

Rating: Subscribe

Issue Offer

Issue size: INR 582 – 583 Cr
No. of shares: 5,294,392 Equity Shares
Face value: INR 4
Employee Reservation: Equity Shares aggregating Upto INR 2 Cr

Issue Summary

Price Band (INR)	1100-1101
Face Value (INR)	4
Implied Market Cap (INR Cr)	3350-3353 cr
Market Lot	13
Employee Discount	INR 110/ per share
Issue Opens on	March,17, 2021
Issue Close on	March 19, 2021
Pre-Offer and Post-Offer Equity Shares	30,452,836
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	75
NIB Portion	15
Retail Portion	10

Book Running Lead Managers

ICICI Securities
 IIFL Securities
 Jefferies India, Nomura Financial

Registrar

Link In Time India Pvt Ltd.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	24.16%	20.70%
Public & Others	75.84%	79.30%

Objects of the issue

To achieve the benefits of listing Equity Shares on the Stock Exchanges.
 To carry out the sale of up to 5,294,392 Equity Shares by the Selling Shareholders

Nazara Technologies Limited (“Nazara”) was incorporated on December 8, 1999. Nazara is the 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.

The business operates in different segments; Subscription-based business, Freemium Business, eSports, Gamified early learning, and Real money gaming. Subscription business focuses on mass mobile internet users comprising mainly first-time mobile gamers. The company derives maximum revenue from subscription fees charged from customers under the gamified early learning and eSports business segments, accounted for 71.03% of revenues for the six months period ended on Sep 30, 2020.

Key Highlights

- **Rising smartphone penetration coupled with cheap data plans in India:** Mobile Broadband penetration has been increasing at a steady rate in India. This along with low data tariffs and higher data allowances offered by all the telcos has acted as a catalyst for the development of the gaming industry in India. Launch of 5G will further accelerate the real time gaming industry in India.
- **Large and engaged community of users, with attractive monetization opportunities:** Nazara relies on the freemium model for monetization of mobile gaming businesses, allowing users to download and access fully functional apps and content for free. In eSports, including eSports media, revenues are generated through licensing of media rights and brand sponsorships.
- **Subscription led revenue growth:** The company has a well-diversified revenue stream from kids gaming, eSports, subscription through telcos to freemium model. Its subscriber base in Gamified platform has grown from 9806 subscribers in FY18 to over 3 Lakh as of H1FY21. Also, its partners for eSports offerings has grown from 8 in FY18 to 36 in H1FY21.
- **Localized Content with Monetization opportunities:** Nazara owns and has access to premium Intellectual Property (IP) and brands which it can monetize in the future. It has localized and relatable content which caters to the dynamic tastes and liking of the Indian millennial and Gen-Z population.

Valuation and View:

Nazara Technologies is one of the diversified mobile gaming companies in India that has presence in developing and emerging global markets. The company’s IPO will be the first pure play gaming company. At the upper price band of INR 1101, issue has been offered at a Price/Sales multiple of 5.5 (x) to its H1FY21 Sales of INR 200cr .While the company’s negative earnings for the past 18 months, the issue is being offered at a negative P/E. Nazara’s competitive advantage comes from its capabilities in-house content creation. Being the first mover, it might catch fancy post listings. However, one can **Subscribe for listing gains**.

Business Operation of the Company

Nazara Technologies Limited (“Nazara”) is the 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.

Company’s goal is to cater to billion plus mobile internet players across emerging markets who have embraced social multiplayer interactive gaming as the foremost form of entertainment. They seek to achieve this by providing interactive mobile games, eSports content and gamified early learning apps which are entertaining, locally relevant and result in positive engagement and longer retention of users of their platform. Given their market-first position in India across sports simulation and eSports, Nazara is well placed to leverage the opportunity that interactive mobile games, eSports content and gamified early learning apps offer. Their effort has been to grow revenue and profitability concurrently by leveraging their capabilities of in-house content creation, game engine development, technology stack development, relationships with other participants in gaming ecosystems and their skilled leadership.

Financial Performance

Particulars (in Cr.)	As at Sep' 30	As at Mar' 31		
	H1FY21	2020(12)	2019(12)	2018(12)
Share Capital	11.44	11.20	10.99	10.79
Reserves as stated~	470.52	452.27	402.76	353.84
Net worth as stated	481.96	463.47	413.75	364.63
Revenue from Operations	200.46	247.51	169.70	172.04
Revenue Growth (%)	-	45.85%	-1.36%	-
EBITDA as stated	12.66	9.11	32.75	58.62
EBITDA (%) as stated	6.11%	3.48%	17.60%	32.22%
PBT	-8.17	-20.82	10.87	12.79
Net Profit for the period	-10.11	-26.62	6.71	1.02
Net Profit (%) as stated	-5.04%	-10.76%	3.95%	0.59%
EPS-Basic (INR)	-1.78^	-0.77	6.39	1.05
RoNW (%)	-1.04%^	0.46%	4.23%	0.73%
NAV (INR)	168.47	165.54	150.61	135.18

Source: RHP *Restated Consolidated summary, ~Reserves excluding capital Redemption Reserve, Non-controlling Interest put option and other equity reserve, EBITDA % to Total Income, ^not annualized.

Key Risk

1. There are certain proceedings involving in company which if determined against the company, may have an adverse effect on company business, cash flows and results of operations.

Type of Proceedings	No of Cases	Amount, to the extent quantifiable (in ` Cr)
Litigation against our Company		
Direct tax matters	1	34
Litigation by our Company		
Material civil litigation proceedings	2	8
Litigation by our Subsidiaries		
Material civil litigation proceedings	1	3

2. Company depend on the skills and efforts of company management team and other key managerial personnel, and business may be adversely affected if company lose their services.

3. Company may have transactions in countries or with persons that are subject to international sanctions.

Management

Board of Directors	Description
Vikash Mittersain	Vikash Mittersain is the Promoter, Chairman and Managing Director of the company. He has been associated as Director of the Company since its incorporation. He has several years of experience in multiple business sectors.
Nitish Mittersain	Nitish Mittersain is the Promoter and Joint Managing Director of the company. He founded the company in 1999 and has been associated in the promotion of the company for the last 20 years
Manish Agarwal	Manish Agarwal is the Chief Executive Officer of the company. He has been associated with the company since June 1, 2015. He has approximately 20 years of experience in various fields including the gaming space and marketing. His association with the company has been instrumental in creating the business besides driving investments by the company and recent M&A.

Covid-19 Impact on Company's Business

The outbreak of COVID-19 has resulted in authorities implementing several measures such as travel bans and restrictions, quarantines, shelter in place orders, and shutdowns. These measures have impacted and may further impact company's workforce and operations, the operations of their customers, and those of their respective vendors and suppliers. The company is still assessing their business operations and system supports and the impact that COVID-19 may have on their results and financial condition, but there can be no assurance that this analysis will enable them to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally or in their sector in particular. During the lockdown in response to the Covid-19 pandemic, the company put in place certain interim measures to ensure business continuity. Although they continue to devote resources and management focus, there can be no assurance that these programs will operate effectively. A cybersecurity incident or logical attack could also trigger service interruption.

Revenue from Operations – Business Segment

	6 months ended Sep'30, 2020		FY 2020		FY 2019		FY 2018	
	Revenue (INR Cr)	% of Revenue	Revenue (INR Cr)	% of Revenue	Revenue (INR Cr)	% of Revenue	Revenue (INR Cr)	% of Revenue
Gamified early learning	78.66	39.25%	19.13	7.73%	-	-	-	-
eSports	63.72	31.78%	84.16	34.00%	49.17	28.97%	3.64	2.12%
Telco subscription	42.76	21.33%	81.8	33.05%	96.1	56.63%	153.17	89.03%
Freemium	9.03	4.50%	19.78	7.99%	24.43	14.40%	15.23	8.85%
Real money gaming	6.29	3.14%	42.64	17.23%	-	-	-	-
Total	200.46	100.00%	247.51	100.00%	169.7	100.00%	172.04	100.00%

Revenue from Operations – Geographical Segment

	6 months ended Sep'30, 2020		FY 2020		FY 2019		FY 2018	
	Revenue (INR Cr)	% of Revenue	Revenue (INR Cr)	% of Revenue	Revenue (INR Cr)	% of Revenue	Revenue (INR Cr)	% of Revenue
India	82.5	41.15%	146.11	59.00%	82.66	48.71%	33.41	19.41%
Middle East*	11.78	5.88%	17.96	7.26%	22.88	13.48%	59.48	34.58%
Africa	6.33	3.16%	20.59	8.32%	32.41	19.10%	34.68	20.16%
APAC	16.38	8.17%	32.69	13.23%	22.37	13.18%	44.47	25.85%
North America	83.47	41.64%	30.17	12.19%	9.38	5.53%	-	-
Total	200.46	100.00%	247.52	100.00%	87.04	100.00%	172.04	100.00%

* Revenue from Iran is included under Middle East

Revenue, EBITDA and EBITDA Margin

Unit	6 months ended Sep'30, 2020			FY 2020			FY 2019			FY 2018		
	Revenue	EBITDA	EBITDA Margin%	Revenue	EBITDA	EBITDA Margin%	Revenue	EBITDA	EBITDA Margin%	Revenue	EBITDA	EBITDA Margin%
Gamified Early Learning	78.66	-4.04	5.13%	19.13	-3.46	-18.06%	0	0	0	0	0	0.00%
eSports	63.72	8.09	12.70%	84.16	7.31	8.69%	49.17	-1.88	-3.81%	3.64	0.3	8.33%
Telco Subscription	42.76	11.29	26.41%	81.8	26.29	32.14%	96.1	36.78	32.28%	153.17	75.25	49.13%
Freemium	9.03	2.11	23.40%	19.78	1.12	5.65%	24.43	4.44	18.18%	15.23	2.17	14.25%
Real Money Gaming	6.29	-5.86	-93.24%	42.64	-34.73	-81.45%	-	-	-	-	-	-
Unallocated Income*		1.06			12.59			-6.6			-19.1	
Total	200.46	12.7	6.11%	247.51	-3.47	-53.03%	169.7	32.74	17.60%	172.04	58.62	32.22%

* net of expenses

Nazara Technologies - business segments



Competitive Strengths

- Leadership position in a diversified and scalable business
- Portfolio of premium intellectual property and content across regions and businesses
- Large and engaged community of users, with attractive monetization opportunities
- Successful inorganic growth through strategic acquisitions
- Profitable platform model benefitting from India growth story with limited regulatory risk
- Strong leadership team backed by marquee investors

Key Business Strategies

- Continue to build on the leading market position and growth opportunity in India
- Continue global expansion leveraging the existing distribution network
- Enhance existing offerings and increase monetization opportunities
- Launch new IP and titles across content and games
- Pursue strategic investment and acquisition opportunities
- Continue to drive operations based on people-centric policies and practices
- Further build the existing technology stack to enhance existing platform

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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