

# Nazara Technologies | HOLD

## Headwinds galore

Nazara reported an underwhelming 2% YoY revenue growth, missing estimates. The company is facing headwinds across categories. Kiddopia suffers from sticky user acquisition cost. eSports media rights are in the limbo given shifting broadcasting/OTT landscape. WCC monetisation needs reinvention. Telco is in a terminal decline. RMG is burdened with GST. Datawrkz is still reeling from a large client loss. Many of these headwinds are exogenous – demand (kiddopia), regulatory (RMG) etc. The company even has specific plans to fix various issues. But the persistence of these challenges over quite some time mean investors might be running out of rope. Nazara's efforts need to yield tangible results soon. That said, its focus on profitability is steadfast. This reflected in c.200bps YoY margin expansion (180bps above JMFe). Also, INR 7.6bn fund infusion positions it well to pick right assets and consolidate its leadership position. It has a good track record of scaling acquired entities (Kiddopia/Nodwin). But few recent ones have missed the mark (Brandscale/Datawrkz). It therefore needs to be prudent on scalability/profitability of the target. Else, ROCEs could get further dented (from 3.9%). Our FY26-26E EPS changes are limited as lower revenue estimates are offset by higher margin assumptions. We maintain HOLD with a revised TP of INR 760 (from INR 750).

- **3QFY24 – topline miss, margin beat:** 3QFY24 revenue grew 2% YoY to INR 3.2bn, 6% below JMFe. Adjusting for PFN and Branded PTE contribution, organic growth was likely flat (JMFe). Strong performance in Animal Jam and Sportkeeda supported revenue growth, while Datawrkz and RMG remained a drag. Kiddopia revenue declined 4% YoY as higher user acquisition cost led to lower marketing spend, pulling down subscriber base. Sportskeeda reported a strong 68% YoY driven by a seasonally strong quarter for PFN. Nodwin reported 20% YoY growth, despite delayed festive season this year. Datawrkz declined 44% YoY, still impacted by the loss of one large client in Q4FY23. The company's strategic initiative of funding GST impact through loyalty bonus is impacting reported revenue and margins in RMG. RMG revenue/EBITDA declined by 50%/179% YoY. However better than expected EBITDA in Gamified Early Learning and Sportskeeda drove consol. EBITDA margin beat (11.8% vs JMFe:10%). Margin beat coupled with higher than anticipated other income resulted in PAT beat. (INR 258 mn vs JMFe INR 211mn).

- **Cut Revenue est; Maintain HOLD:** We have lowered our FY24-26 revenue estimates by 4% to 8% as we factor in 3Q miss and lower growth assumptions in eSports, Gamified Early Learning and RMG for FY25 and FY26. Lower eSports revenue is also driven by unconsolidation of Brandscale business. We however raise our margin estimates by 60-190bps over the same period, resulting in a 1% to 7% increase in our EBITDA estimates. Further, substantial increase in cash reserves from recent equity infusion results in higher interest income. Notably, we haven't factored in any allocation towards acquisitions yet. Overall, changes to our EPS estimates are minimal. We have retained our target multiples across businesses. Our SOTP-based TP is therefore little changed (INR 760 from INR 750). We maintain HOLD.



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### Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	760
Upside/(Downside)	-14.0%
Previous Price Target	750
Change	1.3%

### Key Data – NAZARA IN

Current Market Price	INR884
Market cap (bn)	INR64.8/US\$0.8
Free Float	56%
Shares in issue (mn)	65.7
Diluted share (mn)	76.2
3-mon avg daily val (mn)	INR431.7/US\$5.2
52-week range	990/482
Sensex/Nifty	72,152/21,931
INR/US\$	83.0

### Price Performance

%	1M	6M	12M
Absolute	4.0	29.2	58.8
Relative*	3.9	18.1	32.6

\* To the BSE Sensex

### Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	6,217	10,910	11,522	13,174	15,811
Sales Growth (%)	36.9	75.5	5.6	14.3	20.0
EBITDA	948	1,097	1,303	1,744	2,151
EBITDA Margin (%)	15.2	10.1	11.3	13.2	13.6
Adjusted Net Profit	289	586	870	1,110	1,375
Diluted EPS (INR)	4.5	8.9	12.3	14.6	18.0
Diluted EPS Growth (%)	184.1	96.3	37.5	18.8	23.8
ROIC (%)	10.7	6.7	8.0	10.6	14.7
ROE (%)	3.4	5.5	6.8	7.3	8.6
P/E (x)	194.5	99.1	72.1	60.7	49.0
P/B (x)	5.4	5.3	4.3	4.3	4.3
EV/EBITDA (x)	55.5	49.7	39.1	28.5	22.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 07/Feb/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Segmental Performance

### ■ Gaming:

- **Kiddopia:** Revenues declined 4% YoY (-3% QoQ). Kiddopia is facing challenges in subscriber addition. Due to increased cost of acquisition and lower marketing spends paid subscribers declined 12% YoY (-7% QoQ). However, controlled CPT spends resulted in higher EBITDA margin of 28.2%. Company has changed its user acquisition channels in Dec'23, parallelly also working on alternate growth opportunities like IP licencing to breakthrough user acquisition lockjam. Avg revenue per DAU increased 3% YoY IN 3QFY24.
- **Animal Jam:** Reported revenue came in at INR 268mn (+22% QoQ) with 180bps compression at 22.2%. Animal Jam experimented on various user engagement and acquisition initiatives during the quarter. This includes set up of in app events and running campaigns on tiktok for user acquisition. This efforts combined with seasonality resulted in highest ever Revenue and EBITDA for the company post Nazara's acquisition.
- **World Cricket Championship:** Segment reported revenue de growth of 19% YoY, EBITDA margin declined from 30.8% in Q3FY23 to 12.5% in Q3FY24. Company transitioned main titles WCC2 and WCC3 to "online-only" mode in Q2FY24. Product related changes relating to this strategy are underway and will continue in Q4FY24. Company is also planning new game launches in Q1 FY25.
- **Real money gaming:** Company is funding the impact of GST in form of loyalty bonus to users. This strategy helped user retention but impacted margins. Company is actively looking at consolidation opportunity in the space.

### ■ eSports: Revenue for esports segment grew c.27%13% YoY/QoQ. Margins improved from 5.8% in 2Q to 12.7% in 3Q. Revenue growth and margin improvement driven by growth in sportskeeda as 3Q is a seasonally strong quarter for PFN.

- **Nodwin:** Nodwin reported Revenue of INR 1.3 bn (+20% YoY, 7% QoQ) and EBITDA loss of INR 2.2mn. EBITDA loss is attributable to losses in brand scale. Brandscale plans to expand in new markets including laptop and will be requiring fresh capital for this. Nazara will not be participating in the next fund raise and hence will have to give up its staus of majority shareholder. Brandscale will be treated as an associate company from Feb 3<sup>rd</sup> 2024.
- **Sportskeeda:** Sportskeeda reported 44% QoQ Revenue growth. EBITDA margin improved from 23% in 2Q to 45% in 3Q. Revenue growth and margin improvement was supported by seasonally strong quarter in PFN.

### ■ Ad Tech: Revenue declined 44% YoY. Company is strategically moving away from low margin clients. This has helped in gross margin improvement from 20% in Q2FY24 to 31% Q3FY24. However, increased sales and promotional expenses led to lower EBITDA of INR 34mn in 3QFY24.

## Exhibit 1. Financial Snapshot

(INR mn)	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	Comments
<b>Consolidated revenues (INR mn)</b>	<b>2,638</b>	<b>3,148</b>	<b>2,893</b>	<b>10,910</b>	<b>2,544</b>	<b>2,972</b>	<b>3,204</b>	Consolidated revenue for the quarter grew 1.8% YoY (7.8% QoQ) to INR 3.2bn; 6% miss on JMFe and consensus. Miss was mainly due to lower than anticipated growth in RMG and Telco business.
Change (yoy)	103.5%	69.4%	65.2%	75.5%	14.0%	12.7%	1.8%	
Total operating expenses	2,425	2,842	2,616	9,813	2,213	2,694	2,827	Esports segment reported growth of 27% YoY (13% QoQ) driven Sportskeeda/ Nodwin which grew 68%/20% YoY resp.
<b>Operating profit (EBITDA)</b>	<b>213</b>	<b>306</b>	<b>277</b>	<b>1,097</b>	<b>331</b>	<b>279</b>	<b>377</b>	
<b>Operating margin</b>	<b>8.1%</b>	<b>9.7%</b>	<b>9.6%</b>	<b>10.1%</b>	<b>13.0%</b>	<b>9.4%</b>	<b>11.8%</b>	Consolidated EBITDA Margin for the quarter came in at 11.8% beat on our estimate of 10%. Beat was mainly due to higher than anticipated margins in Animal Jam and Sportskeeda.
Depreciation & amortization	103	149	160	571	152	151	152	
<b>EBIT</b>	<b>110</b>	<b>156</b>	<b>117</b>	<b>526</b>	<b>179</b>	<b>128</b>	<b>225</b>	PAT (after minority interest) was INR 258mn ahead of JMFe INR 211mn
<b>EBIT margin</b>	<b>4.2%</b>	<b>5.0%</b>	<b>4.0%</b>	<b>4.8%</b>	<b>7.0%</b>	<b>4.3%</b>	<b>7.0%</b>	
Other income	232	115	82	495	117	123	179	PAT (after minority interest) was INR 258mn ahead of JMFe INR 211mn
Misc. other expenses	85	10	34	133	14	39	34	
Profit Before Tax	257	261	165	888	283	212	370	PAT (after minority interest) was INR 258mn ahead of JMFe INR 211mn
Income tax expense	88	60	46	254	74	(13)	80	
<b>Net income from operations</b>	<b>169</b>	<b>201</b>	<b>94</b>	<b>614</b>	<b>209</b>	<b>242</b>	<b>295</b>	PAT (after minority interest) was INR 258mn ahead of JMFe INR 211mn
Change (yoy)	16.6%	17.5%	91.8%	20.4%	26.4%	43.1%	46.9%	
Share of minority interest	72	37	68	220	14	44	38	PAT (after minority interest) was INR 258mn ahead of JMFe INR 211mn
<b>PAT</b>	<b>97</b>	<b>164</b>	<b>26</b>	<b>394</b>	<b>195</b>	<b>198</b>	<b>258</b>	
Change (yoy/qoq)	-4.0%	59.2%	18.2%	36.3%	69.6%	104.3%	57.1%	PAT (after minority interest) was INR 258mn ahead of JMFe INR 211mn
<b>Adjusted Basic EPS</b>	<b>1.45</b>	<b>2.45</b>	<b>0.39</b>	<b>5.90</b>	<b>2.91</b>	<b>2.80</b>	<b>3.47</b>	
<b>Change (yoy)</b>	<b>-10.9%</b>	<b>52.7%</b>	<b>17.0%</b>	<b>32.0%</b>	<b>68.1%</b>	<b>92.4%</b>	<b>41.0%</b>	

Source: Company, JM Financial

## Exhibit 2. Segmental Performance vs our estimates

INR mn	3Q24A	3Q23A	Change (YoY)	2Q24A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)
<b>Revenue (INR mn)</b>	<b>3,204</b>	<b>3,148</b>	<b>1.8%</b>	<b>2,972</b>	<b>7.8%</b>	<b>3,417</b>	<b>-6.2%</b>
Gamified early learning	815	804	1.4%	782	4.2%	782	4.2%
eSports	1,936	1,525	27.0%	1,720	12.6%	1,720	12.6%
Telco subscription	70	132	-47.0%	74	-5.4%	74	-5.4%
Freemium	54	70	-22.9%	54	0.0%	54	0.0%
Real money gaming	76	151	-49.7%	140	-45.7%	140	-45.7%
Datawrkz	261	466	na	271	-3.6%	225	16.0%
<b>EBITDA (INR mn)</b>	<b>377</b>	<b>306</b>	<b>23.2%</b>	<b>331</b>	<b>13.9%</b>	<b>342</b>	<b>10.3%</b>
Gamified early learning	213	73	191.8%	211	0.9%	162	31.5%
eSports	245	137	78.8%	103	137.9%	120	105.0%
Telco subscription	-29	45	-164.4%	31	-193.5%	21	-240.1%
Freemium	8	21	-61.9%	25	-68.0%	20	-59.7%
Real money gaming	-23	33	-169.7%	2	-1250.0%	12	-292.1%
Datawrkz	34	40	-15.0%	18	88.9%	17	102.2%
<b>EBITDA margin</b>							
Gamified early learning	26%	9%	1706bp	27%	-85bp	21%	542bp
eSports	13%	9%	367bp	6%	667bp	7%	571bp
Telco subscription	-41%	34%	-7552bp	42%	-8332bp	28%	-6940bp
Freemium	15%	30%	-1519bp	46%	-3148bp	37%	-2195bp
Real money gaming	-30%	22%	-5212bp	1%	-3169bp	9%	-3881bp
Datawrkz	13%	9%	444bp	7%	638bp	7%	555bp
<b>Consol. EBITDA margin</b>	<b>11.8%</b>	<b>9.7%</b>	<b>205bp</b>	<b>11.1%</b>	<b>63bp</b>	<b>10.0%</b>	<b>177bp</b>

Source: Company, JM Financial

**Exhibit 3. Key Operational metrics**

	2QFY22	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	Comments
<b>Nodwin Gaming</b>							
Media Rights (Share)	37.0%	24.0%	21.0%	15.0%	19.0%	14.9%	Media rights share of Nodwin declined from 19% to 15%.
Content Views (mn)	377.0	408.0	462.0	52.0	169.0	47.0	
Distribution (100 Hours)	74.0	91.0	115.0	33.0	45.0	12.0	
Partners (#)	146.0	182.0	163.0	133.0	136.0	124.0	
<b>Sportskeeda</b>							
<b>Revenue Mix (YTD)</b>							
Direct Sales	23.0%	24.0%	8.3%	31.0%	31.0%	31.0%	Robust performance of PFN during the seasonally strong December quarter had a positive impact on Sportskeeda's growth, both in terms of revenue and margins.
Programmatic Sales	77.0%	76.0%	91.7%	69.0%	69.0%	69.0%	
<b>Geographic Mix (YTD)</b>							
India	26.0%	23.6%	22.6%	46.0%	15.0%	29.5%	
USA	61.4%	62.1%	76.7%	83.6%	78.3%	117.1%	
ROW	12.6%	14.3%	0.3%	20.9%	13.0%	21.3%	
<b>Sports Mix (YTD)</b>							
WWE	37.0%	36.9%	37.7%	33.4%	42.5%	34.8%	
eSports	14.5%	17.3%	22.3%	15.5%	16.5%	16.7%	
Cricket	25.1%	23.4%	20.2%	27.9%	21.6%	19.7%	
Others	23.4%	22.4%	19.8%	23.1%	19.4%	21.1%	
Average MAU	7,28,00,000	7,69,00,000	7,13,00,000	8,16,00,000	8,32,00,000	7,40,00,000	
<b>Gamified Early Learning</b>							
Kiddopia Paid Subscriber base	2,99,965	3,10,981	3,11,758	3,01,714	2,92,488	2,73,249	Challenges relating to new user acquisition in Kiddopia continued in Q3FY24 as well.
Marketing Spend (USD mn)	3.1	3.4	3.2	2.6	2.7	2.3	
Cost per Trial (USD)	37.9	37.3	35.9	39.3	38.9	40.9	
Activation (Free trial to subscription) ratio	0.7	0.7	0.7	0.7	0.7	0.7	
Monthly ARPU (USD)	6.8	6.8	6.8	6.8	6.6	6.8	
Monthly Churn	6.5%	5.9%	6.4%	5.9%	6.2%	6.7%	
<b>Freemium</b>							
Daily Active Users - Total (mn)	1.5	1.71	1.45	1.71	1.16	1.41	Freemium saw a decline in its daily active users by 17.5% YoY.

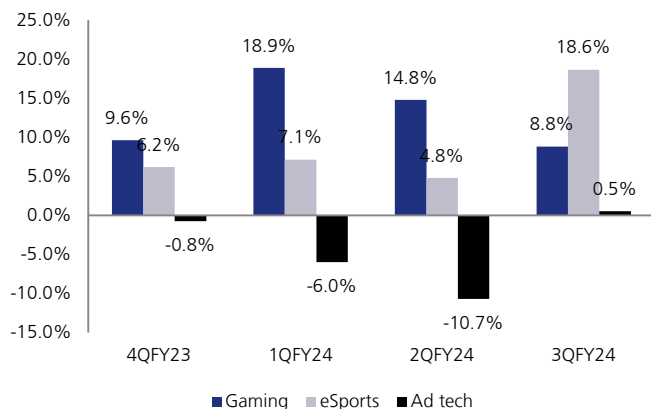
Source: Company

**Exhibit 4. Post IPO Fundraise by Nazara**

Date	Amount raised (INR mn)	% Stake dilution	Fund raise in (entity)	Investor
May'23	1,972		Nodwin	Sony Group, Krafton, JetSynthesys, Nazara
Jul'23	7,500	2.7%	Nazara	Nikhil Kamath
Sep'23	5,100	10.4%	Nazara	SBI MF, Nikhil Kamath
Jan'24	2,500	13.7%	Nazara	ICICI Prudential, Kamath Associates, Plutus Wealth, Chartered Financing & Leasing Ltd

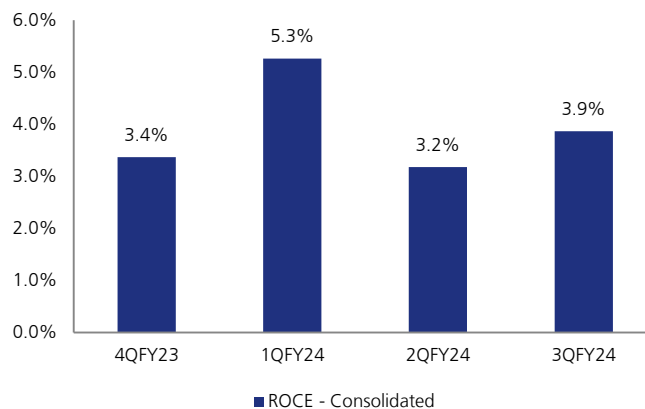
Source: Company, JM Financial

**Exhibit 5. Profitable growth in Sportskeeda has helped improve eSports ROCE while decline in RMG, Telco and Freemium depressed gaming ROCE**  
Segmental ROCE



Note: ROCE is calculated as annualised segmental EBIT\*(1-tax rate)/segment capital employed; Source: Company, JM Financial

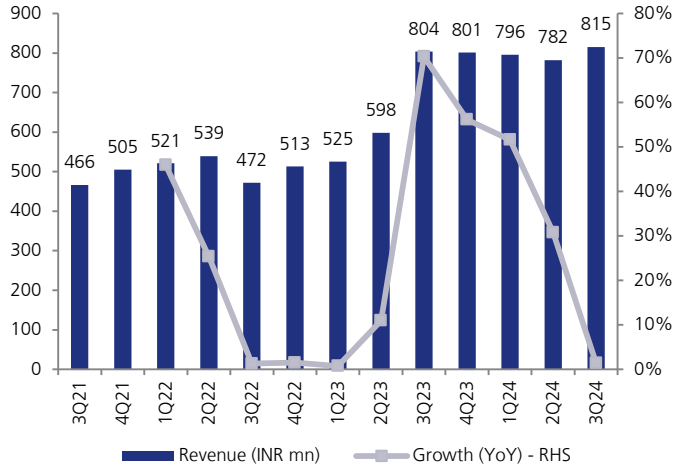
**Exhibit 6. Portfolio ROCE however remains very low at 3.9% which could get further depressed if the current cash infusion is not deployed successfully**  
Consolidated ROCE



Note: ROCE is calculated as annualised consol. EBIT\*(1-tax rate)/Total capital employed; Source: Company, JM Financial

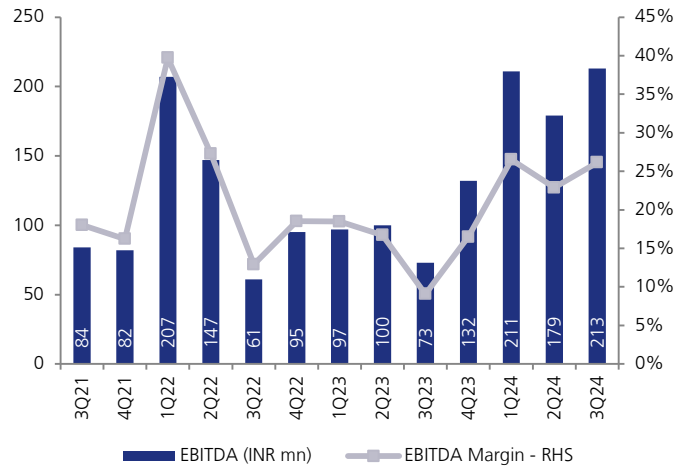
# Segmental Performance

**Exhibit 7. Gamified early learning – Revenue growth trends**



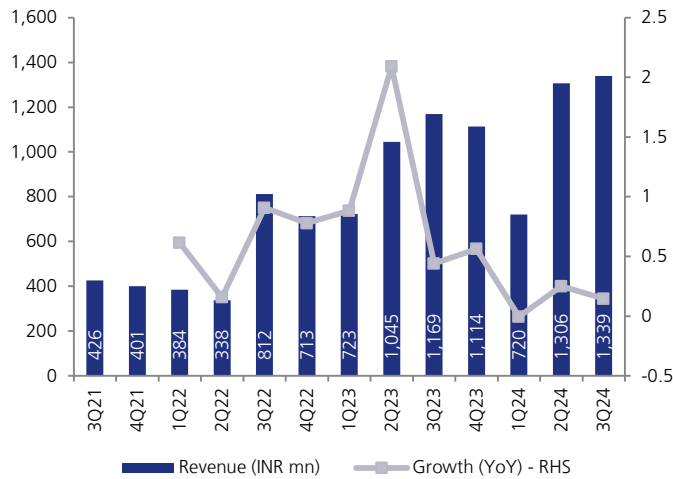
Source: Company, JM Financial

**Exhibit 8. Gamified Early Learning- EBITDA margin trends**



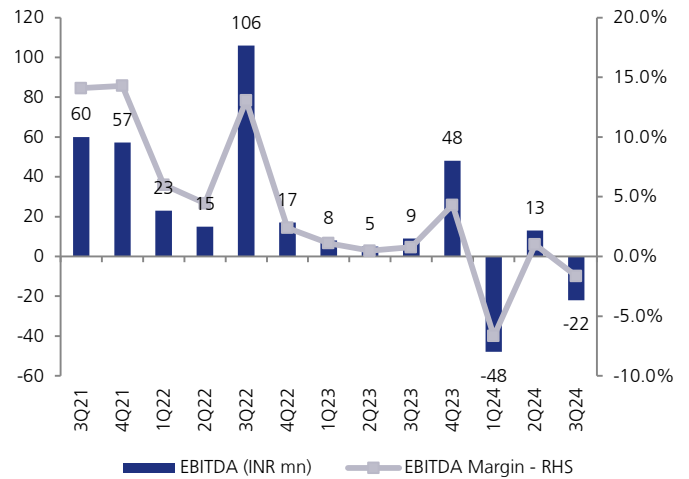
Source: Company, JM Financial

**Exhibit 9. Nodwin gaming revenue performance**



Source: Company, JM Financial

**Exhibit 10. Nodwin Gaming margin performance**



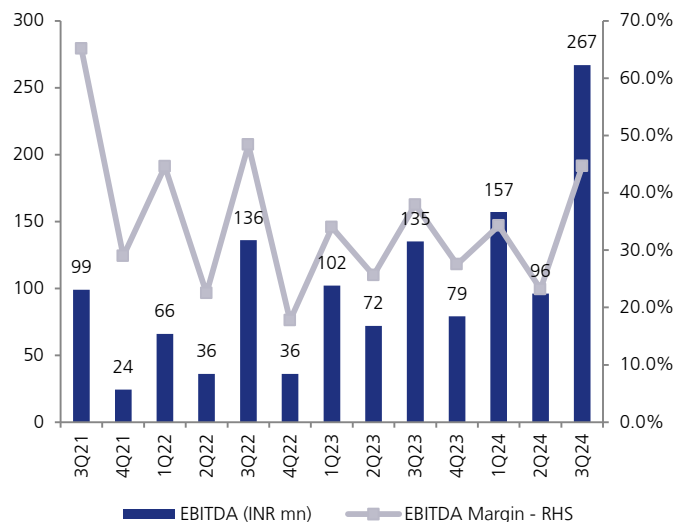
Source: Company, JM Financial

**Exhibit 11. Sportskeeda revenue trends**



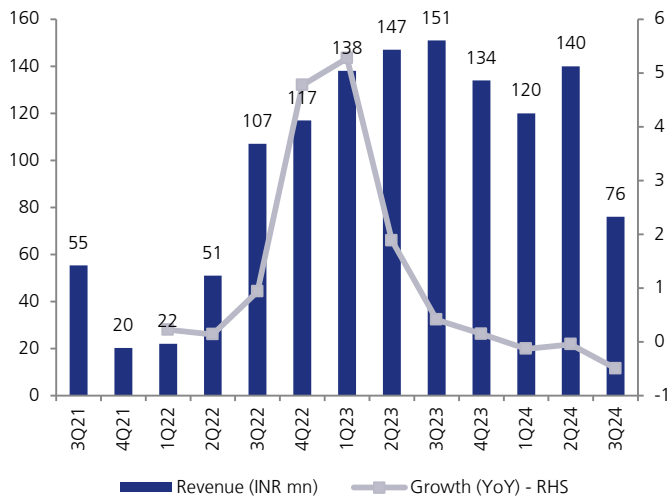
Source: Company, JM Financial

**Exhibit 12. Sportskeeda margin trends**



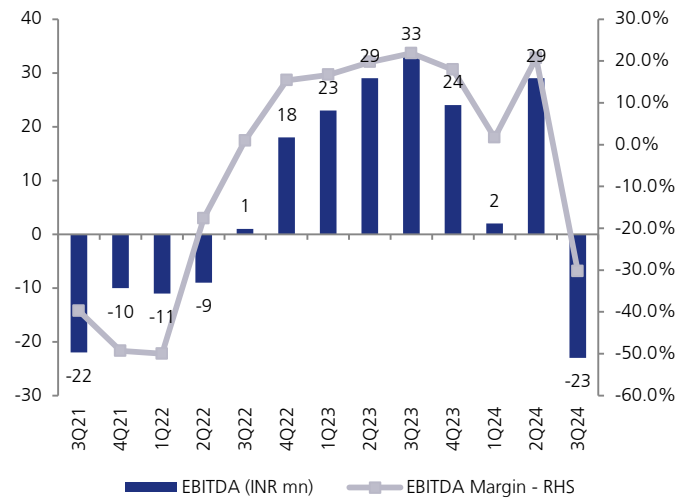
Source: Company, JM Financial

Exhibit 13. RMG revenue trends



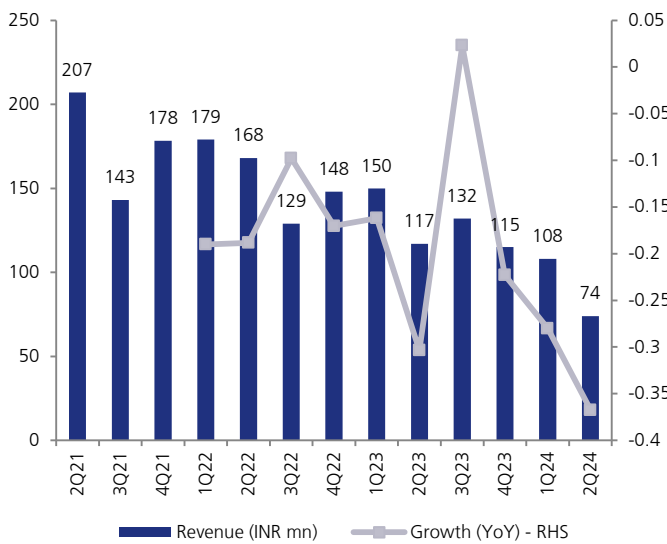
Source: Company, JM Financial

Exhibit 14. RMG EBITDA margin trends



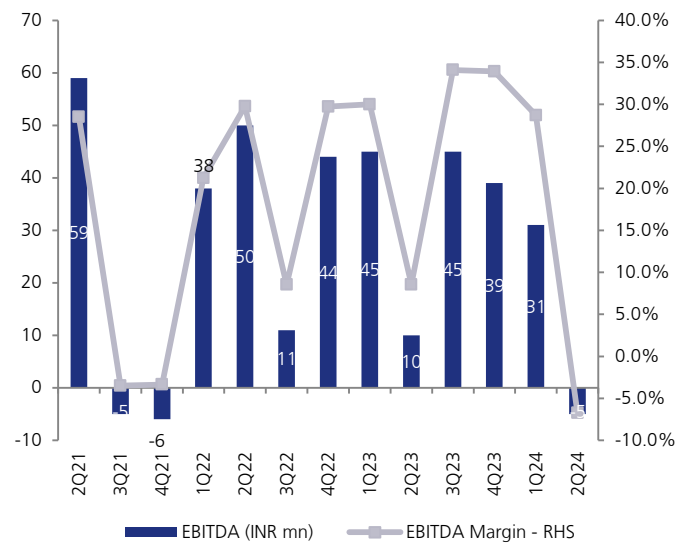
Source: Company, JM Financial

Exhibit 15. Telco revenue trends



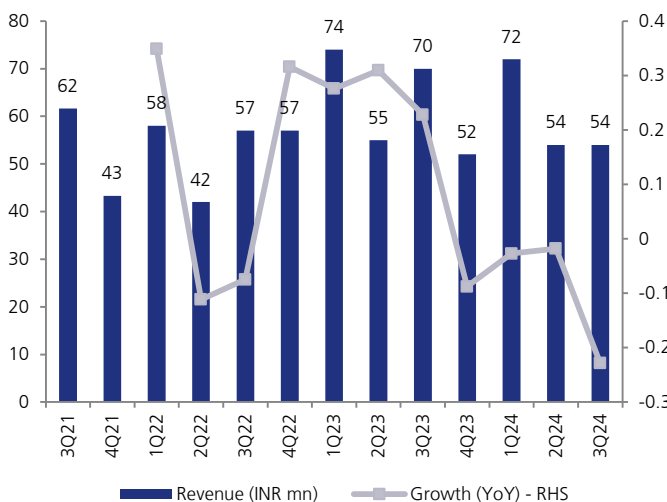
Source: Company, JM Financial

Exhibit 16. Telco EBITDA margin trends



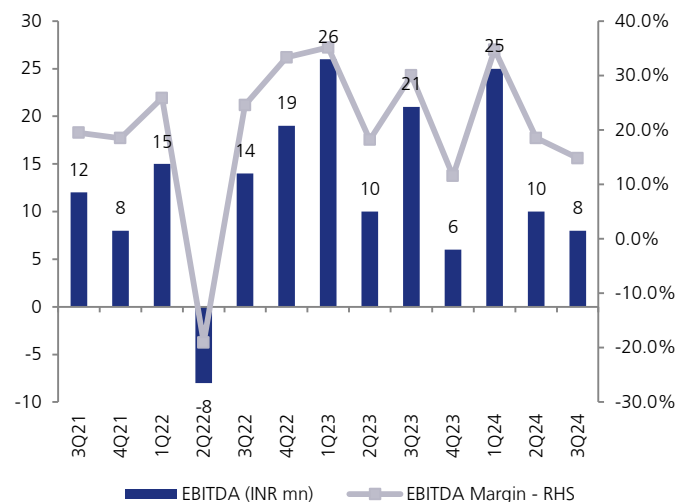
Source: Company, JM Financial

Exhibit 17. Freemium revenue trends



Source: Company, JM Financial

Exhibit 18. Freemium EBITDA margin trends



Source: Company, JM Financial

## Maintain HOLD; target price revised to INR 760.

In 3Q, Nazara missed our revenue estimates but beat our margin estimates. We tweak our FY24-26 revenue estimates by 4%-8% as we factor in the 3Q miss and lower growth assumptions in eSports, Gamified Early Learning and RMG for FY25 and FY26. We however raise our margin estimates by 60-190bps over the same period, resulting in a 1% to 7% increase in our EBITDA estimates. Further, substantial increase in cash reserves from recent equity infusion results in higher interest income. Overall, changes to our EPS estimates are minimal. We have retained our target multiples across businesses. We maintain HOLD on Nazara with a revised TP of INR 760 (vs. INR 750 earlier).

### Exhibit 19. Nazara - What has changed

	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
<b>A. FINANCIAL FORECASTS - Key Segment</b>						
<b>eSports</b>						
<b>Revenue (INR m)</b>				<b>EBITDA margin</b>		
- OLD	6,855	8,450	10,153	- OLD	6.2%	8.9%
- NEW	6,347	7,622	9,223	- NEW	8.5%	13.5%
Change	-7.4%	-9.8%	-9.2%	Change	236bp	457bp
<b>Gamified Early Learning</b>						
<b>Revenue (INR m)</b>				<b>EBITDA margin</b>		
- OLD	3,115	3,805	4,698	- OLD	22.2%	19.0%
- NEW	3,199	3,517	4,352	- NEW	26.1%	22.6%
Change	2.7%	-7.6%	-7.4%	Change	396bp	356bp
<b>RMG</b>						
<b>Revenue (INR m)</b>				<b>EBITDA margin</b>		
- OLD	477	386	348	- OLD	5.2%	6.0%
- NEW	408	349	348	- NEW	-1.6%	5.0%
Change	-14.4%	-9.6%	-0.1%	Change	-683bp	-100bp
<b>Datawrkz</b>						
<b>Revenue (INR m)</b>				<b>EBITDA margin</b>		
- OLD	918	1,033	1,214	- OLD	6.4%	7.5%
- NEW	1,011	1,138	1,337	- NEW	9.0%	8.5%
Change	10.2%	10.2%	10.2%	Change	268bp	100bp
<b>B. FINANCIAL FORECASTS - CONSOLIDATED</b>						
<b>Revenue (INR m)</b>				<b>EBITDA</b>		
- OLD	12,015	14,323	17,084	- OLD	1,284	1,629
- NEW	11,522	13,174	15,811	- NEW	1,303	1,744
Change	-4.1%	-8.0%	-7.5%	Change	1.4%	7.0%
<b>EBITDA margin</b>				<b>EPS - basic</b>		
- OLD	10.7%	11.4%	12.4%	- OLD	10.7	14.2
- NEW	11.3%	13.2%	13.6%	- NEW	10.6	14.4
Change	61bp	186bp	121bp	Change	-1.4%	1.1%

Source: JM Financial estimates

**Exhibit 20. Nazara: SOTP valuation**

Segment	Valuation Method	Multiple	Segment Value (INR mn)	Nazara's share	Value ascribed to Nazara (INR mn)
Nodwin	EV/Sales	7.0x	43,440	52.7%	22,897
Sportskeeda	EV/EBITDA	25.0x	24,705	75.3%	18,598
Gamified Early Learning	EV/Sales	5.5x	23,270	63.0%	14,671
Freemium	EV/Sales	7.0x	1,971	52.4%	1,033
RMG	EV/Sales	2.0x	697	96.7%	673
Telco Subscription	Terminal Value		91	100.0%	91
Datawrkz	EV/EBITDA	20.0x	2,338	55.0%	1,286
<b>Total</b>			<b>96,512</b>		<b>59,249</b>
Less: Holdco Discount (at 25%)					11,850
Add: Cash and Cash Equivalent (FY23)					12,484
Less: Minority Interest (FY23)					3,178
Equity Value					56,705
Shares O/S (mn)					74
<b>Per share value (INR)</b>					<b>760</b>

Source: JM Financial estimates

**Exhibit 21. Nazara: Change in SOTP Valuation**

Segment	Multiple		Per Share Value	
	New	Old	New	Old
Nodwin	7.0x	7.0x	332	373
Sportskeeda	25.0x	25.0x	283	160
Gamified Early Learning	5.5x	5.5x	202	211
Freemium	7.0x	7.0x	15	17
RMG	2.0x	2.0x	9	9
Telco Subscription			1	3
Datawrkz	20.0x	20.0x	19	14

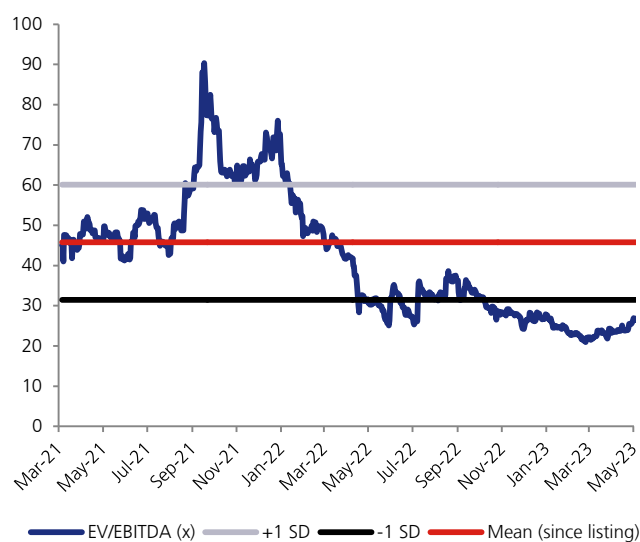
Source: Company, JM Financial

**Exhibit 22. NAZARA - 1yr FWD PER**



Source: JM Financial, Bloomberg

**Exhibit 23. NAZARA - 1yr FWD EV/EBITDA**



Source: JM Financial, Bloomberg



## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	6,217	10,910	11,522	13,174	15,811	
Sales Growth	36.9%	75.5%	5.6%	14.3%	20.0%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>6,217</b>	<b>10,910</b>	<b>11,522</b>	<b>13,174</b>	<b>15,811</b>	
Cost of Goods Sold/Op. Exp	0	0	0	0	0	
Personnel Cost	0	0	0	0	0	
Other Expenses	5,269	9,813	10,219	11,430	13,661	
<b>EBITDA</b>	<b>948</b>	<b>1,097</b>	<b>1,303</b>	<b>1,744</b>	<b>2,151</b>	
EBITDA Margin	15.2%	10.1%	11.3%	13.2%	13.6%	
EBITDA Growth	109.5%	15.7%	18.7%	33.9%	23.3%	
Depn. & Amort.	390	571	613	729	779	
EBIT	558	526	690	1,015	1,372	
Other Income	154	581	566	755	807	
Finance Cost	7	47	78	85	93	
PBT before Excep. & Forex	705	1,060	1,178	1,685	2,086	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	705	1,060	1,178	1,685	2,086	
Taxes	190	254	190	413	511	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	216	220	117	162	200	
Reported Net Profit	289	586	870	1,110	1,375	
<b>Adjusted Net Profit</b>	<b>289</b>	<b>586</b>	<b>870</b>	<b>1,110</b>	<b>1,375</b>	
Net Margin	4.6%	5.4%	7.6%	8.4%	8.7%	
Diluted Share Cap. (mn)	63.6	65.7	71.0	76.2	76.2	
<b>Diluted EPS (INR)</b>	<b>4.5</b>	<b>8.9</b>	<b>12.3</b>	<b>14.6</b>	<b>18.0</b>	
Diluted EPS Growth	184.1%	96.3%	37.5%	18.8%	23.8%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	699	888	1,125	1,685	2,086	
Depn. & Amort.	390	571	613	729	779	
Net Interest Exp. / Inc. (-)	-61	-93	-461	-670	-714	
Inc (-) / Dec in WCap.	-281	-856	204	-459	-191	
Others	63	-182	-26	0	0	
Taxes Paid	-190	-260	-190	-413	-511	
<b>Operating Cash Flow</b>	<b>620</b>	<b>68</b>	<b>1,264</b>	<b>872</b>	<b>1,448</b>	
Capex	-114	-82	-589	-390	-390	
Free Cash Flow	506	-14	674	482	1,058	
Inc (-) / Dec in Investments	-3,223	-870	-1,275	26	-26	
Others	0	0	540	755	807	
<b>Investing Cash Flow</b>	<b>-3,337</b>	<b>-952</b>	<b>-1,325</b>	<b>392</b>	<b>390</b>	
Inc / Dec (-) in Capital	3,393	1	3,869	162	38	
Dividend + Tax thereon	0	0	-117	-162	-200	
Inc / Dec (-) in Loans	-43	-71	105	0	0	
Others	0	-47	-78	-85	-93	
<b>Financing Cash Flow</b>	<b>3,350</b>	<b>-117</b>	<b>3,777</b>	<b>-85</b>	<b>-255</b>	
<b>Inc / Dec (-) in Cash</b>	<b>633</b>	<b>-1,001</b>	<b>3,717</b>	<b>1,179</b>	<b>1,584</b>	
Opening Cash Balance	1,400	2,081	1,421	5,547	6,838	
Closing Cash Balance	2,081	1,143	5,138	6,725	8,422	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	10,413	11,049	14,674	15,785	16,049	
Share Capital	130	265	276	276	276	
Reserves & Surplus	10,283	10,784	14,398	15,508	15,773	
Preference Share Capital	0	0	0	0	0	
Minority Interest	1,570	2,117	3,178	3,339	3,378	
Total Loans	0	0	0	0	0	
Def. Tax Liab. / Assets (-)	264	367	296	296	296	
<b>Total - Equity &amp; Liab.</b>	<b>12,247</b>	<b>13,533</b>	<b>18,148</b>	<b>19,420</b>	<b>19,723</b>	
Net Fixed Assets	4,252	5,474	5,982	5,616	5,254	
Gross Fixed Assets	153	229	382	422	462	
Intangible Assets	5,231	6,922	7,890	8,213	8,590	
Less: Depn. & Amort.	1,133	1,677	2,290	3,019	3,798	
Capital WIP	0	0	0	0	0	
Investments	5,240	4,539	5,071	5,071	5,071	
Current Assets	4,548	6,611	11,143	13,197	14,562	
Inventories	0	0	0	0	0	
Sundry Debtors	847	1,536	1,889	2,454	2,816	
Cash & Bank Balances	2,081	1,421	5,547	6,838	7,528	
Loans & Advances	6	17	48	48	48	
Other Current Assets	1,614	3,637	3,660	3,856	4,170	
Current Liab. & Prov.	1,793	3,448	4,048	4,464	5,164	
Current Liabilities	510	819	1,599	1,808	2,141	
Provisions & Others	1,283	2,629	2,449	2,656	3,023	
Net Current Assets	2,755	3,163	7,095	8,733	9,398	
<b>Total - Assets</b>	<b>12,247</b>	<b>13,176</b>	<b>18,148</b>	<b>19,420</b>	<b>19,723</b>	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
Net Margin		4.6%	5.4%	7.6%	8.4%	8.7%
Asset Turnover (x)		0.6	0.8	0.7	0.7	0.8
Leverage Factor (x)		1.2	1.2	1.2	1.2	1.2
RoE		3.4%	5.5%	6.8%	7.3%	8.6%

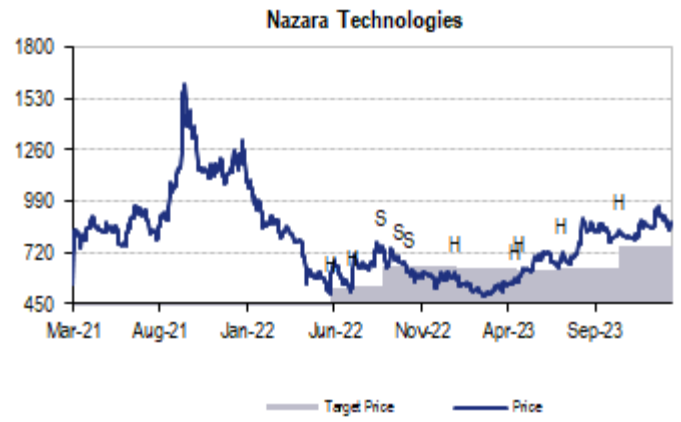
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
BV/Share (INR)		163.8	165.6	203.8	204.4	207.8
ROIC		10.7%	6.7%	8.0%	10.6%	14.7%
ROE		3.4%	5.5%	6.8%	7.3%	8.6%
Net Debt/Equity (x)		-0.7	-0.5	-0.7	-0.8	-0.8
P/E (x)		194.5	99.1	72.1	60.7	49.0
P/B (x)		5.4	5.3	4.3	4.3	4.3
EV/EBITDA (x)		55.5	49.7	39.1	28.5	22.8
EV/Sales (x)		8.5	5.0	4.4	3.8	3.1
Debtor days		50	51	60	68	65
Inventory days		0	0	0	0	0
Creditor days		35	29	52	53	53

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
22-Jun-22	Hold	535	
30-Jul-22	Hold	540	0.9
20-Sep-22	Sell	650	20.4
21-Oct-22	Sell	650	0.0
6-Nov-22	Sell	650	0.0
26-Jan-23	Hold	640	-1.5
10-May-23	Hold	630	-1.6
19-May-23	Hold	630	0.0
31-Jul-23	Hold	640	1.6
9-Nov-23	Hold	750	17.2

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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