer	He has been associated with Nazara since June 1, 2015 and was last re-designated as the Chief Executive Officer on December 28, 2017. He holds a Bachelor's in Technology degree from the Regional Engineering College, Warangal and a post graduate diploma in Management from the Indian Institute of Management, Ahmedabad. He has approximately 20 years of experience in various fields including the gaming space and marketing. He was associated with Reliance Games for more than four years, in the capacity of chief executive officer of Zapak Mobile Games Private Limited and chief operating officer of Zapak Digital Entertainment Limited. Prior to that he was associated with UTV Software Communications Limited for about two years in the capacity of chief executive officer. Further, he was also associated with Rediff.com India Limited, in the role of vice president- marketing and prior to rediff.com he has worked with Hindustan Lever Limited (currently, known as Hindustan Unilever Limited)
Rakesh Shah	Chief Financial Officer	He has been associated with Nazara since May 10, 2010. He holds a bachelor's degree in Commerce from University of Bombay and he is a qualified Cost Accountant from Institute of Cost and Works Accountants of India. He is an associate member of the Institute of Chartered Accountants of India. Rakesh Shah has more than 24 years of experience in financial, administration and management accounting. He has been associated with Yahoo India Private Limited, ANZ International, Electronic Data Systems, Vinmar International India Private Limited, Mazda Colors Limited.
Pratibha Mishra	Company Secretary	She holds a bachelor's degree in commerce from the University of Mumbai. She is qualified as a company secretary from the Institute of Company Secretaries of India. She also holds a bachelor's degree in law from the Government Law College, Mumbai. Prior to joining the Company, she was associated with CEAT Limited from 2016 for a period of four years.

Source: Company

Industry overview

With an estimated market size of approximately USD 160bn in 2020, the global gaming industry is one of the largest and fastest growing segments within the media and entertainment sector. Over the last couple of decades, the gaming industry has progressed from a primitive arcade style of entertainment to a graphically immersive and social form of entertainment.

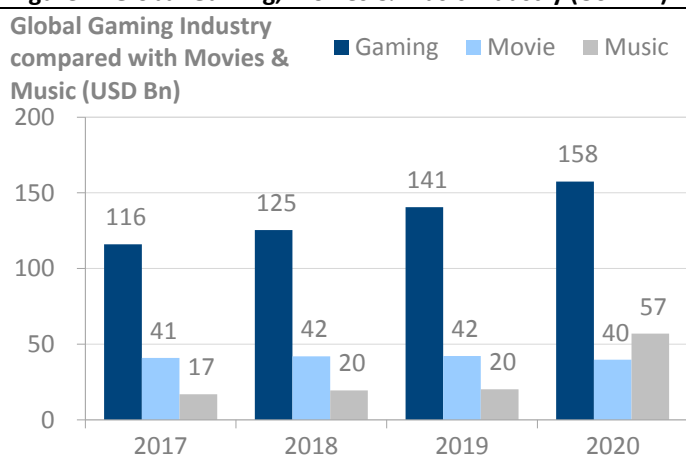
The advent of COVID-19 has, unlike other industry verticals, accelerated the growth of the gaming industry. Global lockdowns caused an explosion in the engagement within the gaming community as people who were stuck at home sought alternative means of entertainment – bringing the gaming activity into the social mainstream. Estimates suggest that the gaming sector will sustain this healthy growth in the post COVID-era, with emerging markets expected to play a major role in this growth. Mobile gaming is expected to be a key driving force behind the projected growth of the overall gaming industry, as it is one of the most sought after and a convenient way for users to engage in gaming activities during the period where outdoor activities are limited.

Gaming as the new leader in the Media & Entertainment (M&E) sector

A key indicator to the growth of gaming, as a crucial segment within media and entertainment, is the proportionate growth as compared with the film and music industries – popular segments with the M&E sector. As music and movies are some of the highly sought-after modes of entertainment, a comparison with gaming would ideally reflect the choice in user preferences. In 2017, the global gaming industry was nearly twice the sum of the movie and the music industry's revenue put together. The subsequent years have also seen a similar trend and in 2020, the global gaming industry was valued at USD 158bn while the music and movie industries had a size of USD 57bn and USD 40bn respectively.

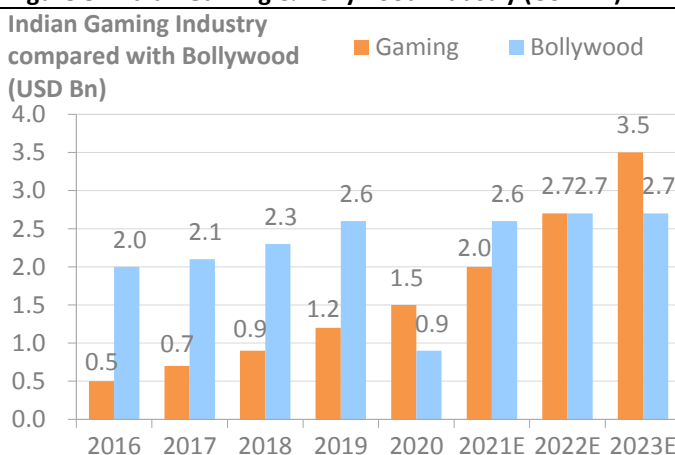
The gaming industry in India was nearly 25% of the Indian film industry in 2016, but by 2023, it is expected to exceed the Bollywood revenues by USD 0.8bn and reach a value of USD 3.5bn. This tremendous increase will be predominantly driven by the proclivity of the Indian population to adopt gaming as their primary source of entertainment.

Figure 7: Global Gaming, Movies & Music industry (USD Bn)



Source: Frost & Sullivan Analysis, Investopedia

Figure 8: Indian Gaming & Bollywood industry (USD Bn)



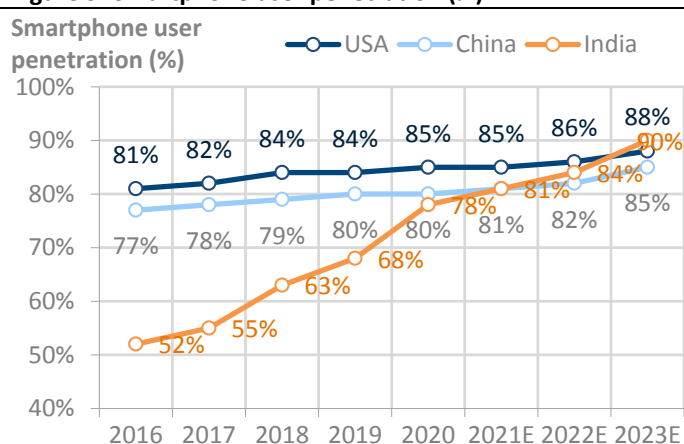
Source: Frost & Sullivan Analysis

Global drivers of the gaming ecosystem

Increased penetration of smartphone users

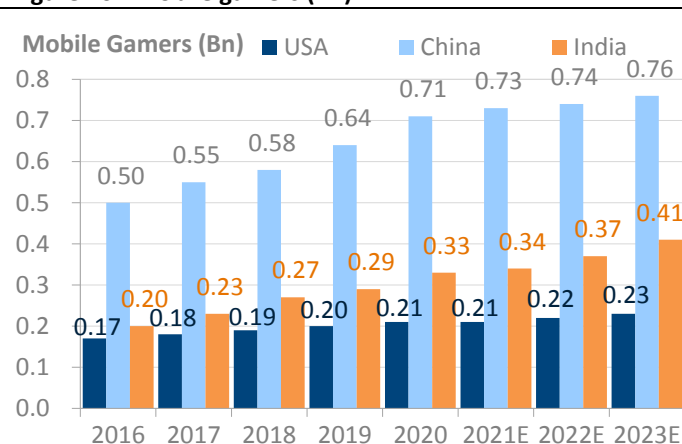
Smartphone users form a key component within the gaming ecosystem. As majority of the gaming revenue comes through mobile games, the increase in smartphone penetration would directly affect the growth of the gaming industry. Between 2016 and 2020, the smartphone penetration in emerging economies such as India and China is significantly higher as compared to advanced economies such as USA and even the average global smartphone penetration. The increase in the smartphone penetration is directly correlated with the increase in the number of mobile gamers. As smartphones become cheaper and cost of mobile data decreases, the mobile penetration increases and consequentially more people have access to mobile games. Among the leading countries for mobile gaming, the smartphone penetration for India is expected to reach 90% by 2023. This is higher than 85% mobile penetration for China and 88% for USA. Consequentially, India will have a significant number of mobile gamers in the coming years as compared to other regions such as China and USA.

Figure 9: Smartphone user penetration (%)



Source: Datareportal

Figure 10: Mobile gamers (Bn)



Source: Datareportal

Figure 11: Gen Z and Millennial population mix 2015 vs. 2020 (%)

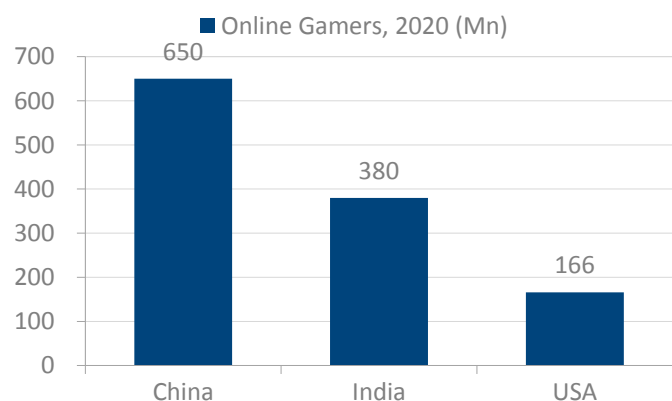
Global population mix (%)		2015	2020
Millennials		27%	31%
Gen Z		32%	32%
Others		41%	37%
USA population mix (%)		2015	2020
Millennials		24%	25%
Gen Z		25%	26%
Others		51%	49%
China population mix (%)		2015	2020
Millennials		31%	25%
Gen Z		9%	11%
Others		60%	64%
Indian population mix (%)		2015	2020
Millennials		28%	30%
Gen Z		30%	35%
Others		42%	35%

Source: Frost & Sullivan

Rise in Gen Z population

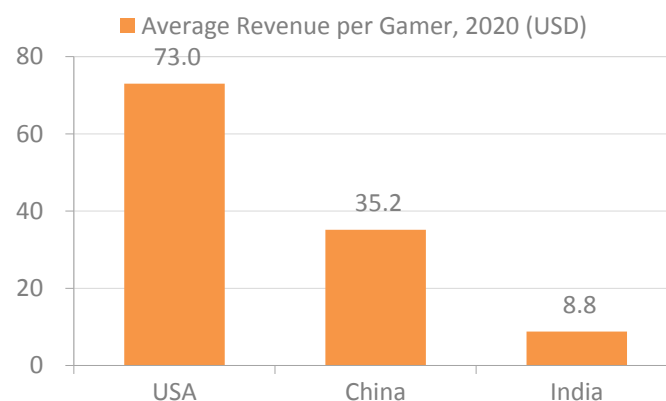
The digitally mature Gen Z population engages in gaming more than the millennial generation or generation X. Gen Z gamers are digital natives and are well versed with high-end technology and advanced gaming concepts. This budding generation has access to a wide variety of smartphones and gaming devices, through which they engage in gaming activities. The growth of the Gen Z population between 2015 and 2020 correlates with the growth of the gaming industry during the period.

Figure 12: Online Gamers 2020 (Mn)



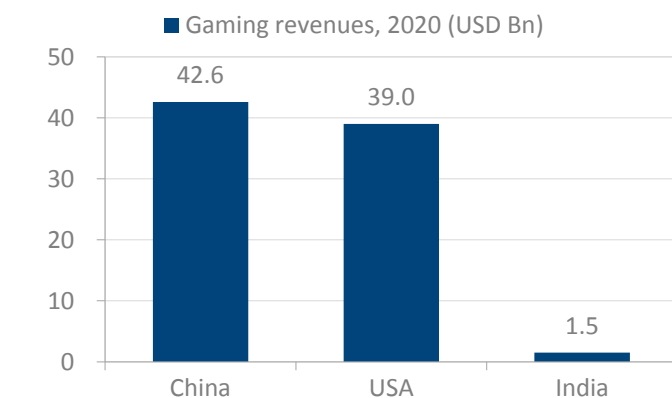
Source: Frost & Sullivan

Figure 13: Average revenue per gamer 2020 (USD)



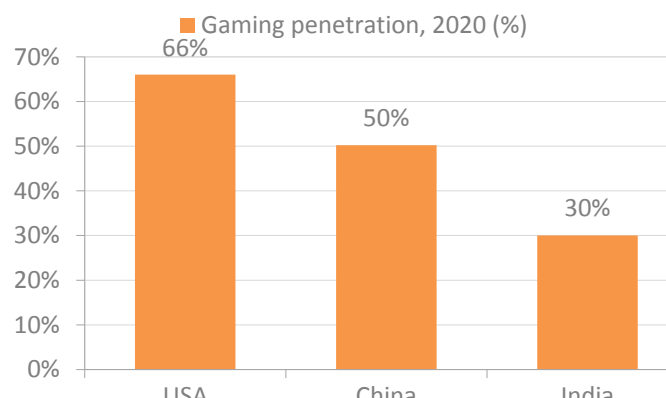
Source: Frost & Sullivan

Figure 14: Gaming revenues 2020 (USD Bn)



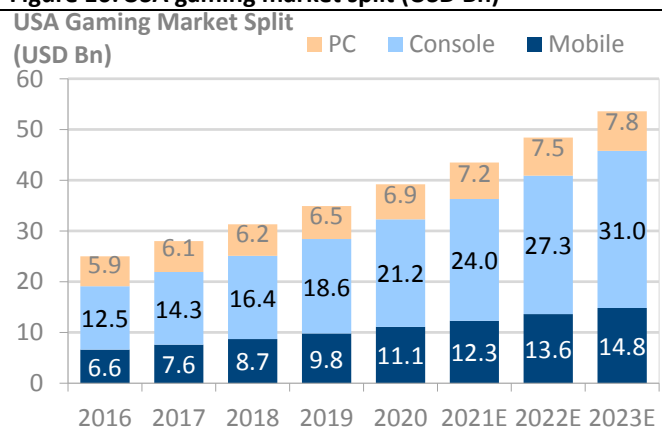
Source: Frost & Sullivan

Figure 15: Gaming penetration 2020 (%)



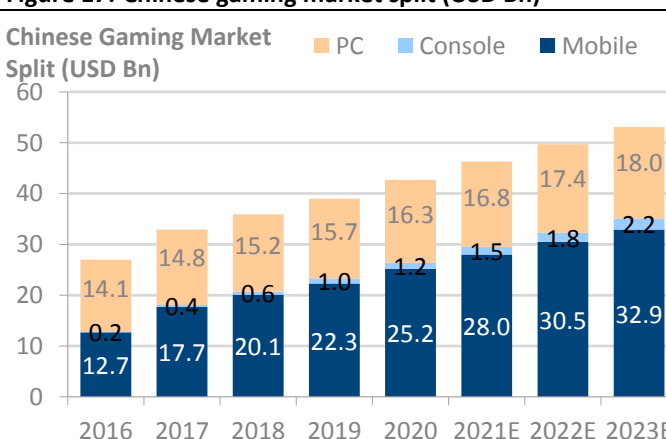
Source: Frost & Sullivan

Figure 16: USA gaming market split (USD Bn)

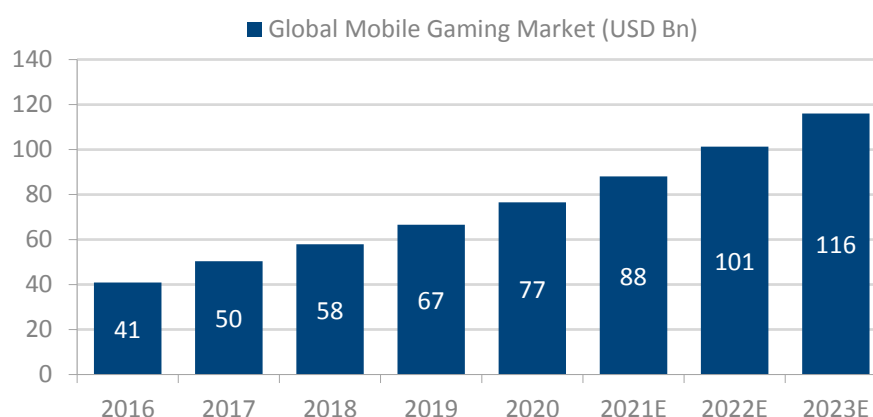


Source: Frost & Sullivan analysis

Figure 17: Chinese gaming market split (USD Bn)



Source: Frost & Sullivan analysis

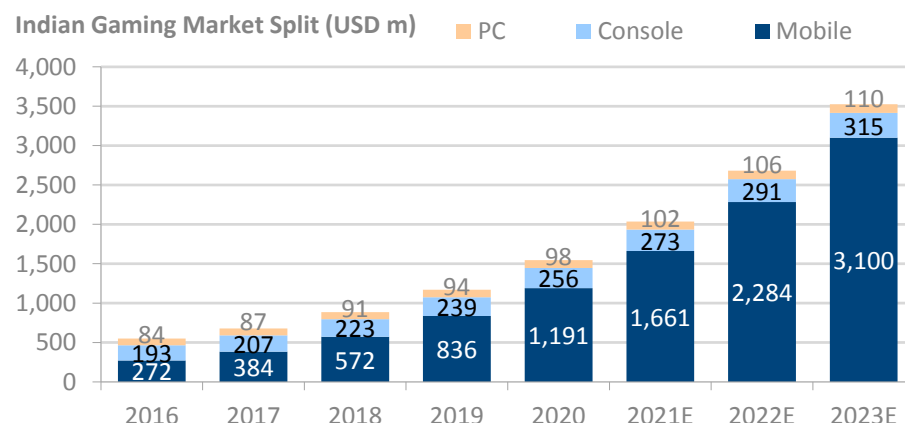
Figure 18: Global mobile gaming market (USD Bn)


Source: Frost & Sullivan Analysis

Indian Gaming industry

Growth opportunity

Indian gaming industry is projected to grow over 31.7% YoY due to the growth of digital infrastructure and significant rise in quality and engaging of gaming content. By 2024, the gaming industry in India is set to be valued at USD 3,544mn. India's online gaming industry has already attracted over USD 350mn in investments from venture capital firms between 2014 and 2020. (FICCI, IBEF) The rise in online gaming activity propelled by the growth in the number of gamers by almost ten times in the last decade, also led to comparable growth in game developing companies over the same period. The proliferation of cheap smartphones, high-speed internet and reduction in data prices are the key drivers for this rapid growth. The mobile gaming segment in the Indian gaming industry is the largest in terms of revenue. This segment was valued at USD 272mn in 2016 and reached about USD 1.19bn in 2020 growing at a CAGR of 39.6%. The mobile gaming segment is expected to reach a market size of USD 3.1bn by 2023, growing at 38% CAGR (Frost & Sullivan).

Figure 19: Indian gaming market split (USD m)


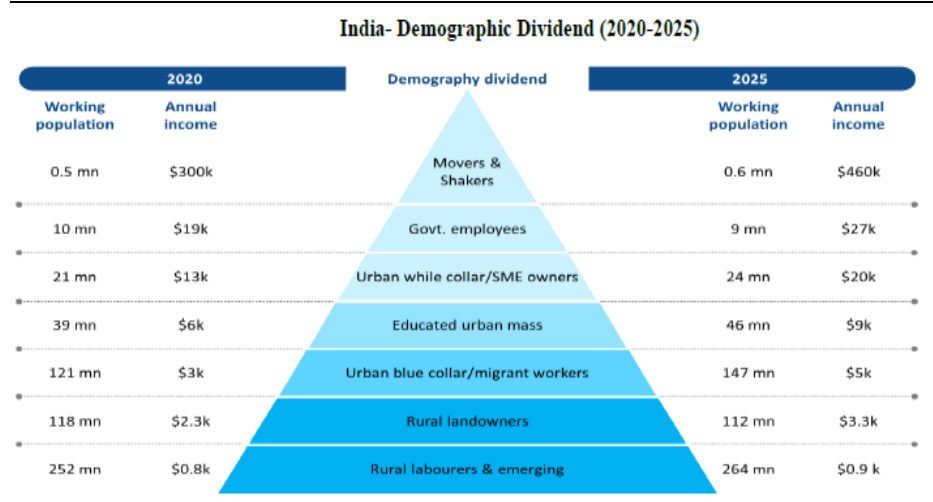
Source: Frost & Sullivan Analysis

Among the leading countries based on gaming revenues, while USA and China have traditionally dominated the gaming market, the market in India is growing at a CAGR of 31.6% which far exceeds the growth rates of China and USA that stands at 7.2% and 11.5% respectively. The Chinese gaming industry, in the last decade, grew at a CAGR of 15% (between 2014 and 2018). The Indian gaming market, which closely reflects the Chinese gaming industry of the past decade, is currently growing at twice the rate.

Mobile gaming will lead the growth of India Gaming in the next decade

Mature markets such as the USA are in the midst of a shift from a download growth phase to one that is characterized by strong app usage and revenue growth. Whereas emerging markets such as India are still experiencing hyper-growth in app downloads, including games. At present, the opportunity for game monetization in India is yet to peak, as it is marred by challenges in infrastructure, payment channels and low spending patterns. Improvements in connectivity and affordability of telecom services, along with reduced phone and data prices can open up several opportunities for game developers to monetize this segment in India.

Figure 20: India – Demographic dividend (2020-2025)



Source: Frost & Sullivan

Evolving business models in mobile gaming segment

Freemium/In-App purchases

In a Freemium model, also known as the in-app-purchase ("IAP") model, users can access the game's basic features for free but will have to purchase in-game functions and features (for example, new maps and items) that are either not available otherwise or might require considerable investment of time (aka grinding) to procure. In 2018-19, over 95% of all consumers spend on mobile gaming came from IAPs. IAPs are mostly opted for by a section, typically consisting of casual gamers, who contribute most to the revenues.

Subscriptions

In a subscription model, users are usually allowed to have a free period to use the game immediately after the download. Beyond this period, they are required to pay a recurring fee to continue using it.

In-App advertising

In-game advertisements could be in multiple forms such as banner ads that appear in some part of the screen without ruining the user experience.

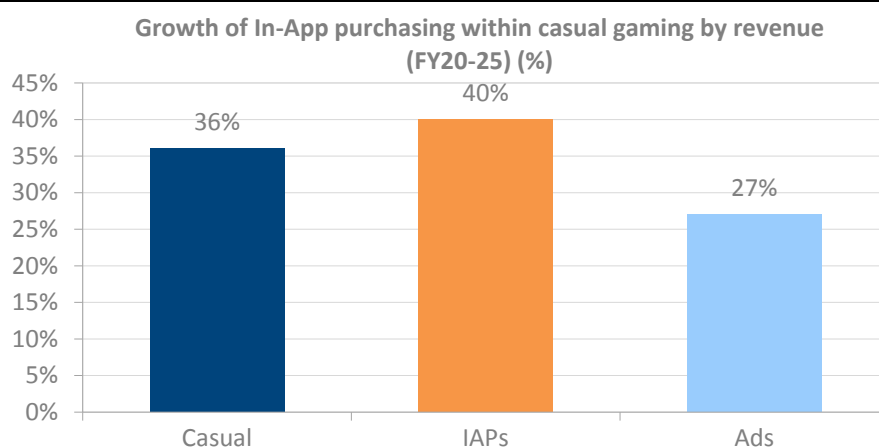
Outright purchase

In the outright purchase business model, users pay for a new game at the time of the download.

Growth of IAPs within mobile gaming

The freemium model is increasingly gaining traction within the mobile gaming segment, particularly in the last 5 years. In 2019, global IAP revenue in the app stores reached USD 120bn. (Seattle Times). This is nearly 200% higher than 2016.

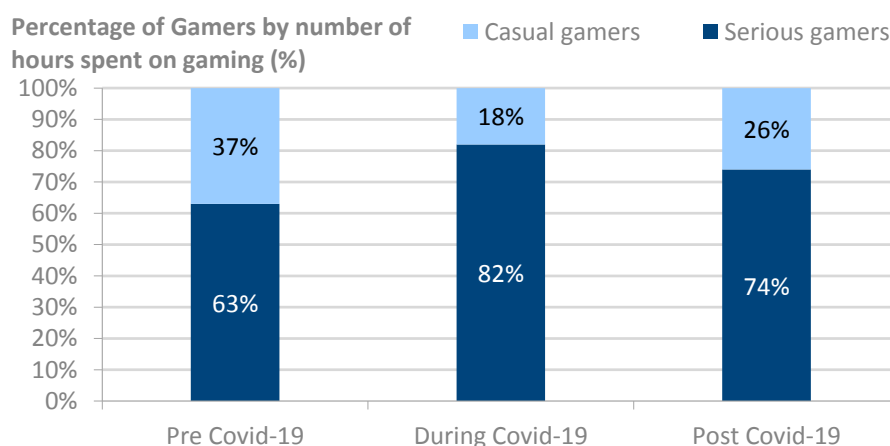
Figure 21: FY20-25 revenue CAGR of In-app purchasing vs. ad revenue (%)



Source: Frost & Sullivan

The casual gaming sector represents one of the fastest growing segments of the video game industry backed by successful business models such as IAPs and advertising revenues. These games are targeted at a wide, mass market audience, as opposed to hardcore games, that are targeted at a more niche audience. Examples of such games include Sudoku, Bubble Shooter, Talking Tom etc. IAPs form a crucial link in the transition of casual gamers into serious gamers by offering lucrative opportunities to progress in the game.

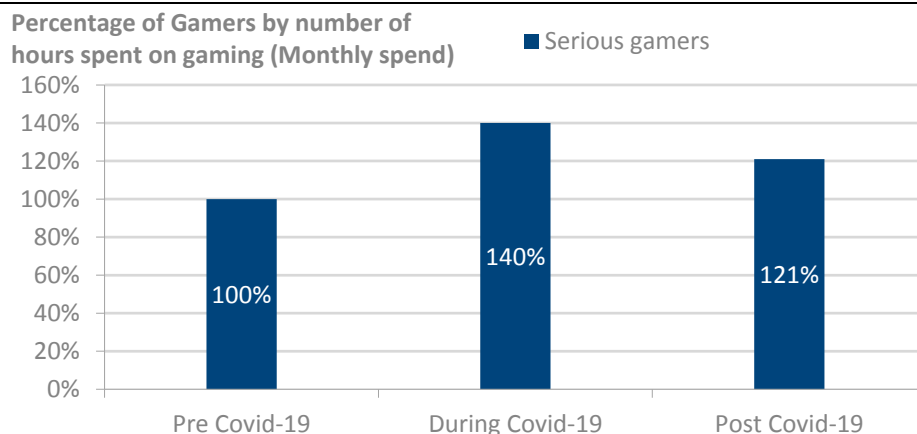
Figure 22: Pre & Post Covid split of casual and serious gamers (%)



Source: Frost & Sullivan

Between FY 2020 and 2025, IAPs are projected to have the highest growth within the casual gaming segment, growing at a CAGR of 40% YoY. This is relatively high as compared to the growth in the advertisement segment that is projected to grow at 27%. Further, it is estimated that by 2025, the growth in casual gaming would be predominantly owing to IAPs as opposed to advertisements. It is also projected that by 2025, IAPs would derive 75% of the revenues in casual games, with the remaining 25% being contributed by advertisements.

Figure 23: Percentage of gamers by number of hours spent on gaming (Monthly spend)



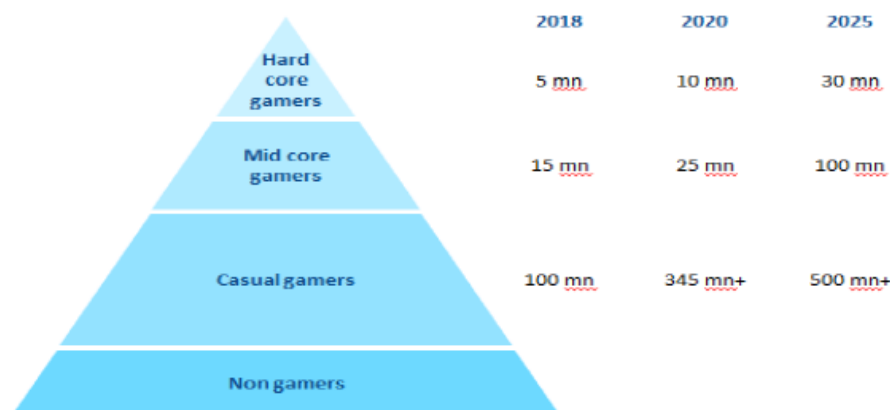
Source: Frost & Sullivan

Drivers for IAP in the Indian Gaming Ecosystem

In 2018, India had around 100mn casual gamers, 15mn mid-core gamers and 5mn hard core gamers. Between 2018 and 2020, the number of players in each of these segments has seen an increase of more than 100%. It is estimated that by 2025, there will nearly be a threefold increase in the number of gamers for each of these segments. With the hardcore and mid-core gaming community contributing to the increase in the average revenue per paying user ("ARPPU"), it is expected that the rise in the numbers within these segments will significantly increase in the growth of IAPs in India.

Figure 24: Indian gamer population to rise dramatically over the next 5 years

India, Gamers by Segment (2018, 2020, 2025, in Millions)



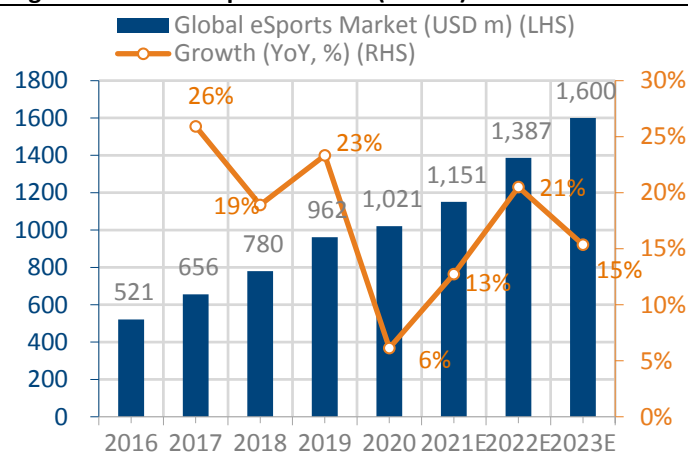
Source: Frost & Sullivan

Esports

eSports is an umbrella term for a host of games played on a competitive landscape. The eSports industry has grown multifold over the years, with new games and formats continuously raking interest from a growing audience base. The popularity of eSports is exploding into the mainstream arena and hence the rise in eSports competition will lead to online experiences that can rival some of the largest media events – barring that almost the complete audience base is predominantly live-streaming rather than watching it as a broadcast.

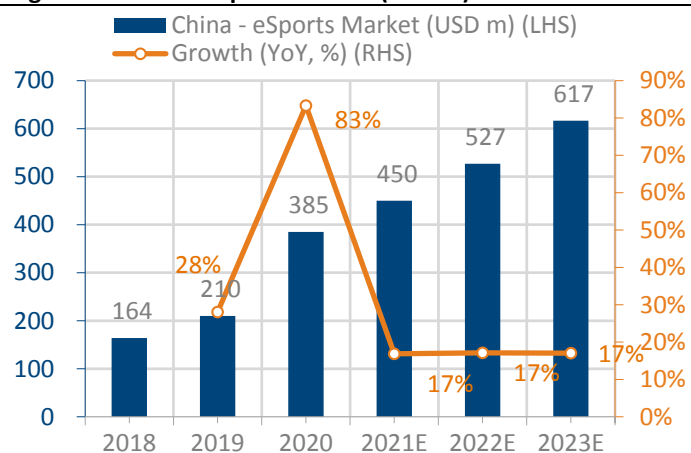
Further, the gaming consumers of today do not merely want to watch or listen, they also want to participate. eSports enables in facilitating such principles into people's gaming lives. Alongside serving as a platform for competitive participation, eSports also creates immense potential by offering opportunities for employment and entrepreneurship. This industry is evolving with a wide range of companies invested in growing international audiences and revenue.

Figure 25: Global eSports market (USD m)



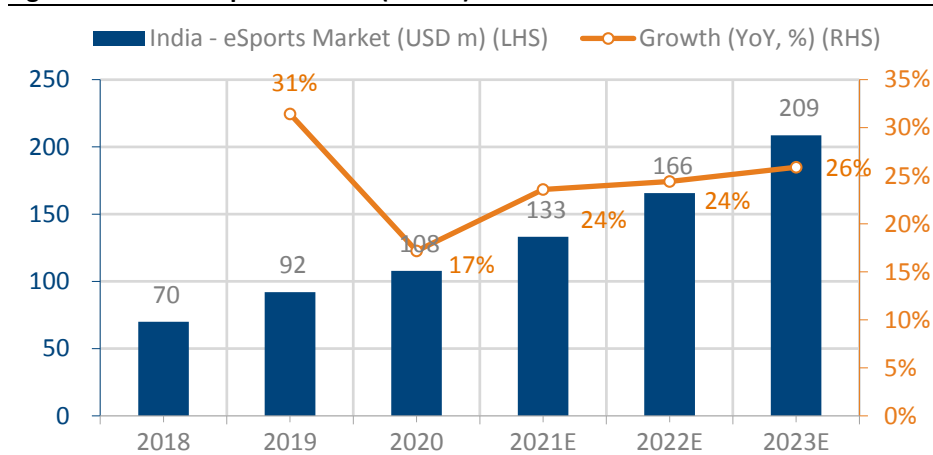
Source: Frost & Sullivan Analysis

Figure 26: China - eSports market (USD m)

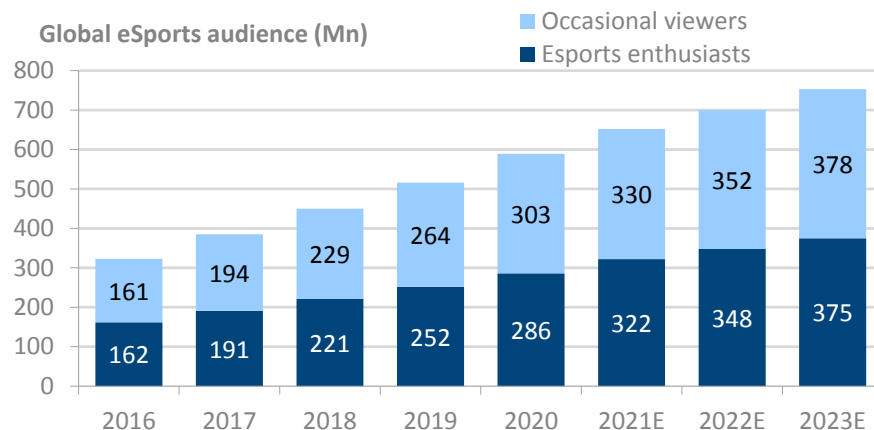


Source: FICCI, ESFI, Frost & Sullivan

Figure 27: India – eSports market (USD m)



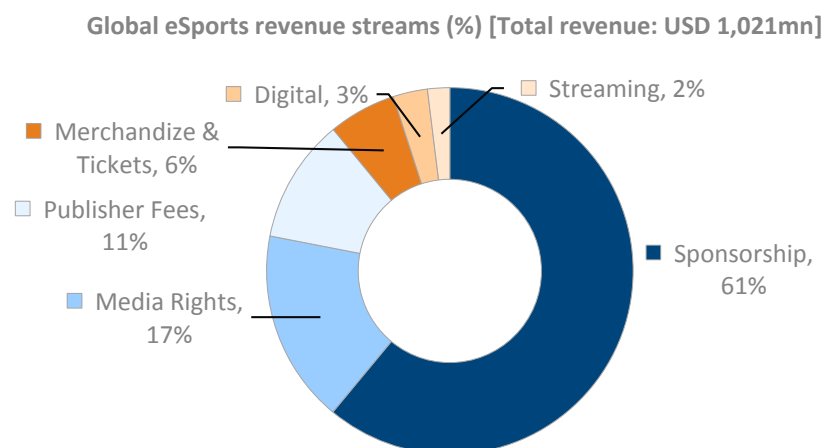
Source: Company, IIFL Research

Figure 28: Global eSports audience


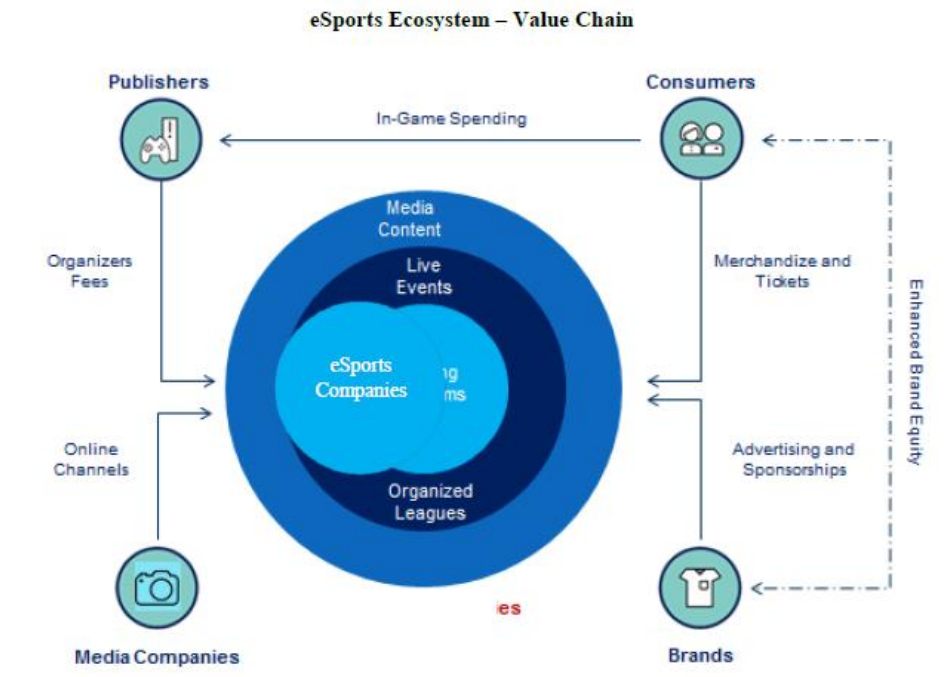
Source: Frost & Sullivan Analysis

The global eSports market was valued at USD 521mn in 2016. The recent boost in the number of eSports viewership and the popularity of eSports tournaments saw the market rise to USD 1,021mn in 2020. Between 2020 and 2023, the global eSports market is expected to have a growth rate of 16.15% CAGR and is expected to reach a value of USD 1.6bn by 2023.

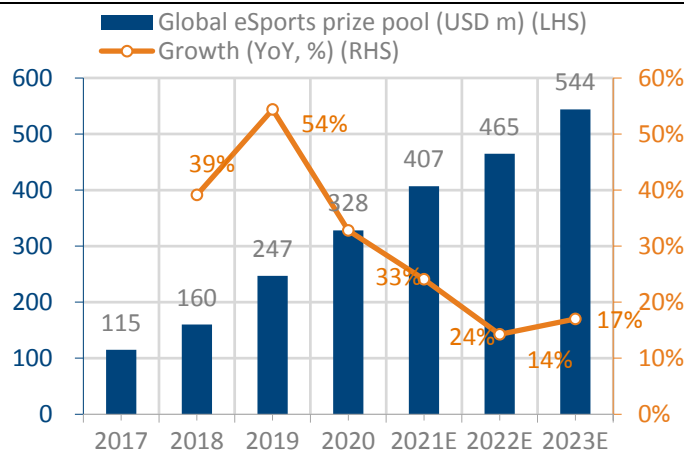
Sponsorship revenues in 2020 accounted to USD 623mn and are by far the largest contributor for the eSports revenue segment. Media rights follow with a value of USD 174mn. Merchandize and tickets contribute to USD 61mn and publisher fees amount to USD 112mn. The digital and streaming components contributed to USD 31mn and USD 20mn respectively.

Figure 29: Split of global eSports revenue streams (%)


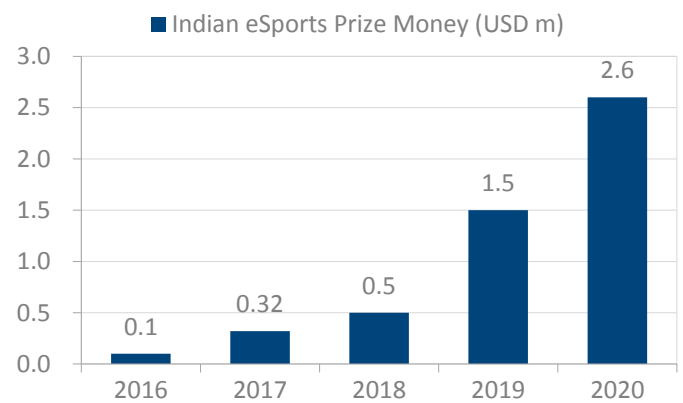
Source: Esport International, Frost & Sullivan Analysis

Figure 30: eSports Ecosystem – Value chain


Source: Frost & Sullivan

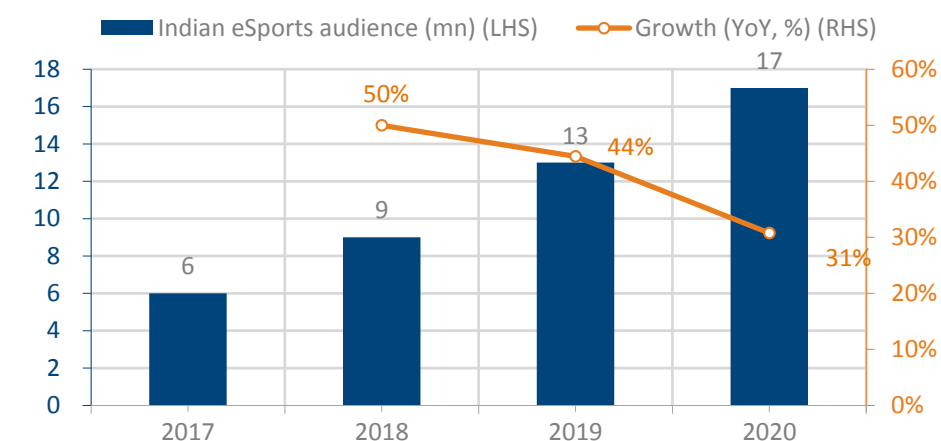
Figure 31: Global eSports prize pool (USD m)


Source: Frost & Sullivan Analysis

Figure 32: Indian eSports prize money (USD m)


Source: FICCI, ESFI, Frost & Sullivan

The eSports market in India was valued at USD 70mn in 2018. In comparison, the eSports market in China was valued at USD 164mn in 2018. The Indian eSports market has a current market size of USD 107.8mn in 2020 which is about one third of the Chinese eSports market that stood at USD 385mn in 2020. The eSports market in India is expected to grow at a CAGR of 25.1% between 2020 and 2023 and is projected to reach a market value of USD 208.6mn by the end of that period. The eSports market growth in India is significantly higher than the growth rate of China, predominantly owing to the increased user engagement and viewership. The Indian eSports audience was 6mn in 2017 and with the increased participation and viewership, the audience growth in the eSports segment in India is expected to reach 17mn by the end of 2020.

Figure 33: Indian eSports audience (mn)


Source: FICCI

Figure 34: eSports broadcasting services – growth in platforms

2018	2019	2020
Dsports	Instagram	MX Player
Twitch	Jio	Rheo
YouTube	SonyLIV	Nimo
Facebook	Twitch	TikTok
Hotstar	YouTube	MTV
Voot	Facebook	Jio
	Hotstar	SonyLIV
	Voot	Twitch
		YouTube
		Facebook
		Hotstar
		Voot
6	8	12

Source: FICCI

Figure 35: Top eSports companies by revenue

Company	Estimated Revenue in 2019 (Mn)
Team SoloMid	35
FaZe Clan	35
OG eSports	34
Cloud9	29
Team Liquid	24

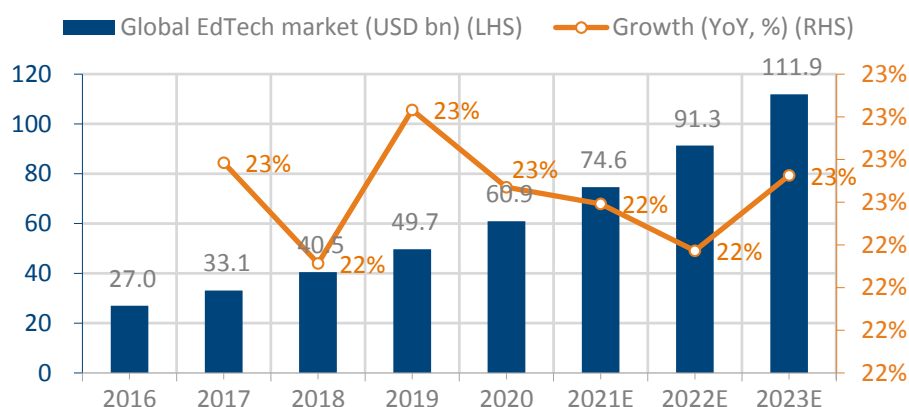
Source: Forbes

Gamified early learning

Gamified early learning tries to bring in the element of fun to learning. It brings various elements of game play to the learning landscape to make it more entertaining and engaging. Gamified early learning does not intend to replace teachers, or deter the classroom education system, but rather works in tandem with the new age digital techniques to enhance the experience of learning by integrating game elements in their educational environment.

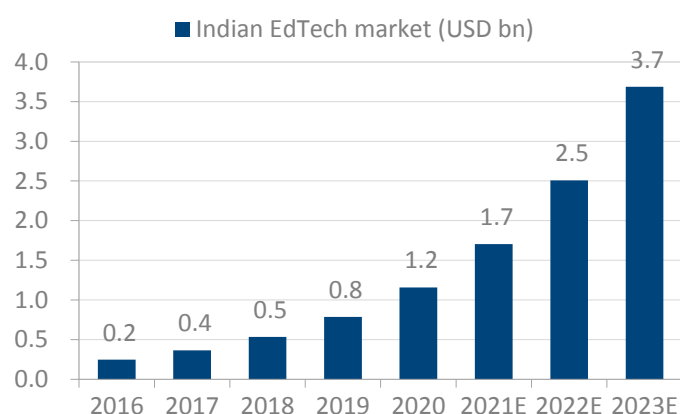
The market size for the global gamified early learning stood at USD 2.4bn in 2016 and is expected to grow, backed by the recent traction for e-learning and game-based education, at a healthy CAGR of 41.8% to reach a market size of USD 27.8bn by 2023. USA is the largest contributor to this market and had a market size of about a billion dollars in 2016 and is expected to reach a size of USD 12.6bn by 2023, growing at a rate of 47% CAGR.

Figure 36: Global EdTech market (USD bn)



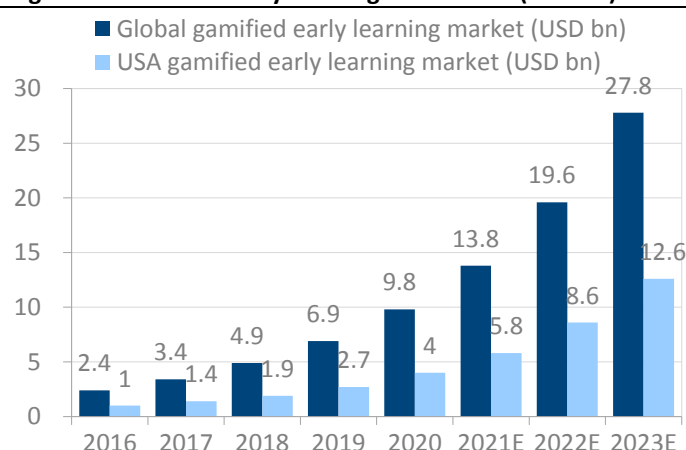
Source: Frost & Sullivan

Figure 37: India EdTech market (USD bn)



Source: Frost & Sullivan

Figure 38: Gamified early learning market size (USD bn)

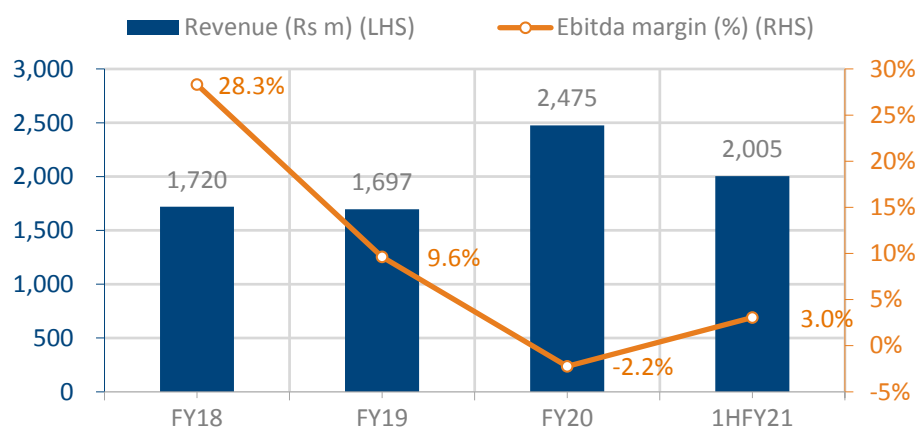


Source: eSchoolNews, Frost & Sullivan

Financial Analysis

Nazara registered Rs2,475mn of revenues in FY20, a growth of 46% YoY, boosted by two acquisitions in the e-learning (Kiddopia) and real money gaming (Halaplay) in that year. Organically, revenues grew by 9.5% in FY20. In 1HFY21, revenues have already reached Rs2bn as the pandemic led lockdown across various markets resulted in faster adoption of online gaming, especially on e-learning and e-sports side, even as Nazara de-focussed on real money gaming due to increased regulatory uncertainties around the business.

Figure 39: Revenue and margin trend



Source: Company

Figure 40: Segment wise revenue and growth trend

Business Segment Revenue (Rs m)	FY18	FY19	FY20	1HFY21
Gamified early learning	-	-	191	787
eSports	36	492	842	637
Telco subscription	1,532	961	818	428
Freemium	152	244	198	90
Real money gaming	-	-	426	63
Total	1,720	1,697	2,475	2,005
Growth (YoY, %)	FY18	FY19	FY20	1HFY21
Gamified Early learning	-	-	-	-
eSports	-	1251%	71%	-
Telco subscription	-	-37%	-15%	-
Freemium	-	60%	-19%	-
Real money gaming	-	-	-	-
Total		-1%	46%	
Revenue split (%)	FY18	FY19	FY20	1HFY21
Gamified Early learning	0%	0%	8%	39%
eSports	2%	29%	34%	32%
Telco subscription	89%	57%	33%	21%
Freemium	9%	14%	8%	5%
Real money gaming	0%	0%	17%	3%
Total	100%	100%	100%	100%

Source: Company

Nazara's business is split into five key segments:

- 1) **Gamified Early learning:** Gamified early learning comprises income from early learners and their parents subscribing to gamified content on Kiddopia apps. NTL entered this segment in North America through their flagship gamified early learning app, Kiddopia, which they acquired in FY20. Through Kiddopia, they cater primarily to children aged between two and six years. It delivers an immersive self-directed learning experience through gamification, integrating expertise in developing engaging gaming experiences with the education needs of children. The subscriber base of the app, which comprised of 115,220 paying subscribers at the time of acquisition, has grown to 290,508 paying subscribers as of October 2020.

Kiddopia has the advantage of strong unit economics, evidenced by the subscriber acquisition costs getting recovered in nine months and a high life-time value of subscribers, with monthly subscriber retention rates of 25.73% as of September 2020 for activations in September 2019. The key growth drivers have been in-house creation of quality content and ownership of content IPs, data driven scaling to generate positive LTV/ CAC ratios, and leverage strong technology stack to enhance user experiences across offerings. The robust average retention rates of subscribers allows it to achieve higher lifetime customer value (LTV), and shows the deep product-market fit with the subscriber base. This in turn helps achieve a high ratio of LTV to customer acquisition cost (CAC) ratio, and attractive unit economics for this business segment.

Kiddopia was ranked 3rd on the US Apple App Store on December 5, 2020, with an average rating of 4.4 out of 5 stars since its release. Revenue from early learning was Rs787mn in 1HFY21, primarily as a result of strong growth in the number of monthly and annual subscribers in North America, driven by strong retention and considerable increase in marketing spends.

Figure 41: Kiddopia – New subscribers and CPT

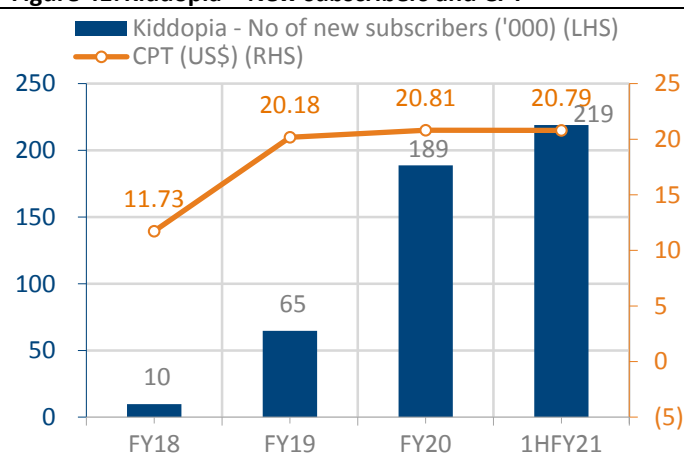
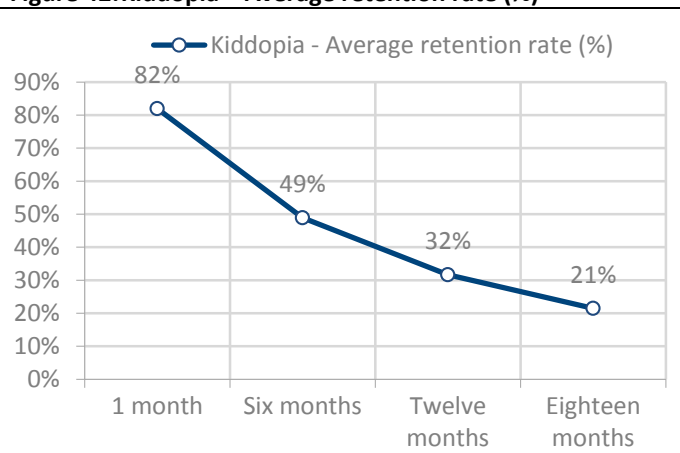


Figure 42: Kiddopia – Average retention rate (%)



Note: CPT denotes Cost per trial

Note: iOS contributes to 93% of customer base, and above chart represents iOS only data

Source: Company

Source: Company

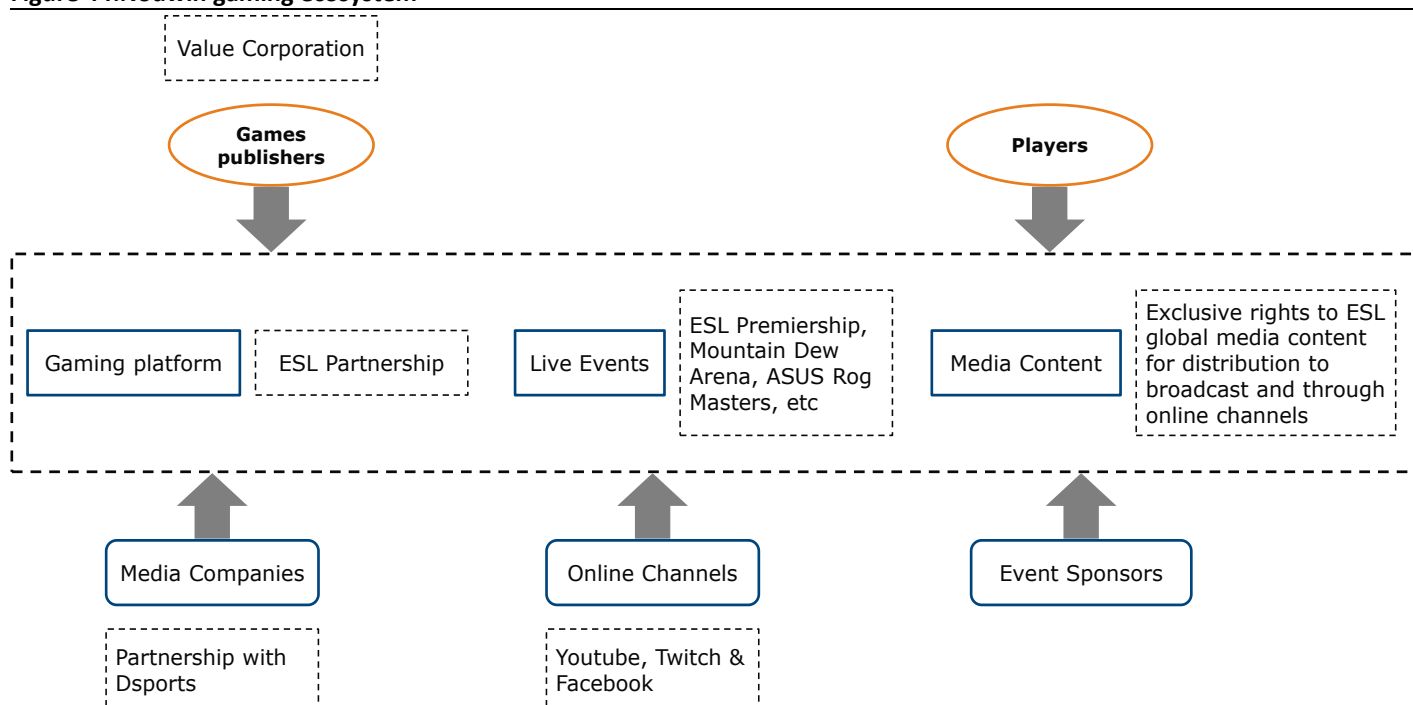
Figure 43: Top Ten Downloaded Gamified-Early learning Apps in the US*

Rank	Application	Parent Company	Genre
1	Toca Life: World	Spin Master	Simulation
2	Township	Playrix	Simulation
3	Monster High Beauty Shop	Crazy Labs	Lifestyle
4	World of Peppa Pig	Hasbro	Kids
5	Kiddopia	Nazara	Kids
6	Color by Number Coloring Book	Wildlife Studios	Kids
7	Rodeo Stampede	Featherweight	Simulation
8	PBS KIDS Games	PBS	Kids
9	Adventure Academy	Age of learning	Kids
10	Farming Simulator 16	Giants Software	Simulation

Based on Android and IOS downloads for the year 2020 (Until October)

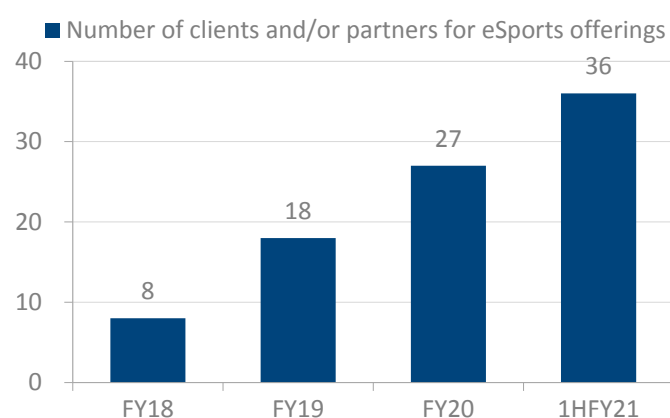
Source: Frost & Sullivan

- 2) **eSports:** It comprises income from white labelled eSports events, licensing of media rights brand sponsorship and various ad networks. eSports is emerging as a spectator sport and is proving to be the largest disruptor to the global traditional sports market, as an outcome of sports and gaming intersecting to create fast-paced, high-thrill spectator entertainment content. (Source: F&S Report) Nazara acquired Nodwin Gaming in FY18, which is among the few companies that have championed eSports in India, and established itself as a pioneer, owing to its strong relationships with global gaming publishers and platforms including market leaders such as ESL and Valve Corporation, and is currently dominating the Indian eSports market with over 80% of the total market share in India. Nodwin is among the leading live eSports streaming and on-demand eSports media content companies in India. It has exclusive partnerships with Electronics Sports League and manage gaming events such as the ESL India Premiership, KO Fight Nights etc. (Source: F&S Report)

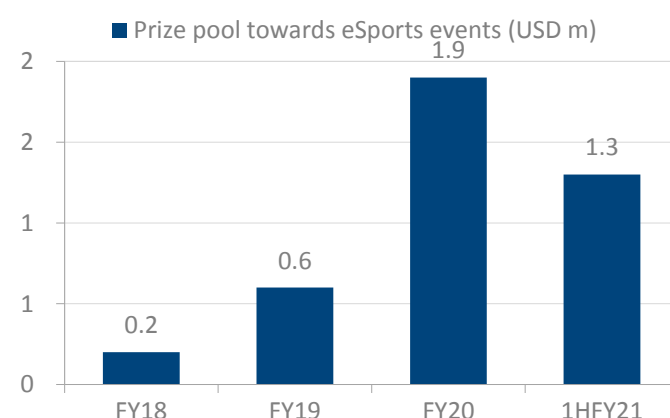
Figure 44: Nodwin gaming ecosystem


Source: Company

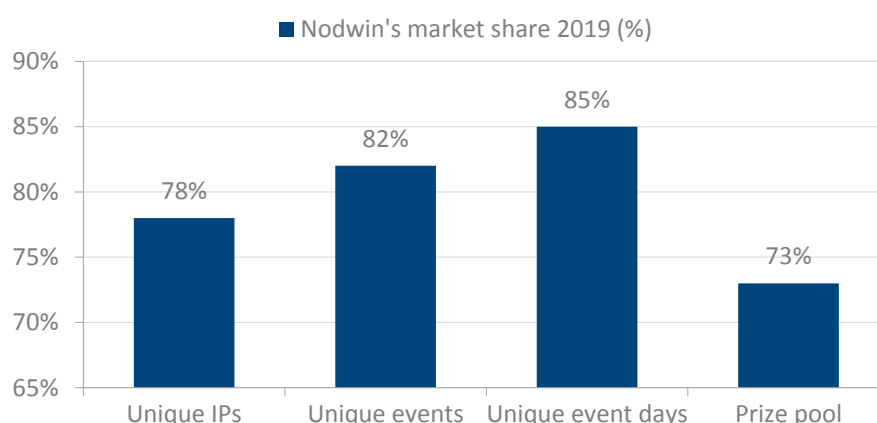
The key growth drivers for this business are the large-scale IPs, media rights licensing, and partnerships with global game publishers and owners of endemic and non-endemic brands. They have formed several partnerships, most notably with the Indian telecom giant Airtel. Airtel India Esports Tour will cover all NODWIN tournaments across gaming titles of PUBG Mobile, CS:GO, Clash of Clans, FIFA, etc. The coverage will extend to all iconic tournaments such as the India Premiership by Nodwin, Dreamhack India, The Northeast Cup and KO Fight Nights. This will also cover tournaments operated by Nazara such as the PUBG Mobile Pro league in India. (Source: F&S Report). Revenue from eSports was Rs637mn in 1HFY21. The media licensing subs segment contributed to 58.86% of the revenues while ad networks contributed to 16.47% of the revenues even as revenue from white label eSports events took a hit on the account of COVID 19.

Figure 45: eSports – No of client/partners


Source: Company

Figure 46: eSports prize pool


Source: Company

Figure 47: Nodwin's market share


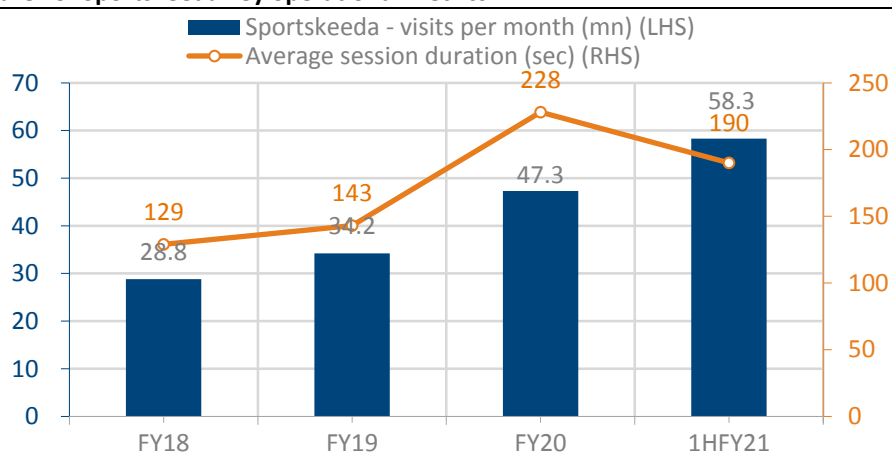
Source: Frost & Sullivan

Figure 48: Nodwin Key operational metrics

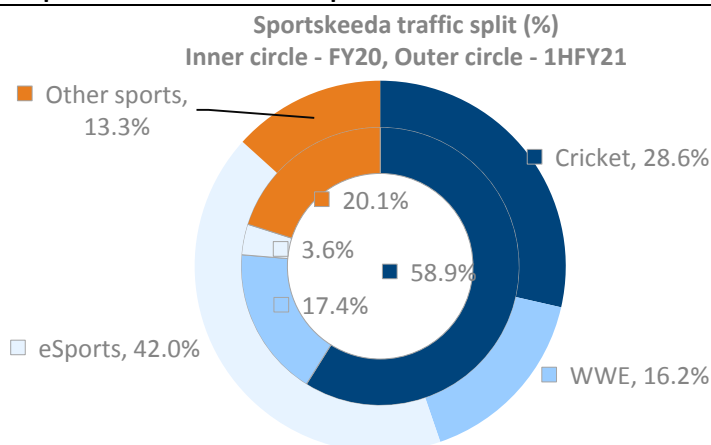
IPs & Assets	FY17	FY18	FY19	FY20
Globally Licensed IP	1	1	3	3
Joint / Owned IP	0	1	4	4
White Label Work	5	5	6	8
Countries	1	1	2	5
Staff	3	7	32	55
Events & Days	FY17	FY18	FY19	FY20
Events	5	7	12	17
On Location Days	18	26	47	68
Online Event Days	32	69	182	51
Event Footfall ('000s)	65	120	260	510
Locations/Cities	5	14	147	242
Reach & Participation	FY17	FY18	FY19	FY20
Yearly Video (Million)	1	6	28	175
Social/ Digital (Million)	4	35	208	512
Gamers Registered ('000s)	88	450	2200	6900
Clients / Partners	3	8	18	27
Business KPIs	FY17	FY18	FY19	FY20
Total Revenue	1.3	2.4	7.0	11.3
Core Revenue (Sponsorship + White Label + Data Services)	1.3	2.3	6.4	7.2
Media Rights Revenue	0.0	0.1	0.6	4.1
Prize Pool	0.1	0.2	0.6	1.9

Source: Frost & Sullivan

eSports segment also includes Sportskeeda which is the largest eSports news destination website in India, with content across eSports as well as traditional sports such as WWE, cricket, soccer and other sports. (Source: F&S Report) The average MAUs for Sportskeeda in FY20 were 17.8mn with 47.3mn visits per month, which has increased to 35mn MAUs and 74.9mn visits per month in 1HFY21.

Figure 49: Sportskeeda key operational metrics


Source: Company

Figure 50: Sportskeeda traffic break up


Source: Company

3) **Telco subscription:** It comprises revenue share in the arrangements with telecom partners for providing gaming subscription services to mobile subscribers. This offering currently comprise of over 1,021 android games, targeting mass mobile internet users in emerging markets, comprising largely of first-time mobile gamers. Monetisation in telco subscription is undertaken through periodic, daily, weekly or monthly subscriptions by their subscribers, through carrier billing, pursuant to their arrangements with telecom operators. Telco subscription revenues at Rs818/428mn, contributed 21.34% and 33.01%, of their total revenue for 1HFY21 and FY20, respectively.

Figure 51: Geography wise revenue and growth trend for Nazara

Geographic Segment Revenue (Rs m)	FY18	FY19	FY20	1HFY21
India	334	827	1,461	825
Middle East	595	229	180	118
Africa	347	324	206	63
APAC	445	224	327	164
North America	-	94	302	835
Total	1,720	1,697	2,475	2,005
Growth (YoY, %)	FY18	FY19	FY20	1HFY21
India	-	147%	77%	-
Middle East	-	-62%	-21%	-
Africa	-	-7%	-36%	-
APAC	-	-50%	46%	-
North America	-	-	222%	-
Total		-1%	46%	
Revenue split (%)	FY18	FY19	FY20	1HFY21
India	19%	49%	59%	41%
Middle East	35%	13%	7%	6%
Africa	20%	19%	8%	3%
APAC	26%	13%	13%	8%
North America	0%	6%	12%	42%
Total	100%	100%	100%	100%

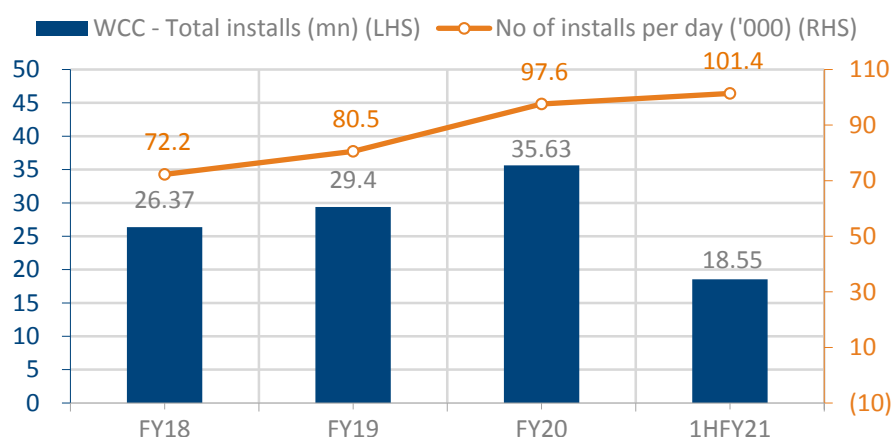
Note: FY18 – Revenue from Iran is included under Middle East

Source: Company

- 4) **Freemium:** It comprises payments received from various advertisement networks for including advertisement in their freemium games, which are available on leading app stores. It includes free-to-play sports simulation games and children's games, such as games designed based on cricket, carrom, table tennis and bowling. World Cricket Championship, the cricket gaming franchise, is the largest mobile-based cricket simulation game (Source: F&S Report) and they have launched WCC 3, the third edition of this franchise, in 2020. WCC3 received the 'Users' Choice Game of 2020' while WCC2 became the people's choice winner in gaming in PM Modi's Aatmanirbhar Bharat App Innovation Challenge.

Developed by Nextwave Multimedia, a subsidiary of Nazara, WCC games have seen tremendous success since their launch in 2015. From being one of India's most-awarded mobile games, it has become one of the world's Top 10 Games by monthly active usage and got listed on Google Play Store's Editor's Choice section. Overall, WCC apps have garnered more than 140mn installs across devices. (Source: F&S Report). Revenue from freemium was Rs92mn in 1HFY21, but this segment was impacted by the temporary withdrawal of digital advertisement campaign by the companies, delays in upgrading releases and launch of new games as a result of COVID 19. Sale of virtual items within the game contributed to 31.02% of revenues in 1HFY21 vs. 14.80% in FY20.

Figure 52: World Cricketing Championship app installation data



Source: Company

- 5) **Skill-based, fantasy and real money gaming:** Revenue from RMG business comes from charging platform fee from the players playing Nazara's skill-based games. With the acquisition of Halaplay, and investments in Sports Unity, the company is participating in sports fantasy gaming and trivia games. (Source: F&S Report) It is also engaged in the business of real money gaming in Kenya, under a valid bookmaker, off-the course license issued by the Betting Control and Licensing Board, Kenya. Revenue from RMG was Rs 62.9mn in 1HFY21 and this segment was severely impacted by COVID 19 as player activity is a direct outcome of the live sports events in India and across the world.

Figure 53: Key fantasy sports players

Application	Business model	Downloads (Mn)
Dream11	Platform Fee	80+ (users)
MyTeam11	Platform Fee	15+ (users)
Halaplay	Paid	10+ (users)
11wickets	Platform Fee	3+ (users)

Source: Frost & Sullivan

Figure 54: Key trivia based games in India

Application	Downloads
Loco	10 mn
BrainBaazi	10 mn
Qureka	10 mn
Zupee	5 mn
Qunami	400k

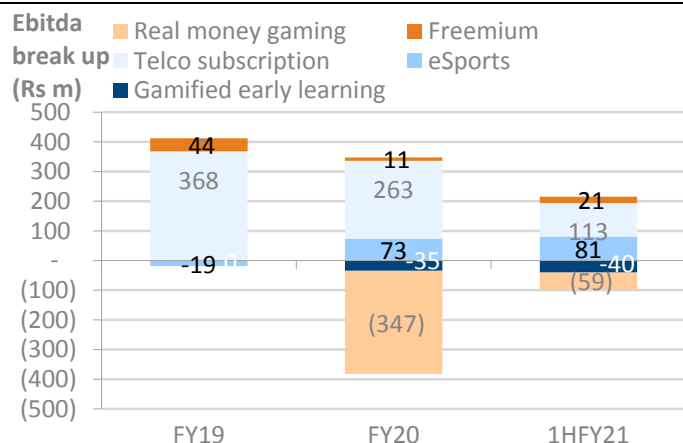
Source: Frost & Sullivan

Figure 55: Segment wise revenue and margin trend

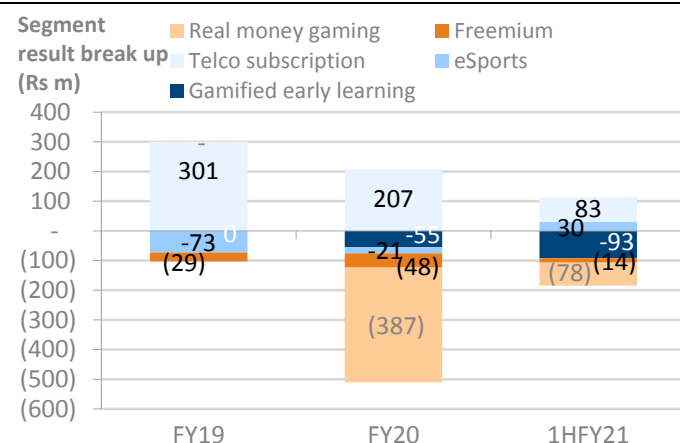
Gamified early learning (Rs m)	FY18	FY19	FY20	1H FY21
Revenue	-	-	191	787
Segment results	-	-	(55)	(93)
Segment Ebitda	-	-	(35)	(40)
Ebitda margin (%)	-	-	-18.1%	-5.1%
eSports (Rs m)	FY18	FY19	FY20	1H FY21
Revenue	36	492	842	637
Segment results	(14)	(73)	(21)	30
Segment Ebitda	3	(19)	73	81
Ebitda margin (%)	8.3%	-3.8%	8.7%	12.7%
Telco subscription (Rs m)	FY18	FY19	FY20	1H FY21
Revenue	1,532	961	818	428
Segment results	700	301	207	83
Segment Ebitda	752	368	263	113
Ebitda margin (%)	49.1%	38.3%	32.1%	26.4%
Freemium (Rs m)	FY18	FY19	FY20	1H FY21
Revenue	152	244	198	90
Segment results	8	(29)	(48)	(14)
Segment Ebitda	22	44	11	21
Ebitda margin (%)	14.2%	18.2%	5.6%	23.4%
Real money gaming (Rs m)	FY18	FY19	FY20	1H FY21
Revenue	-	-	426	63
Segment results	-	-	(387)	(78)
Segment Ebitda	-	-	(347)	(59)
Ebitda margin (%)	-	-	-81.5%	-93.2%

Note: Segment revenue, results and Ebitda exclude unallocated portion

Source: Company

Figure 56: EBITDA break up


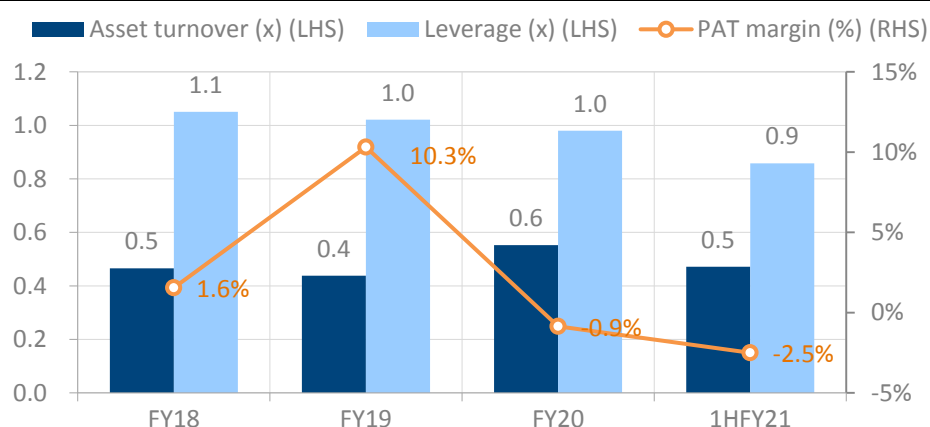
Source: Company

Figure 57: Segment results break up


Source: Company

Among various business segments, telco subscription remains the most profitable vertical with EBITDA margins at 29.1% and 32.1% for 1HFY21 and FY20 respectively. Freemium model has also witnessed improvement in EBITDA margins in 1HFY21. Real money gaming where Nazara is defocussing due to increased regulatory uncertainty, remains highly non-profitable while early learning segment continues to improve EBITDA margins with rising scale. E-sports has been a steady margin profile business over the years.

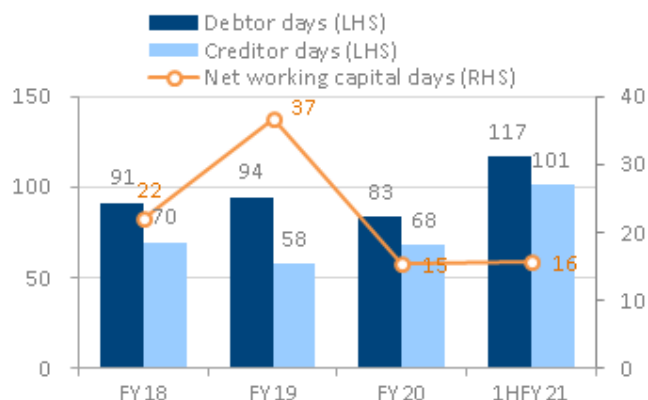
A large part of Nazara's operating cash flow has been utilized in making acquisitions over the years. Its working capital days have improved in FY20 with a rise in creditor days even as receivable days also reduced. PAT margins remains the biggest swing factor in Nazara's RoE generation as asset turnover and leverage have seen improvement over the years. Nazara has maintained a healthy cash balance over the past three years despite making several acquisitions as its telco subscription business continued to generate strong cash flows. Net cash balance of Rs2,204mn as of 1HFY21 includes cash and cash equivalents, as well as investments in financial assets excluding the acquisitions. Nazara has been the most aggressive investor in India gaming ecosystem and has invested over Rs 3bn in the last five years on multiple assets with Paper Boat (Kiddopia), Nodwin (e-Sports) and Next Wave (Freemium) being the largest acquisitions.

Figure 58: DuPont analysis


Note: Asset turnover = Revenue/Average total assets

Leverage = Average total assets/Average network

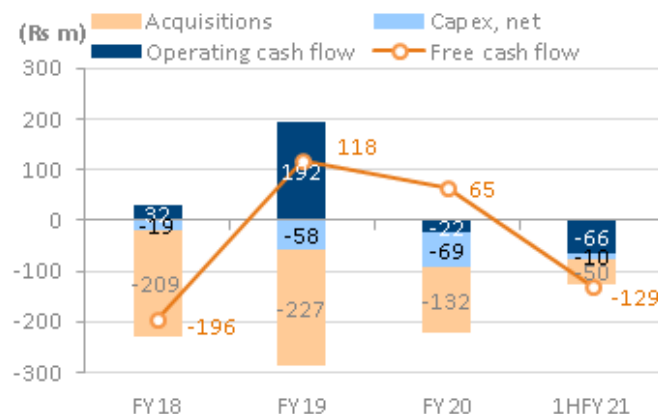
Source: Company

Figure 59: Working capital analysis


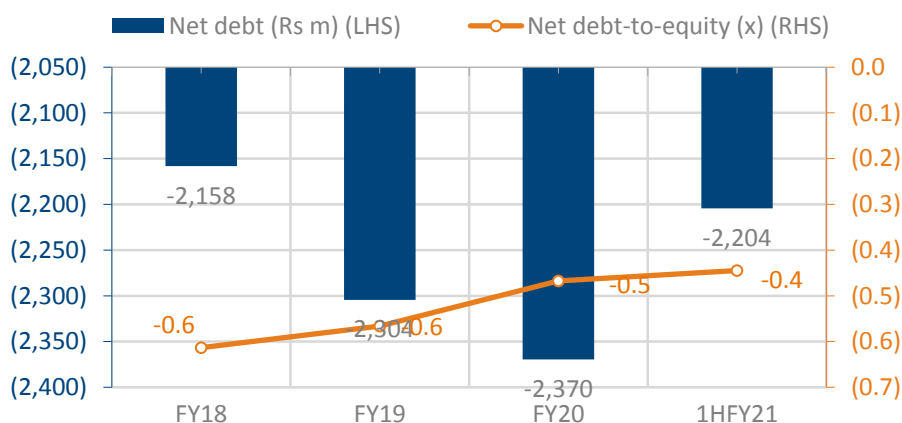
Note: Debtor days calculated as % of revenue

Note: Creditor days calculated as % of operating expenses

Source: Company

Figure 60: Capex, acquisitions & free cash flow generation


Source: Company

Figure 61: Net debt trend


$$\text{Net debt / equity} = (\text{Total borrowings less cash, cash equivalents and liquid investments}) / \text{shareholder's equity}$$

Source: Company

Figure 62: Nazara's investments in the gaming ecosystem

Company name	Cash consideration (Rs m)	Share swap
Next Wave Multimedia Pvt Ltd	300.3	227.94
Nodwin Gaming Private Limited	355.32	414.31
Halaplay Technologies Private Limited	318.48	-
Crimzoncode Technologies Private Limited	16.85	13.1
Khichadi Technologies Private Limited	7.5	-
Sports Unity Private Limited	60.9	-
Absolute Sports Private Limited	95.0	343.43
Paper Boat Apps Private Limited	400.1	435.0
Nazara Technologies FZ LLC	0.64	-
Nazara Pro Gaming Pvt Ltd	0.1	-
Nazara Pte Limited	0.05	-
Instasportz Consultancy Private Limited	10.0	-
Moong Labs Technologies Private Limited	10.0	-
Mastermind Sports Limited	26.04	-
Total	1,501.28	1,533.7

Source: Annual Reports

Strengths

Leadership position in a diversified and scalable business

Nazara has successfully leveraged their capabilities for in-house content creation, game engine development and propriety technology stack development, ability to deliver positive LTV/CAC ratios across offerings and relationships with telecom operators, app stores and other participants in gaming ecosystems. (Source: F&S Report). Their content is developed in India for the global audience, allowing them to achieve scale. Nazara has an operating leverage in gamified early learning on account of captive development of content being undertaken in India, while it generates revenues from North America. As of September 30, 2020, its user base across offerings spanned 58 countries. In eSports, it has the largest market share across unique IPs, unique events, unique event days and prize pool with a market share of 78%, 82%, 85% and 73% respectively for CY19 (Source: F&S Report). As the eSports market continues to grow in India, its position in live eSports streaming and on-demand eSports media content will continue to deliver high revenue growth and EBITDA margins, and provide huge value creation opportunity by individually developing and unlocking value for different verticals. It is well-positioned against single-market local competitors, given its existing presence in multiple markets and insight into differing consumer needs and benefiting from economies of scale.

Portfolio of premium intellectual property and content across regions and businesses

Nazara owns and has sustained access to premium IP and popular, local brands across eSports and mobile games in India. Ownership of IP as a publisher for mobile games, as an operator for eSports organising leagues and ability for content distribution leveraging Nazara's existing distribution channels, leads to significant value creation, such as the recent Red Bull M.E.O. 2020, a WCC eSports tournament. It has established strong relationships with global gaming publishers and platforms including market leaders such as ESL and Valve Corporation (Source: F&S Report), allowing it to bring to India online and offline gaming leagues and tournaments with participation from Indian and international teams such as the ESL India Premiership, Airtel India E-Sports Tour, DreamHack India, Dew Arena by ESL, Counter Strike: Global Offensive, The Northeast Cup and KO Fight Nights. It also partners with other brands to create multiple gaming event IP in India, such as Mountain Dew Arena, Indian Gaming Show and Asus ROG Masters. (Source: F&S Report).

Large and engaged community of users, with attractive monetization opportunities

Deep understanding of the behaviour of key demographics and users across businesses enables Nazara to attract and retain users in an optimised manner. Its geographic outreach has increased significantly over the last two years, with the expansion into North America in FY19. It has established diverse revenue models, capitalising on their localised insights across markets.

Successful inorganic growth through strategic acquisitions

Nazara has been successful in selectively identifying strategic acquisition and investment targets in the past, and in integrating, developing, synergizing and leveraging the existing businesses and brand equity of past acquisitions and investments to enter into new business segments and geographies, diversify revenue streams,

obtain employee talent and thus expand presence across the value chain. In FY18, it acquired Next Wave to further augment their cricket mobile game offerings, and through IP-led cricket games such as WCC, WCC 2, Beach Cricket and Bat Attack Cricket, Nazara now commands the greatest mindshare in the mobile cricket segment. (Source: F&S Report). It entered eSports through the acquisition of Nodwin Gaming in FY18, and eSports media through Sportskeeda, by acquiring Absolute Sports in FY20. Some of the recent strategic investments, such as in Paper Boat Apps, has provided it an entry into gamified early learning. Halaplay Technologies acquisition in FY19 marked its entry into skill-based, fantasy gaming. All its acquisitions have historically been funded through internal accruals. Through strategic acquisitions, it has been able to increase access to new users and enter new geographies in a cost-effective manner, achieve a revenue mix and built a network of 54.89mn average MAUs across all games as at Sep 30, 2020.

Profitable platform model benefitting from India growth story with limited regulatory risk

It is well placed to leverage the large addressable populations in India and across emerging and developed global markets such as Africa and North America markets. Given the current uncertainty in the regulatory framework and GST computations in relation to real money gaming in India, Nazara has opted for a strategy focused on near-term profitability rather than investing in brand building and consumer acquisition at scale. Therefore, its exposure to the current Indian regulatory risks associated with real money gaming is low. But, it is well positioned to retain the option to capitalise on the current offerings and grow the business if regulatory clarity is achieved.

Strong leadership team backed by marquee investors

Promoters are highly experienced, with Vikash Mittersain having 40 years of experience in multiple business sectors, and Nitish Mittersain, who has been associated in the promotion of Nazara for 20 years. Manish Agarwal, CEO, has approximately 20 years of experience in various fields including the gaming space and marketing. Nazara also benefits from a second, specialised level of leadership in P.R. Rajendran, P.R. Jayashree, Akshat Rathee and Gautam Virk, Porush Jain, Anupam Dhanuka and Anshu Dhanuka, founders and key personnel from its subsidiaries and associates, who have significant experience in various verticals within the mobile entertainment and gaming industry. It has a deep talent pool with a combined workforce of 338 employees across various departments, for Nazara's Indian and overseas operations across various departments including business development, content, technology, publishing and accounts.

Strategies

Continue to build on leading market position and growth opportunity in India

The gaming industry in India is currently valued at USD 1.54bn and is expected to grow at a CAGR of 31% to USD 3.53bn by 2023. (Source: F&S Report) The combined Gen-Z and millennial population, which provides a large user base of mobile gamers, sports and eSports fans, accounted for 65% of the total population mix in India in 2020, compared to 51% in US and 36% in China. (Source: F&S Report) With its concentration of Gen-Z and millennials, rapidly rising per capita spends and high internet and smartphone penetration, India as a market for each of Nazara's offerings is still far from saturation, both in terms of the number and engagement of users as well as monetisation opportunities, thereby providing huge potential for growth. They are among the leading live eSports streaming and on-demand eSports media content companies in India, in terms of unique IPs, events, event days and prize pool. (Source: F&S Report). They will continue to collaborate with leading mobile app stores to enhance app store promotion and user recommendations and continue to embrace the latest online trends in advertising, such as social media, internet video and livestreaming-based promotional campaigns.

Continue global expansion leveraging the existing distribution network

Expanding footprint across offerings will further deepen Nazara's competitive moats to defend and grow their strong market position. There is an opportunity to cross-sell their multiple offerings, which in turn could create a network effect to drive up EBITDA margins, and cash flow generation through both high LTV and low CAC. There is scope to increase the geographic coverage of Kiddopia and WCC across other developed markets to leverage the strong monetization potential given the universal appeal. They intend to introduce more products and services tailored to overseas markets and selectively cooperate with local distribution partners to effectively promote offerings overseas.

There has been significant growth in the number of players in international markets, with coverage of 58 countries as of September 30, 2020. They intend to make their games and content available in multiple languages, creating more localized gaming and interactive content and partnering with leading international social networking sites and telecom partners. They also intend to invest in indigenous talent, including local game developers and small game studios and increase the gamut of services to their gamers in the emerging markets. In addition, they intend to build IAP revenues by creating online and offline competitions between players in popular offline games such as quiz, cricket and carrom.

Enhance existing offerings and increase monetization

They will develop in-game targeted promotions and offer increased selection, better merchandising and more payment options to increase the sales of virtual goods. They will continue to invest in developing and acquiring mobile development talent, technologies and content. They will continue to enhance their market-leading franchises including WCC, Nodwin, Kiddopia and Sportskeeda. They regularly update their games after launch to add new content and features, encourage social interactions and improve monetization.

Launch new IP and titles across content and games

In the gamified early learning space, they intend to continually develop new content to further tap into the large US market and to expand into Spanish, French and German speaking geographies followed by East Asia, by developing local and relatable content for each region. They will continue to enrich the product quality through introduction of learning materials and tools such as positive reinforcements and rewards, to improve the learning efficiency and experience of subscribers. In eSports, they will continue to deepen existing relationships with brand and publishing partners and also establish new relationships for more content and event and format IPs, as well as explore synergistic opportunities for content creation through eSports offerings for Sportskeeda. They will continue to work with top game developers to source and localize high quality game content, invest in new game development tailored to local tastes, as well as continue to invest in eSports IP.

Pursue strategic investment and acquisition opportunities

In line with its growth strategy, Nazara intends to continue pursuing strategic investment and acquisition opportunities, including increasing stakes in their existing investments, to grow user base, deepen market penetration and further expand offerings and products into complementary categories and new markets. The highly fragmented nature of the industries will continue to offer consolidation opportunities. Some of the key factors they would look for in investee companies would include large TAM, strong local moat, clear use cases focused on growth capital involving low risk capital. Critical considerations would also include visibility of leadership in the addressable verticals and synergies with their business offerings, vision and principles.

Further build the existing technology stack to enhance existing platform

Nazara has its own sports simulation game engines, real time multiplayer framework, cloud-based network infrastructure, real-time data processing and data analytics capabilities for automated and dynamic decision making within games, which exceed the capabilities of third-party service providers. They will continue to innovate and optimize the technology infrastructure to ensure high performance in a cost-effective manner. They intend to continue growing their existing technological capabilities and expanding their domain expertise by identifying sectors with growth potential and recruiting industry experts in such sectors who can add value to products and solutions and help gain credibility in the market.

Risks

- There is rapid technology change in the mobile games, eSports and gamified early learning businesses. For instance, during the last few years, virtual reality and augmented reality have experienced significant growth and popularity in games and sports media platforms. Nazara needs to constantly upgrade technology to provide improved performance, increased scale and better integration among businesses, which requires investment of financial resources in research and development, upgrading hardware, software and internet infrastructure, and significant investments of time and resources. Integration of advanced technologies could also render apps more expensive for consumers and hence commercially unviable.
- There can be no assurance that Nazara's telco subscription business will continue to remain a successful or profitable business, or that it may not decline for any reason whatsoever, including reasons beyond its control. For instance, changes in policies of payment collection models adopted by telecom partners, any adverse changes to the regulations governing the telecom operators or their statutory obligations, or the increasing popularity of free-to-play and freemium games, the easy availability of mobile games content across platforms without the involvement of telecom operators and a reduction in payment barriers may all result in a decline of the telco subscription business.
- Nazara is dependent on a limited number of customers for a significant portion of revenues from the eSports business, and do not have long-term contractual arrangements with most of the significant customers. The loss of one or more of these customers could have an adverse effect on the business. It may also constrain ability to negotiate arrangements, which may have an impact on profit margins.
- Nazara has entered into skill-based gaming in India and strategically created presence in the real money gaming segment with the acquisition of Halaplay and investments in Sports Unity; it is also participating in sports fantasy gaming and trivia games. However, there has been considerable judicial and regulatory scrutiny in India in recent years with respect to real-money gaming, including fantasy games, and there continues to be uncertainty in the regulatory framework and GST computations in relation to real-money gaming in India.
- A substantial portion of international sales and expenses are denominated in currencies such as Nigerian Naira and Kenyan Shilling and emerging market currencies, which could fluctuate against the Indian rupee. This may impact ability to optimise the equation between maintain customer lifetime value and customer acquisition cost, which may result in impact on profits.
- The key drivers of revenues from eSports are their large-scale IPs, media rights licensing, and partnerships with global game publishers and owners of endemic and non-endemic brands. A significant portion of their revenues from media rights are contributed by a single contract, which is currently valid up to March 2021 and may not be renewed. Further, game publishers may in the future ask for consideration to allow their games or brands to be included as part of Nazara's IP, which could adversely impact its profitability margins.

Figure 63: Board of directors

Name	Designation	Comments
Vikash Mittersain	Chairman and Managing Director	He has been associated as Director of Nazara since its incorporation. He holds a diploma in industrial electronics from Walchand College of Engineering, Sangli. He has several years of experience in multiple business sectors. He is also the founder and president of India Business Group (Chamber of Commerce).
Nitish Mittersain	Joint Managing Director	He holds a bachelor of commerce degree from the University of Mumbai. He founded Nazara in 1999 and has been associated in the promotion of Nazara for the last 20 years. He is also a trustee of the Dr. B. K. Goyal Heart Foundation and India Business Group (Chamber of Commerce)
Kuldeep Jain	Non-Executive, Independent Director	He has been associated as Director of Nazara since August 20, 2013. He holds a post graduate diploma in management from The Indian Institute of Management, Ahmedabad. He is an associate of the Institute of Chartered Accountants of India. He has over a decade's experience in a global consulting firm and was a partner at McKinsey & Company, Inc. He is currently the managing director of Clean Max Enviro Energy Solutions Private Limited.
Sasha Mirchandani	Non-Executive, Independent Director	He has been associated with Nazara since January 4, 2018. He holds a bachelor of science degree in business administration from Strayer University. He has more than a decade's experience as an angel investor. He is the co-founder of Mumbai Angel Venture Mentors. He is also a director of Kae Capital Management Private Limited. In the past he has also worked at Blue Run Ventures and MIRC Electronics Limited. He has been appointed on the board of governors of the Universal Business School and is a member at the Young Presidents Organisation, Mumbai. He was also the president of Entrepreneurs Organisation, Mumbai and a charter member at TiE, Mumbai.
Shobha Jagtiani	Non-Executive, Independent Director	She has been associated with Nazara since January 4, 2018. She holds bachelor of arts degree and bachelor of laws degree from University of Bombay. She has more than 45 years of experience as a lawyer and is a member of the ITAT Bar Association. She is currently a partner at D.M Harish & Co.
Probir Roy	Non-Executive, Independent Director	He has been associated with Nazara since January 4, 2018. He holds a bachelor's degree in economics and statistics from St. Xavier's College from the University of Mumbai. He also holds a post-graduate diploma in energy economics from the University of Surrey. He has more than a decade's experience in the field of information technology and communications. He was a director of Coruscant Tec. Private Limited. He was the vice-chairman of the Technical Committee of Internet Research of the Media Research Users Council. He is a co-founder of Paymate India Private Limited. He has held several senior positions including the post of vice president, MIS and communications - India at Star TV, News Television (India) Limited. He was the chief technology officer and chief operating officer of Euro RSCG Advertising Private Limited. He was also the head EDP and information systems of Nuclear Power Corporation. He is a special invitee to the board of directors of Business Correspondents Federation of India and chairs their Pricing Study Committee. He is currently a Senior Advisor at the World Association of Small and Medium Enterprises and a recipient of the "Certificate of Recognition" from the Forum of Industry and Academic Knowledge. He has been awarded the "FIAKS Maven 2020" and "FIAKS Intellectual Explorer Award" by the Forum of Industry and Academic Knowledge Sharing in 2020.
Rajiv Agarwal	Non-Executive Director	He holds a bachelor's degree in technology (chemical engineering) from Banaras Hindu University. He has been associated with RaRe Enterprises since 2006. His focus is on growing RaRe Enterprises' strategic investments in diverse sectors. He has experience and deep understanding of B2B and B2C businesses spanning consumer, education, digital entertainment, media, financial services, payments, auto components, and oil drilling which form a part of RaRe Enterprises' PE portfolio. He is a nominee director on Board of Aptech Limited, Alchemy Capital Management Private Limited, Concord Biotech Limited, Hungama Digital Entertainment Private Limited, Fullife Healthcare Private Limited and Cinestaan Entertainment Private Limited.
Karan Bhagat	Non-Executive Director	He holds a bachelor's degree in commerce from the University of Calcutta and a post graduate diploma in management from the Indian Institute of Management, Bangalore. He is the founder, managing director and chief executive officer of IIFL Wealth Management Limited. He joined IIFL Holdings Limited (formerly India Infoline) to set up IIFL Investment Managers in 2008. He was also associated with Kotak Securities Limited and Kotak Mahindra Bank Limited in the past. Karan has more than 16 years of experience in the financial services industry. He featured in Fortune India's '40 under 40' list in 2016 and 2017. He has received the URS Asia One Global Indian of the Year award in 2018.

Source: Company

Figure 64: Senior Management Personnel

Name	Designation	Comments
Anshu Dhanuka	Co-Founder & Chief Product Officer	She is the co-founder chief product officer of Paper Boat Apps Private Limited. She has been associated with Paper Boat Apps Private Limited since 2013. She holds a bachelor's degree in management studies from the University of Mumbai. As chief product officer at Paper Boat Apps Private Limited, Anshu Dhanuka manages various departments including game concept, game design, graphics, animation and marketing. Prior to founding Paper Boat Apps Private Limited, she was also associated with Walnut Labs Private Limited which was involved in the business of developing solutions for computer software and hardware.
Anupam Dhanuka	Co-Founder & Chief Executive Officer	He is the co-founder and chief executive officer of Paper Boat Apps Private Limited. He has been associated with Paper Boat Apps Private Limited since 2013. He holds a bachelor's degree in engineering from the University of Mumbai. He has graduated from Carnegie Mellon University with a master's degree in information networking. Prior to founding Paper Boat Apps Private Limited, he was also associated with Walnut Labs Private Limited which was involved in the business of developing solutions for computer software and hardware. At Paper Boat Apps Private Limited, he is responsible for the general management and operations of the company and also leads the engineering team.
Porush Jain	Founder & Chief Executive Officer	He is the founder and the chief executive officer of Absolute Sports Private Limited. He has been associated with Absolute Sports Private Limited since 2010. He holds a bachelor's degree in technologies in mechatronics from the SASTRA University and a master's degree in business administration from Symbiosis Institute of Business Management. He has worked for two years with Infosys Technologies Limited. He has experience in various fields including content management, coding, product strategy and web marketing.
Pratik Shah	Additional Director	He is an additional director of Halaplay Technologies Private Limited. He has been associated with Halaplay Technologies Private Limited, since 2020. He holds a bachelor's degree in engineering from Vishveswaraiah Technology University, Belgaum. Pratik has over 16 years of experience in building software products including the last seven years in sports gaming. He is the co-founder of Mastermind Sports Limited. In 2013, he founded Zootr Sports Private Limited and in 2011 he co-founded Pingaala Technologies LLP. Pratik also received a certificate of distinction for telecommunications fraud professional from the Telecommunications United Kingdom Fraud Forum in 2010.
Jayashree Poochi Ramaswamy	Co-Founder & Chief Operations Officer	She is the co-founder and chief operations officer of Next Wave Multimedia Private Limited. She holds a master's degree in arts from the University of Madras. She has over 25 years of experience in various fields including digital media and gaming. She has discharged several roles within the Next Wave Multimedia Private Limited including that of a 3D animator, programmer, client service manager, international business development.
Rajendran Poochi Ramaswamy	Co-Founder & Chief Executive Officer	He is the co-founder and chief executive officer of Next Wave Multimedia Private Limited. . He has been associated with Next Wave Multimedia Private Limited since 1995. Rajendran started Next Wave Multimedia Private Limited which provides digital marketing and communication solutions to top companies in India and Europe. He has created many digital campaigns for Fortune 100 companies in Europe covering web and mobile applications. He has created nearly 200 games for brands and OEM app stores. Rajendran has held various roles within the company. He is currently responsible for product development.
James Savio Saldanha	Chief Executive Officer	He was appointed as the chief executive officer of Nazara Technologies FZ-LLC– (Middle East and Africa). He has been associated with Nazara Technologies FZ-LLC for over 10 years. He holds a Bachelor of Commerce degree in economic legislation and business management from Chattrapati Shahu Ji Maharaj University, Kanpur. He has more than 10 years of experience in media and mobile entertainment and has been associated with Arvato Mobile Middle East FZ-LLC, Channel [V] and City 7 TV (Arab Venture Corporation). He is responsible for the planning and the execution of Nazara's business interests in Middle East, Africa and the Caribbean Islands with a focus on setting a strategic direction to drive mobile gaming revenues, market penetration, partner alliances and establish growth priorities with differentiated propositions, products and marketing initiatives.
Akshat Rathee	Co-Founder & Chief Executive Officer	He is the co-founder and chief executive officer of Nodwin Gaming Private Limited. He has been associated with Nodwin Gaming Private Limited since 2014. He holds a bachelor's degree in computer engineering from Manipal Institute of Technology and a master's degree in business administration from Global Business School, New Delhi. He was also associated with at PGM Entertainment and Ernst & Young prior to co-founding Nodwin Gaming Private Limited.

Source: Company

Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY18	FY19A	FY20A	1HFY21A
Revenue	1,720	1,697	2,475	2,005
Ebitda	487	163	-55	61
Depreciation and amortisation	-82	-195	-269	-187
Ebit	405	-32	-324	-126
Non-operating income	98	155	128	50
Financial expense	-18	-14	-12	-5
PBT	485	109	-208	-82
Exceptionals	-357	0	0	0
Reported PBT	128	109	-208	-82
Tax expense	-118	-42	-58	-19
PAT	10	67	-266	-101
Minorities, Associates etc.	16	108	245	51
Attributable PAT	27	175	-21	-50

Source: Company data, IIFL Research

Note: Ebitda has been calculated excluding other income

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY18	FY19A	FY20A	1HFY21A
PBT	129	109	-208	-82
Tax paid	-170	-147	-121	-146
Depreciation and Amortization	84	197	269	187
Net working capital change	-520	-109	132	-56
Other operating items	535	172	-60	45
Operating cash flow before interest	58	223	12	-52
Financial expense	11	9	8	3
Non-operating income	-37	-39	-42	-17
Operating cash flow after interest	32	192	-22	-66
Capital expenditure	-19	-58	-69	-10
Long-term investments	-209	-227	-132	-50
Others	0	211	288	-3
Free cash flow	-196	118	65	-129
Equity raising	760	117	97	6
Borrowings	-116	-85	-98	-42
Dividend	-301	-4	0	0
Net chg in cash and cash equivalents	147	146	65	-165

Source: Company, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY18	FY19A	FY20A	1HFY21A
Cash & cash equivalents	2,158	2,304	2,370	2,204
Inventories	0	0	0	0
Receivables	431	447	681	1,281
Other current assets	414	525	882	905
Creditors	235	249	690	1,076
Other current liabilities	270	296	742	791
Net current assets	2,498	2,731	2,501	2,524
Fixed assets	150	103	109	67
Intangibles	1,358	1,274	3,432	3,286
Long term Investments & acquisitions	22	303	81	64
Other long-term assets	174	189	214	179
Total net assets	4,202	4,601	6,337	6,120
Borrowings	0	0	0	0
Other long-term liabilities	331	207	436	407
Minority Interest	353	323	830	757
Net worth	3,518	4,071	5,071	4,956
Total liabilities	4,202	4,601	6,337	6,120

Source: Company data, IIFL Research

Ratio analysis

Y/e 31 Mar, Consolidated	FY18	FY19A	FY20A	1HFY21A
Per share data				
Pre-exceptional EPS (Rs)	15.0	6.3	-0.8	-1.8
DPS (Rs)	0.0	0.0	0.0	0.0
BVPS (Rs)	137.0	145.8	183.7	175.7
Growth ratios				
Revenues %	-	-1.4	45.9	-
Ebitda %	-	-66.4	-133.8	-
EPS %	-	502.9	-112.3	-
Profitability ratios				
Ebitda margin %	28.3	9.6	-2.2	3.0
Ebit margin %	23.5	-1.9	-13.1	-6.3
Tax rate %	92.0	38.2	-27.9	-23.7
Net profit margin %	1.6	10.3	-0.9	-2.5
Return ratios				
ROE %	0.8	4.6	-0.5	-1.0
ROCE %	11.5	-0.8	-7.1	-2.5
Solvency ratios				
Net Debt-Equity	-0.6	-0.6	-0.5	-0.4
Net debt to EBITDA	-4.4	-14.1	42.9	-36.1
Interest coverage	22.1	-2.3	-26.2	-24.7

Source: Company data, IIFL Research

Note: Pre-exceptional EPS for FY18 is adjusted for an exceptional item of Rs357m

Ebitda and Ebit margin excludes other income and calculated as % of revenue

RoE (Return on Equity) = PAT (Profit After Tax) / Average of Total Equity of the Current Year and the Previous Year

RoCE (Return on Capital Employed) = Ebit (Earnings Before Interest and Tax) / Average of the (Total equity + Total debt) for the Current Year and Previous Year

Net debt / equity = (Total debt less cash, cash equivalents and liquid investments) / shareholder's equity

BVPS has been calculated as net worth / weighted average number of equity shares for basic and diluted earnings per Equity Share

Interest coverage = Ebit/Interest expense

Cash & cash equivalents contains current investments

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Name, Qualification and Certification of Research Analyst: Rishi Jhunjunwala(Chartered Accountant), Ameya Karambelkar(PGDM)

IIFL Securities Limited (Formerly 'India Infoline Limited'), CIN No.: L99999MH1996PLC132983, Corporate Office – IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai – 400013 Tel: (91-22) 4249 9000 .Fax: (91-22) 40609049, Regd. Office – IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane – 400604 Tel: (91-22) 25806650. Fax: (91-22) 25806654 E-mail: mail@indiainfoline.com Website: www.indiainfoline.com, Refer www.indiainfoline.com for detail of Associates.

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