

# Nazara Technologies Limited

## Playing the 'Long' game – maintain LONG

CMP  
Rs 691  
  
Rating  
LONG

Target Price  
Rs 820  
Mar 2025  
  
Upside  
19% (↑)

- Nazara Technologies (NAZARA) has scaled up its revenues by making strategic acquisitions, and terms this ecosystem as 'Friends of Nazara'. The company aims to build a strong ecosystem play across gaming, adjacencies to gaming (gamified learning, RMG, and eSports) and adjuncts to gaming (ad tech, content creation, pop culture, music, and comedy). With a net cash balance of Rs 15bn, acquisitions will remain a key growth strategy for the company ahead, even as right execution is critical.
- We estimate a 18%/22%/29% revenue/EBITDA/PAT CAGR over FY23-FY28E driven by Nodwin and Sportskeeda.
- We assume the coverage from previous analyst and update FY25/FY26 estimates significantly. Maintain LONG with a SOTP-based Mar'25 TP of Rs 820 (Exhibit 63).

**'Friends of Nazara' ecosystem to emerge as a winning strategy:** NAZARA has scaled up via strategic acquisitions, and terms this ecosystem as 'Friends of Nazara' which is based on three pillars: (a) Acquiring majority stakes, while also leaving sufficient equity with founders and management team to motivate them, (b) issuing NAZARA equity to the same teams to align organisation goals, and (c) leaving near 100% operational control with the original team. With India's gaming industry still at a nascent stage, picking of winners is difficult. No single company may be able to make all the right moves; but acquiring stakes in companies who are leaders in their niche categories and geos is a compelling strategy, in our view. NAZARA has a good track record of scaling up acquired entities, as indicated by ~23x/9x/4x post-acquisition revenue growth of Nodwin/Sportskeeda/Kiddopia over 5/3/3 years. But few recent acquisitions have missed the mark (Brandscale/Datawrkz) with Datawrkz still reeling from a large client loss.

**Nodwin, Sportskeeda – to be key growth drivers:** India only has ~17mn eSports viewers at present; as the ecosystem develops, eSports has the potential to become the mainstream sports after Cricket. eSports media rights are currently in limbo given a shifting broadcasting/OTT landscape in India. Nodwin's focus is on building and monetising gaming and eSports IPs, including leagues, tournaments, and reality shows. Its intellectual properties (IPs) engage youth in eSports, pop culture, music, and comedy. Nodwin has also established its presence in South Asia, Singapore, Middle East, and Turkey. Sportskeeda and PFN continue to grow in the US sports media market with rising contribution from direct sales.

**Freemium, RMG – likely acquisition categories:** In the freemium space, NAZARA has not been able to crack the winning code yet, and growth in in-app purchase (IAP) revenues holds the key. For instance, World Cricket Championship (WCC) – the largest cricket simulation game on mobile – needs reinvention. India has seen a rise in the number of gaming companies and in the coming years, many Indian game development studios will be able to build global brands while operating from India. That said, right execution is critical. NAZARA's recent Rs 7.6bn fund infusion positions it well to choose the right assets and strengthen its position in freemium and RMG segments.

### Financial Summary

YE Mar Rs mn	Sales	EBITDA	Recurring PAT	EPS (Rs)	P/E (x)	P/B (x)	EV/ EBITDA (x)	ROE (%)	Core ROIC (%)	EBITDA Margin (%)
FY23A	10,910	1,011	414	6.3	109.9	4.1	44.3	3.9	5.3	9.3
FY24E	11,458	1,208	736	9.7	71.5	2.7	29.9	4.8	7.0	10.5
FY25E	12,787	1,562	891	11.6	59.4	2.6	22.3	4.5	9.4	12.2
FY26E	15,932	1,843	1,023	13.4	51.7	2.5	18.0	4.9	11.7	11.6

Source: Company, Equirus Securities

### Estimate Revision

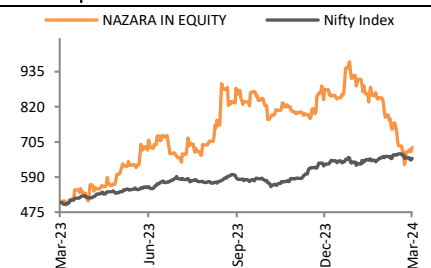
	Forecasts		% Change	
	(Rs mn)	FY24E	FY25E	FY24E
Sales	11,458	12,787	-13%	-24%
EBITDA	1,208	1,562	-13%	-23%
PAT	736	891	46%	16%
EPS	9.7	11.6	40%	19%

### Stock Information

Market Cap (Rs Mn)	50,768
52 Wk H/L (Rs)	990/486
Avg Daily Volume (1yr)	4,17,133
Avg Daily Value (Rs Mn)	4.3
Equity Cap (Rs Mn)	11,049
Face Value (Rs)	4
Share Outstanding (Mn)	73.3
Bloomberg Code	NAZARA IN
Ind Benchmark	

Ownership (%)	Recent	3M	12M
Promoters	17.2	(1.9)	(2.0)
DII	15.7	6.8	9.5
FII	10.6	(0.5)	0.4
Public	56.5	(4.4)	(7.9)

### Relative price chart



Source: Bloomberg

### Analysts

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## Contents

<b>eSports: Set to emerge as mainstream sports of the future.....</b>	<b>3</b>
Prize money, viewership higher than many traditional sports... ..	4
Market landscape in India.....	6
Nodwin: Category creator in India’s eSports ecosystem .....	8
<i>Recent acquisitions fuel expansion of product offerings, market presence .....</i>	<i>9</i>
<i>Brandscale Innovations (Wings). .....</i>	<i>9</i>
<i>Branded Pte (All that Matters).....</i>	<i>9</i>
<i>PublishMe (PMG).....</i>	<i>9</i>
<i>Freaks 4U Gaming.....</i>	<i>9</i>
<i>Comic Con India.....</i>	<i>9</i>
Sportskeeda: Multi-sports news destination platform .....	13
<i>Pro Football Network – a premium source of coverage and analysis of NFL.....</i>	<i>15</i>
<b>Gaming: Fastest growing segment in M&amp;E industry.....</b>	<b>17</b>
Indian gaming industry at an inflection point.....	17
<i>Emerging revenue models in mobile gaming industry.....</i>	<i>20</i>
<b>Gamified Early Learning: Good Unit Economics, Scaling Required .....</b>	<b>21</b>
Kiddopia: #2 grossing app for kids (2-8 years) in the US.....	21
Animal Jam: #1 grossing app for kids (9-11 years) in the US.....	23
<b>Freemium: Multiple synergies with eSports but scaling up pertinent .....</b>	<b>24</b>
WCC – a famous cricket simulation game in India – consistently updated and refined.....	24
Nazara Publishing : promoting the ‘Make in India’ vision in gaming .....	24
<b>Real Money Gaming: Scale-up via acquisitions in near term .....</b>	<b>26</b>
<b>Telco Subscription: On a continuous decline .....</b>	<b>27</b>
<b>Datawrkz : Comprehensive AdTech offering.....</b>	<b>28</b>
<b>Acquisitions to remain a key part of NAZARA’s growth strategy.....</b>	<b>29</b>
<b>Maintain LONG with a Mar’25 TP of Rs 820.....</b>	<b>32</b>
eSports – Global Case Studies .....	35
Modern Times Group (MTG).....	35
SEA Ltd .....	35
Versus Programming Network - VSPO .....	36
Global case studies in kids’ education/entertainment apps .....	37

## eSports: Set to emerge as mainstream sports of the future

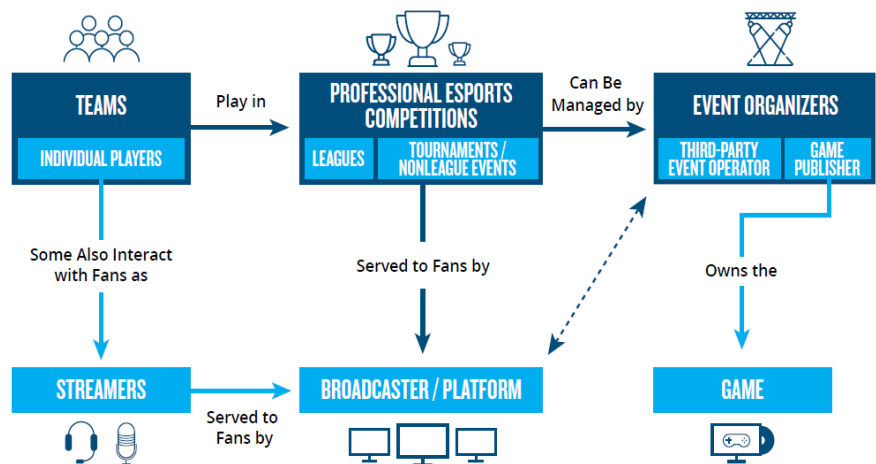
Exhibit 1: Online gaming – Key segments



Source: KPMG, Equirus Securities

eSports companies host leagues and tournaments wherein gamers contest each other for prize pools and spectators engage for entertainment.

Exhibit 2: eSports value chain



Source: Nielsen, Equirus Securities

**Exhibit 3: Role of players in the value chain**

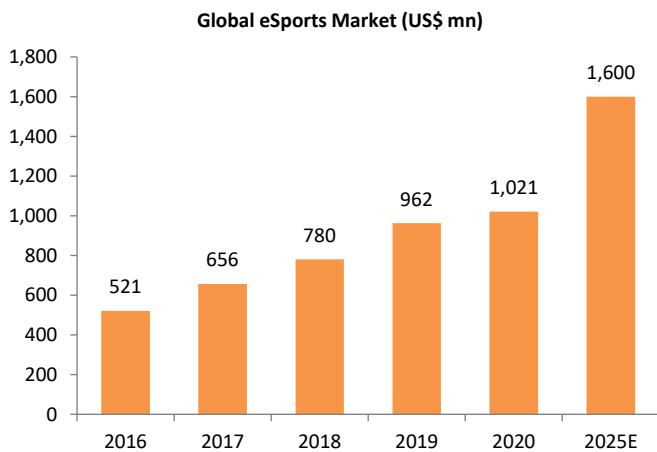
Entities in value chain	Key players	What value they add	How they make money
Game publishers	NAZARA, Krafton, Tencent, Garena, RIOT	Companies which publish or develop the game. They make high returns if the games become a hit and have a high risk in terms of financial commitments if the game doesn't do well. They identify the target market and also help organisers in terms of prize pool money	Various revenue models like in-app purchases, subscription, in-app advertising
Organizers	VSPO, Nodwin Gaming, Sky Esports, Gaming Monk (acquired by MPL)	Organisers collaborate with publishers to organise various online and offline competitions. Organisers generally have relationships with multiple publishers as a way to hedge against game-related risks	Generate income mainly via media rights sales, corporate sponsorships, entry fees, ticket sales, merchandise sales
Teams/Players	Fnatic, Cloud9, XSpark	Players/teams consists of both amateurs and professionals	Prize money and endorsements
Broadcasters	Twitch, ESPN, Sony, MTV, Disney Hotstar, YT Gaming, Loco, Rooter	Broadcasting competitions and publishing videos of professional players is done by media companies	Advertising and subscription fees from viewers
Sponsors/Advertisers	Airtel, Mountain Dew, Intel, Dell, HP	Many brands sponsor such gaming events, and some also sponsor professional players. Branded merchandise is also gaining popularity	Higher sales helped by better traction and visibility

Source: Industry, Equirus Securities

**Prize money, viewership higher than many traditional sports...**

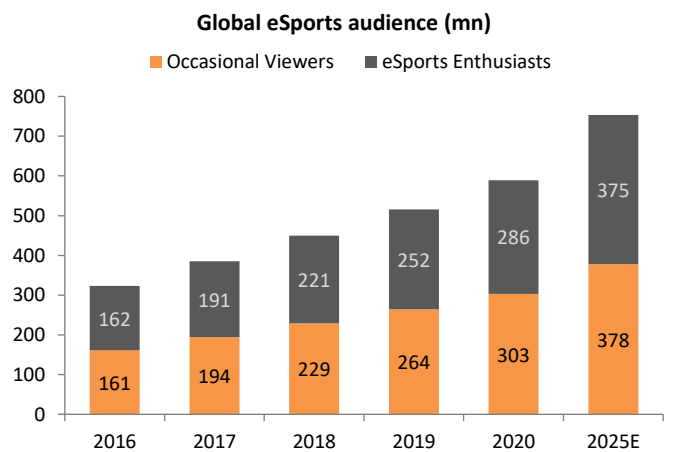
Electronic sports, or eSports, are organised gaming competitions (both online and offline) wherein players compete individually or as a team. These tournaments among professional players can be viewed live in arenas or on TV/internet with live commentary, or online through gaming broadcasters. With the recent increase in viewership and popularity of eSports, this market is estimated to reach to US\$ 1.6bn by 2025 globally.

**Exhibit 4: Global eSports market**



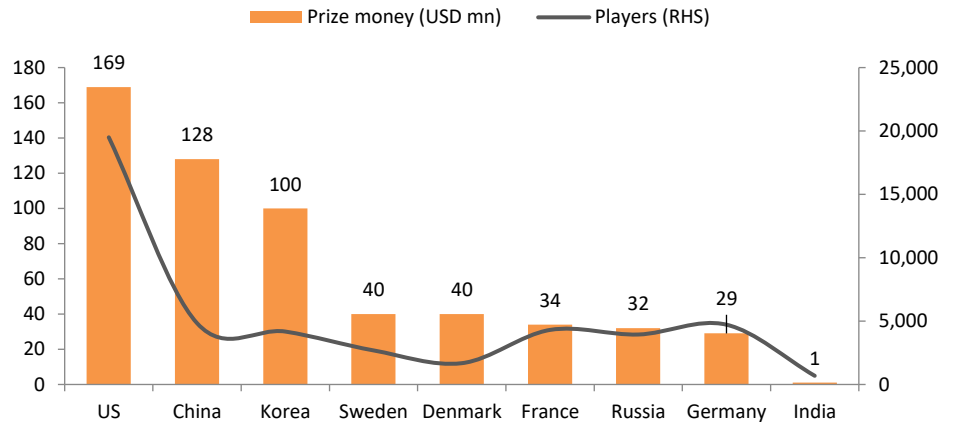
Source: Frost & Sullivan, Equirus Estimates

**Exhibit 5: Global eSports audience growth**



Source: Frost & Sullivan, Equirus Estimates

**Exhibit 6: India ranks 59<sup>th</sup> globally in terms of prize money (2019)**



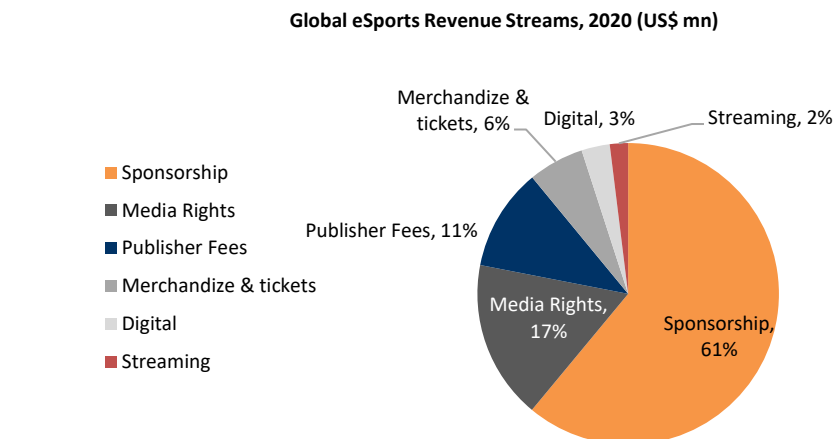
Source: eSportsearnings, Equirus Securities

**Exhibit 7: Winnings in eSports higher than most traditional sports**

Rank	Name	Winnings	Game	Event
1	Rory McIlroy	USD 15,000,000	Golf	FedEx Cup
2	Hossein Ensan	USD 10,000,000	Poker	World Series of Poker
3	Rafael Nadal	USD 3,850,000	Tennis	US Open
4	Topias 'Topson' Taavitsainen	USD 3,100,000	Dota 2	The International
5	Sebastien 'Ceb' Debs	USD 3,100,000	Dota 3	The International
6	Johan 'N0tail' Sundstein	USD 3,100,000	Dota 4	The International
7	Anathan 'Ana' Pham	USD 3,100,000	Dota 5	The International
8	Jesse 'JerAx' Vainikka	USD 3,100,000	Dota 6	The International
9	Kyle 'Bugha' Giersdorf	USD 3,000,000	Fortnite	Fortnite World Cup
10	Novak Djokovic	USD 3,000,000	Tennis	Wimbledon
11	Simon Pagenaud	USD 2,600,000	Racing	Indy 500
12	Tiger Woods	USD 2,000,000	Golf	The Masters
13	Denny Hamlin	USD 1,500,000	Racing	Daytona
14	Michael Van Gerwen	USD 600,000	Darts	PDC Championship
15	Egan Bernal	USD 550,000	Cycling	Tour De France

Source: Company, Equirus Securities

**Exhibit 8: Sponsorships contribute a lion's share to global eSports revenues**



Source: eSports International, Frost & Sullivan, Equirus Estimates

eSports events are rising above many traditional sports events, both in terms of viewership and prize money

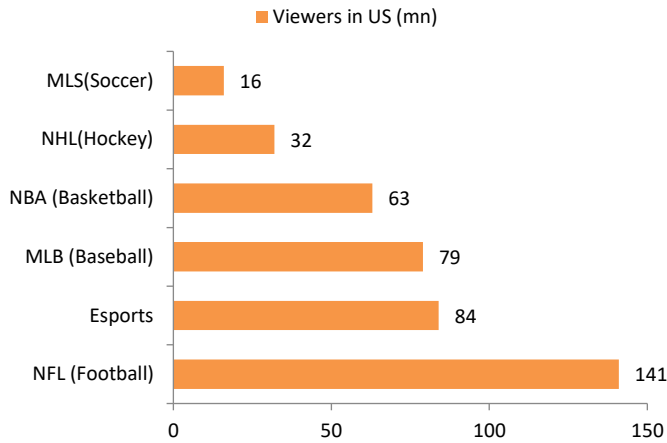
Sponsorships of events and broadcasting rights are major revenue sources for eSports events

### ...but monetisation still lags traditional sports

Though eSports has become a much bigger global sport than traditional sports with its global viewership next only to the National Football League (NFL), the audience is fragmented across various IPs. Consequently, revenue generated by eSports is much lower than big traditional sports events. Due to the regional nature of traditional sports, monetisation through media rights has been much higher. As per Forbes, revenues from media rights constitute 40-45% of traditional sports revenues but only ~17% of eSports revenues. Local sponsorship has been the main revenue source till date.

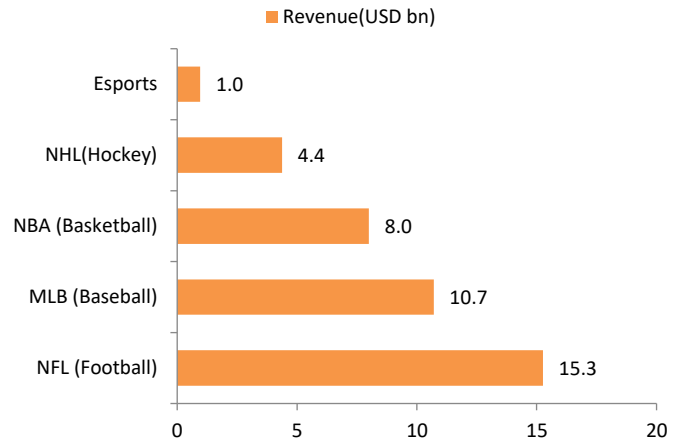
*A fragmented audience across IPs leads to much lower revenues than traditional sports*

**Exhibit 9: eSports the second most-watched sport in the US in 2021 ...**



Source: Activate, Equirus Securities

**Exhibit 10: ...but revenues lag traditional sports**



Source: Industry, Equirus Securities

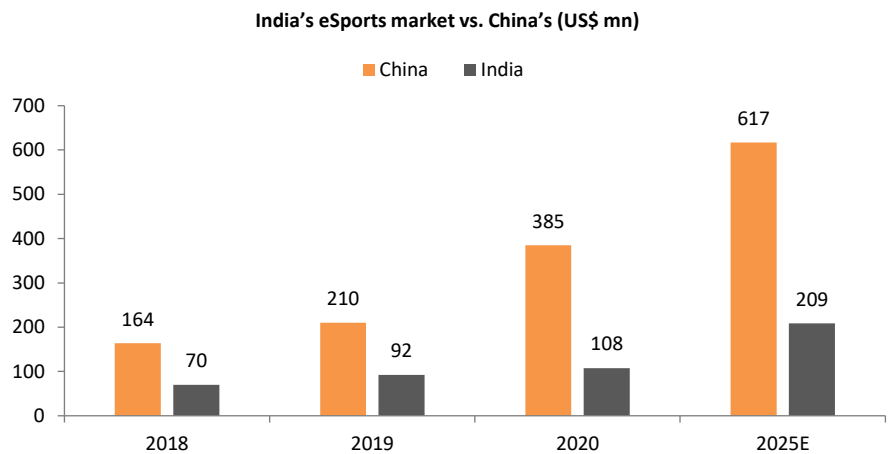
However, going forward, as viewership of eSports continues to grow, and league IPs continue to get bigger in size and reach, monetisation through sale of media rights will emerge as a key revenue driver.

### Market landscape in India

*At present, China is the largest eSports market in the world*

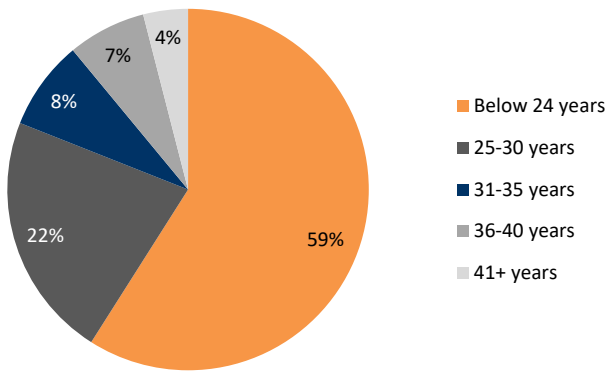
The eSports market in India is expected to reach US\$ 209mn by 2025 driven by better broadband connectivity, higher bandwidth, and lower latency. There are currently 350mn-400mn online gamers in India, but most are casual as only 17mn play/watch eSports events (~4%).

**Exhibit 11: India's eSports market vs. China's**



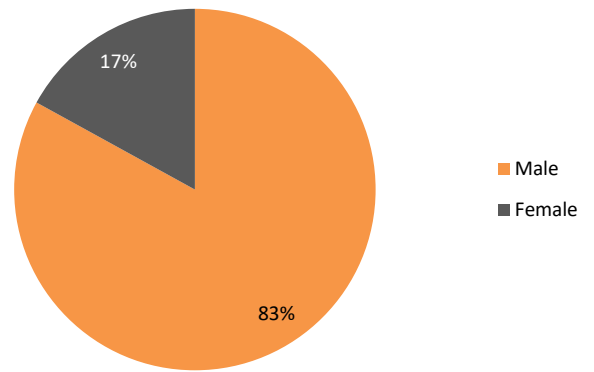
Source: FICCI, ESFI, Frost & Sullivan, Equirus Estimates

Exhibit 12: Youth is the main target audience...



Source: Industry, Equirus Estimates

Exhibit 13: ...and 83% are male



Source: Industry, Equirus Estimates

eSports market in India is largely fragmented with NAZARA (Nodwin Gaming) being the market leader

Exhibit 14: Some games played in eSports events; currently, there are no Indian games



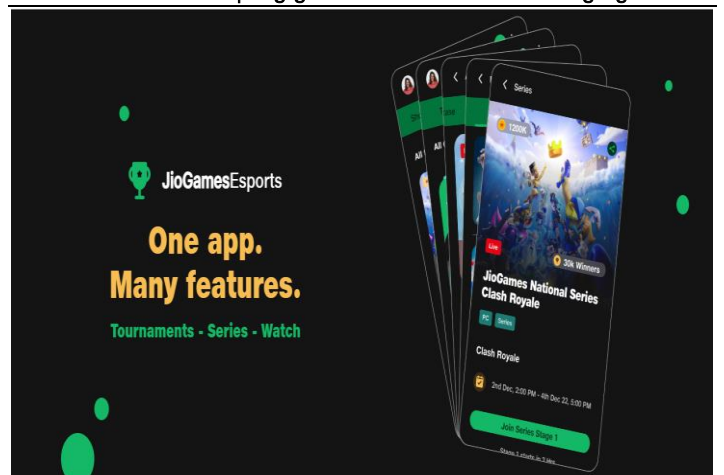
Source: Industry, Equirus Securities

Exhibit 15: eSports market in India is fragmented



Source: Industry, Equirus Securities

Exhibit 16: R-Jio attempting greater control over streaming rights



Source: Industry, Equirus Securities

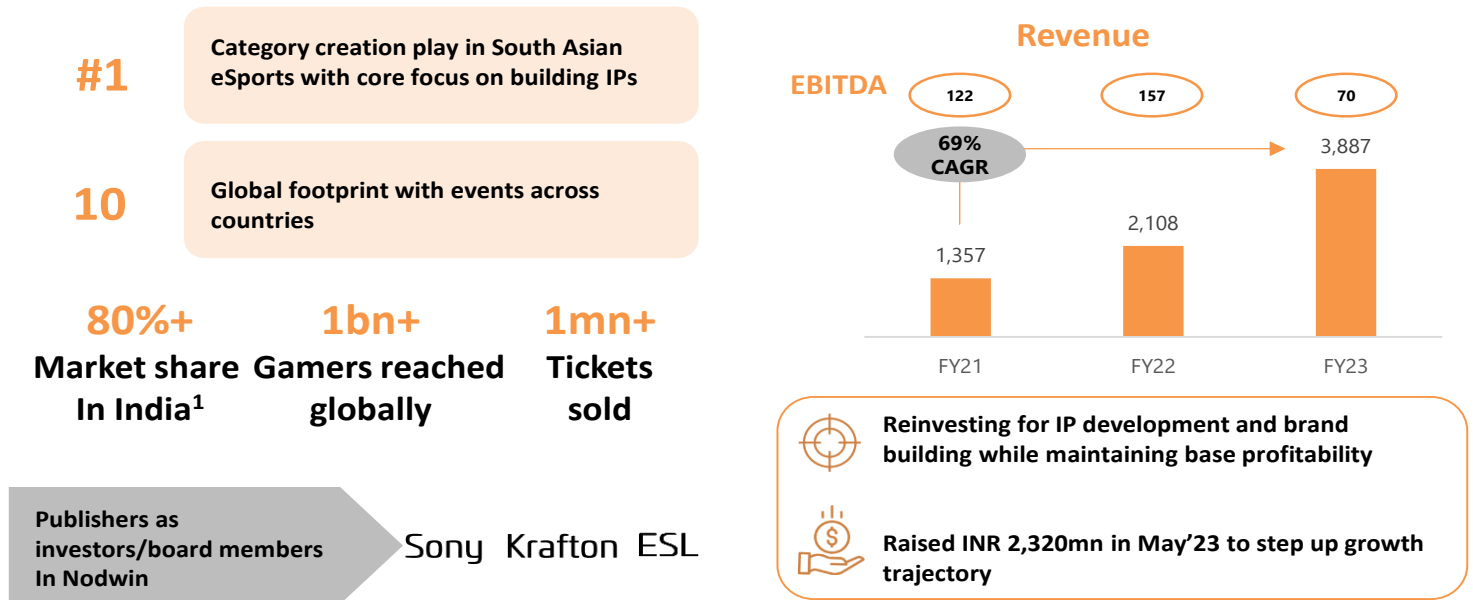


### Nodwin: Category creator in India's eSports ecosystem

Nodwin acquisition a game changer for NAZARA. Notable investors include NAZARA, Krafton, Sony and JetSynthesys

In FY18, NAZARA acquired a 55% stake in Nodwin Gaming (Nodwin) – India's leading eSports company – at a valuation of Rs 1.5bn when its revenues were just Rs 170mn. Nodwin organises eSports competitions, ranging from grassroots to national and state-level events. The company has added key multi-language skills, making itself capable of delivering world-class experiences across Asia, Middle-East, Turkey, Central Asia, Europe, and USA.

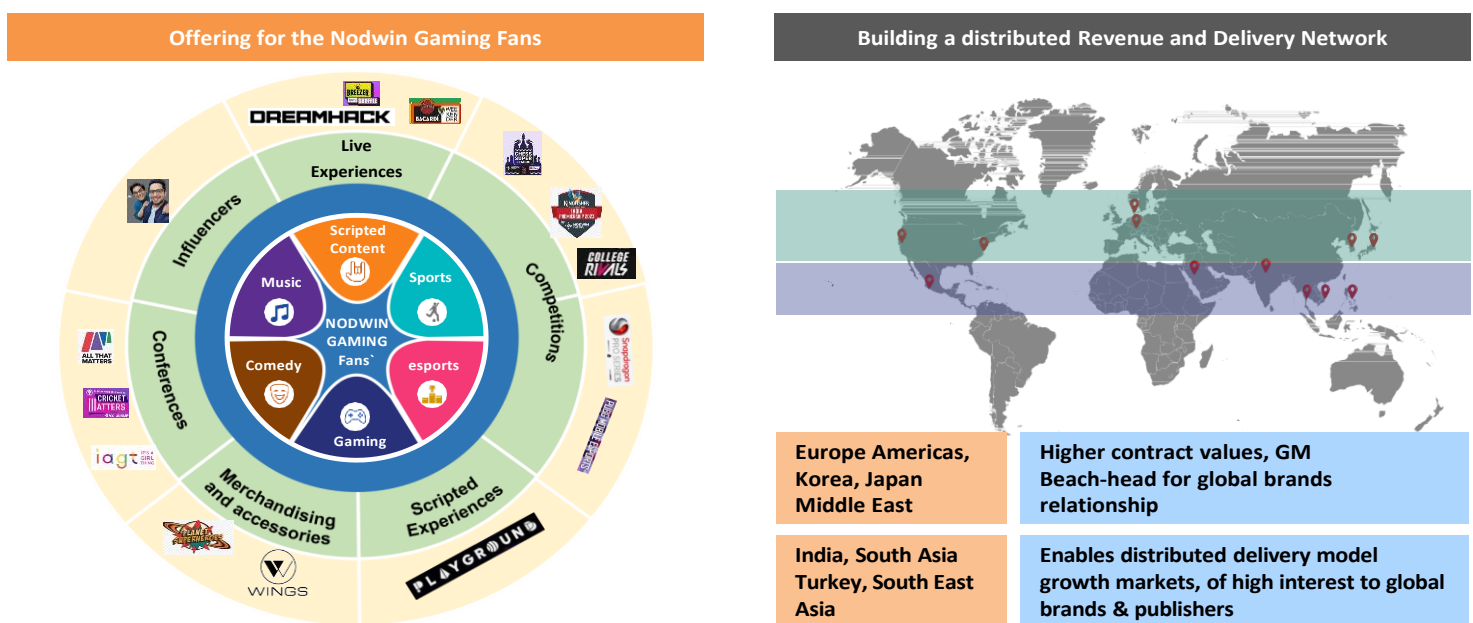
Exhibit 17: Nodwin Gaming: Category creator in India's eSports ecosystem



Source: Company, Equirus Securities; Note: 1. Industry report in gaming & programmatic advertising by Redseer

Nodwin has broadened its engagement with the youth, blending gaming, eSports, comedy, and music to offer more touchpoints. NAZARA also acquired the gaming and adjacent IP businesses of OML Entertainment. In addition to hosting large IP-based tournaments, Nodwin has entered gaming accessories, created on-demand content and scripted reality shows, and ventured into merchandising.

Exhibit 18: Nodwin Gaming – No. 1 eSports company in India with 360-degree offerings for eSports fans



Source: Company, Equirus Securities



Playground Season 1 had 17mn viewers and Season 2 40mn; Season 3, launched in June with a new format, is running as a year-long season

**Recent acquisitions fuel expansion of product offerings, market presence**

**Rusk Media (Playground):** Rusk represents an exciting opportunity for Nodwin, blending entertainment with gaming. Playground IP is being created as a subsidiary of Rusk, with Nodwin owning 51% and Rusk 49%. The first season of Playground IP, akin to a Big Boss for the gaming community, has been a huge success.

Playground IP is set to announce Season 3 soon, with rights expected to be sold at a premium – once again to Amazon.

Exhibit 19: Diverse offerings across multiple segments at Nodwin



Source: Company, Equirus Securities

Nodwin has decided against further investments in Brandscale, the gaming accessory business that owns the Wings brand

**Brandscale Innovations (Wings):** To support upcoming product launches, including laptops, and to expand into new markets, Brandscale is seeking sizeable fresh capital from new investors. While Nodwin would relinquish control, Brandscale would pursue its growth strategies independently.

**Branded Pte (All that Matters):** Nodwin has acquired 51% in Branded Pte for a cash consideration of US\$ 1.3mn. Singapore-based Branded Pte has built marquee IPs, including All That Matters, and It's a Girl Thing. This acquisition will also drive sponsorship revenue for all of Nodwin IPs in India and internationally.

**PublishMe (PMG):** PublishMe is a publishing agency that helps publishers launch their games in various geos, managing localisation of content and marketing. In Oct'23, Nodwin acquired a 100% stake in PublishMe for US\$ 2mn from its existing shareholders, NAZARA and Ozgur Ozalp.

**Freaks 4U Gaming:** In Dec'23, Nodwin invested Rs 330mn in Freaks 4U Gaming, a marketing services company for gaming and eSports, delivering its services worldwide especially in PC games. In Jan'24, Nodwin increased its stake to 13.51% with an investment of €8mn into the company. Nodwin has the option to acquire majority control of Freaks 4U in future. The new investment will give Nodwin access to Freaks 4U's network in developed markets such as Europe and North America, while Freaks 4U will get access to Nodwin's infrastructure across emerging markets Nodwin is present in.

**Comic Con India:** In Jan'24, Nodwin announced the acquisition of a 100% stake in Comic Con India through a cash and stock deal valued at Rs 550mn. With this buyout, Nodwin looks to diversify its youth portfolio and strategically expand its presence globally. The merger of Comic Con India into Nodwin will create a unique platform for gaming and pop culture enthusiasts, aiming to expand festivals to more cities and markets.

**Ninja Global FZCO:** Nodwin signed definitive agreements to acquire 100% of Ninja Global FZCO, with esports and gaming production assets in Turkey and the Middle East.

This acquisition, following closely after the acquisition of PublishMe, a games marketing services company, solidifies its presence in the rapidly expanding Middle East and Turkish markets.

PublishMe has successfully operated in Turkey and now plans to expand into the Middle East, leveraging relationships with current publishers from Turkey in this new market

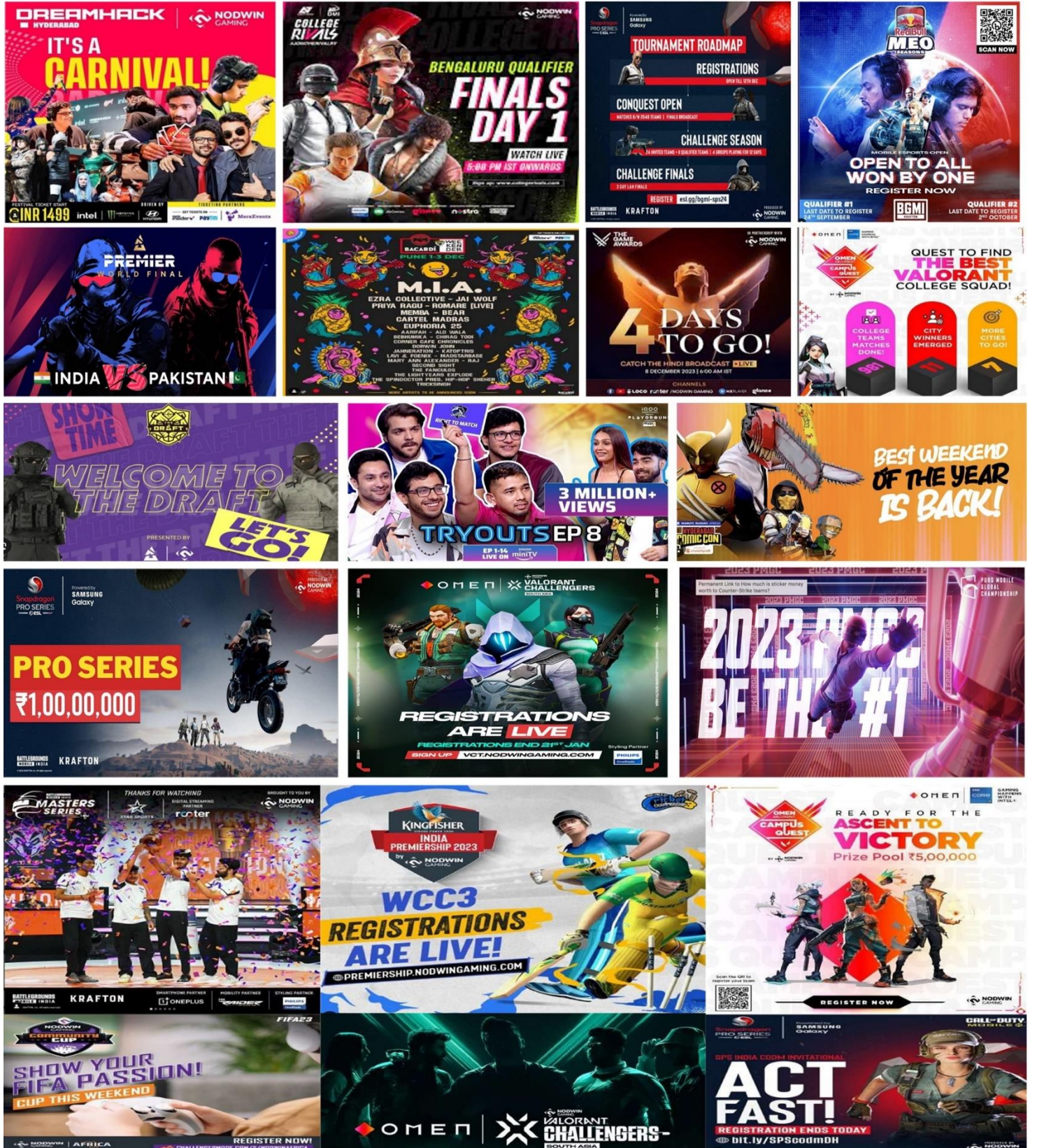


**Strong IP portfolio & ecosystem relationships should lead to faster scaling**

Nodwin intends to create/acquire many more IP events. Generally, a new IP takes 3-4 years to break even

Some key events hosted include Kingfisher India Premiership, DreamHack, Bacardi NH7 Weekender, BGMI Master Series, BGMI Champions Cup, All that Matters, PUBG Mobile Pro League South Asia (PMPL) , PUBG Mobile Club Open (PMCO) , OMEN Valorant Challengers South Asia and College Rivals. Further, the company has exclusive rights via partnerships with brands and publishers, to broadcast and distribute global media content of such partners through various online channels.

Exhibit 20: Nodwin’s portfolio of events

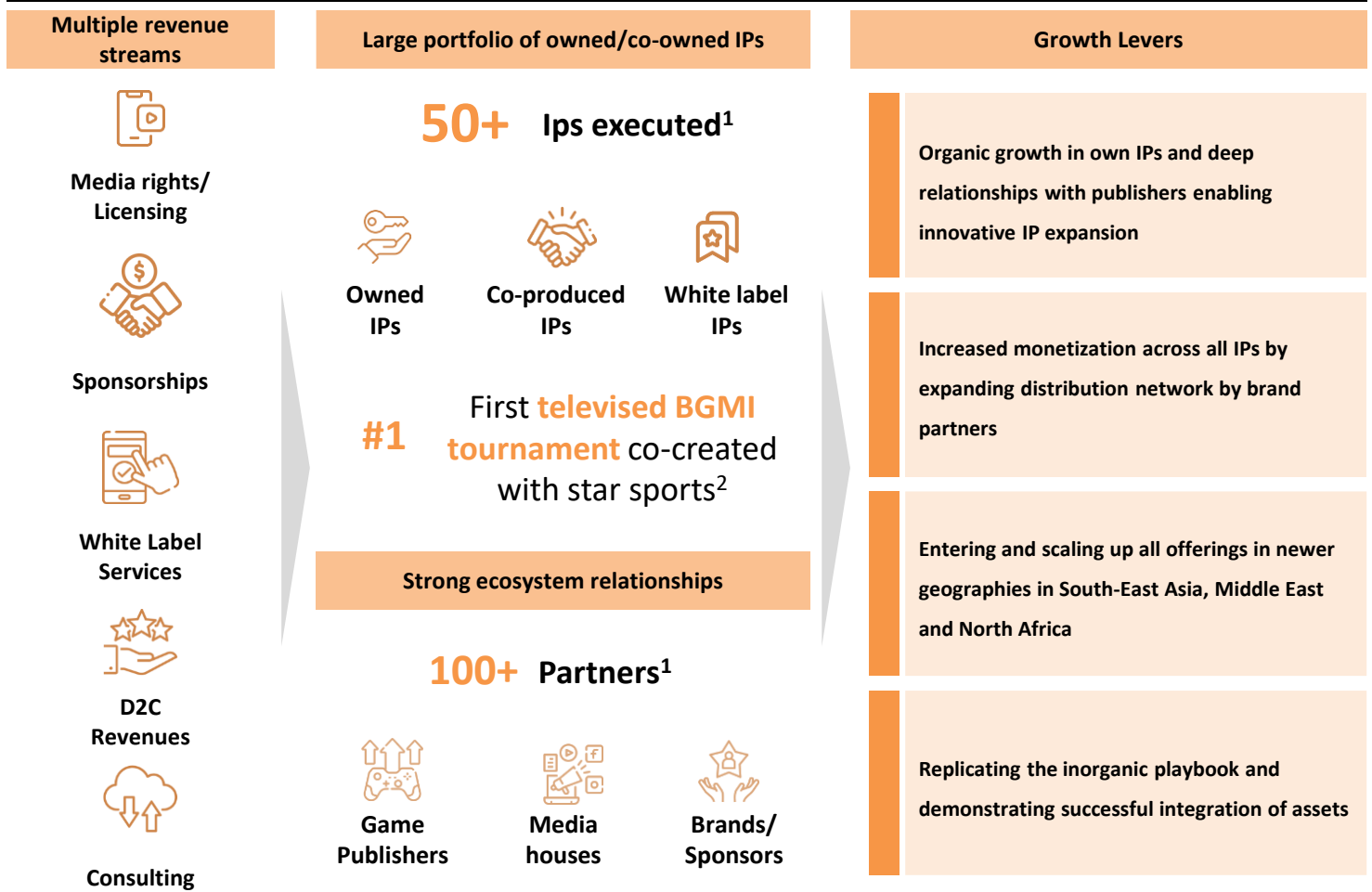


Source: Company, Equirus Securities



Multiple revenue streams for Nodwin in eSports

Exhibit 21: Strong IP portfolio & ecosystem relationships lead to faster scaling



Source: Company, Equirus Securities

*eSports media rights are currently in limbo given a shifting broadcasting/OTT landscape in India*

**Media rights:** Due to increasing viewership of eSports events, many media companies compete for broadcasting and distribution rights of various IPs owned/co-owned and licensed by Nodwin. So, higher number of hours of content produced and broadcasted drive media rights revenues. As the viewership of eSports events grows with the increase in number of gamers in India, revenue from media rights shall continue to grow exponentially.

**Sponsorships:** Nodwin conducts various online and offline events under its owned and co-owned IPs. It also executes sponsorship agreements with many popular brands for eSports events, as per which sponsors agree to pay Nodwin a fixed amount. Some sponsors also provide equipment for use in the event, such as monitors, as a part of the arrangement. Nodwin includes logos of sponsors in banners, introduction videos, waiting screens, and signs at offline events and in games being played by gamers. The company also mentions and calls out sponsor names by stage hosts, analysts, and commentators.

**White label & data services:** Game publishers approach Nodwin to host online/offline events and tournaments in India. Nodwin also handles tech infrastructure for game publishers in India. Typically, these agreements are event-specific and game publishers provide for fixed payments for the event. IP for such events remains with the game publisher.

Exhibit 22: Nodwin is able to create significant value for game publishers given its experience and tech infrastructure

Nazara builds and owns tech infrastructure on which global games run locally



Source: Company, Equirus Securities

Exhibit 23: Nodwin: Focus on creation of new IPs to help keep up momentum

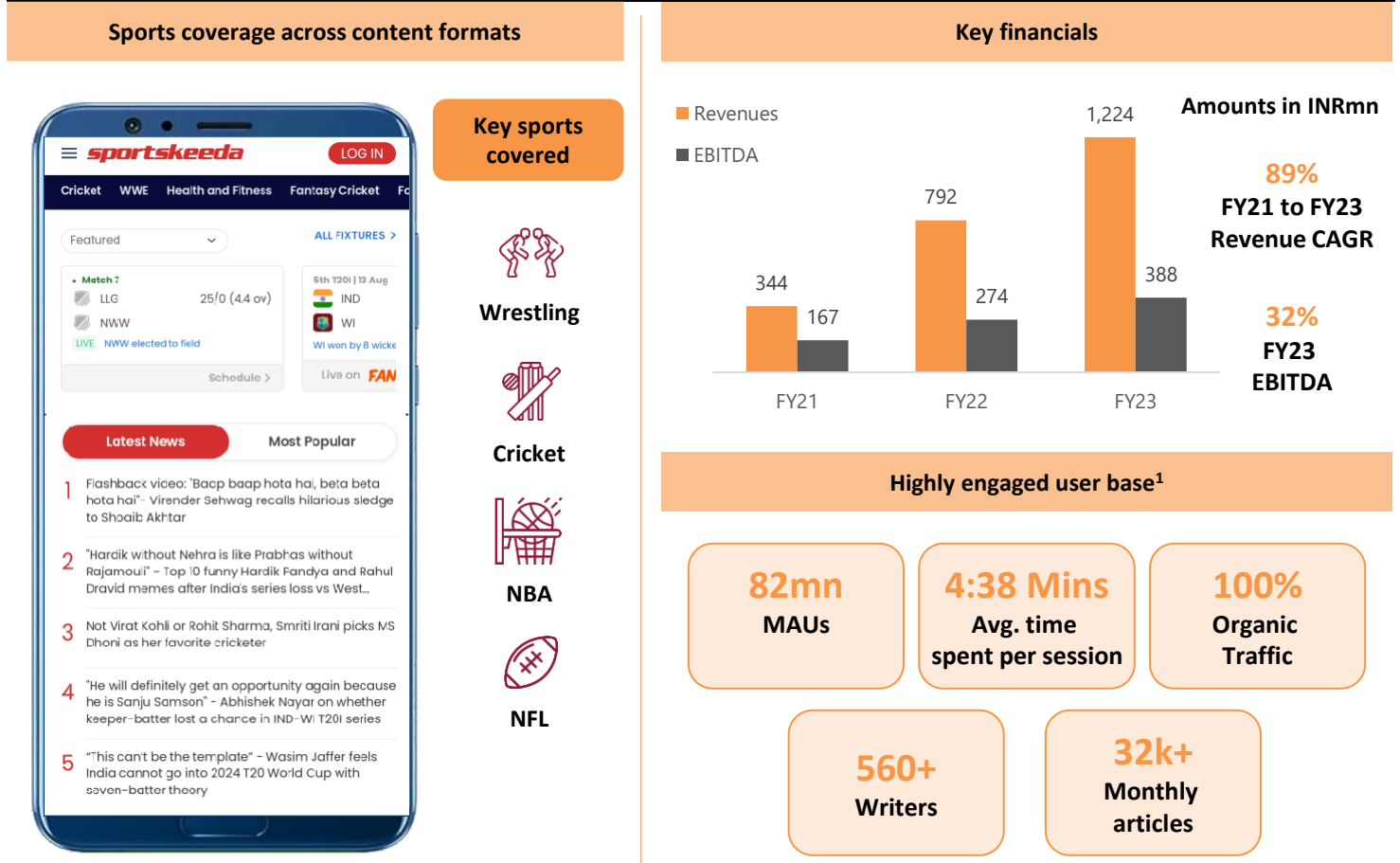
Nodwin	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-FY28E CAGR (%)
Revenue (Rs mn)	775	1,357	2,108	3,887	4,363	5,183	7,072	9,664	13,224	28%
Growth (%)		75%	55%	84%	12%	19%	36%	37%	37%	
EBITDA (Rs mn)	72	122	157	70	-56	212	362	522	750	61%
EBITDA Margin (%)	9.3%	9.0%	7.4%	1.8%	-1.3%	4.1%	5.1%	5.4%	5.7%	

Source: Company, Equirus Securities

## Sportskeeda: Multi-sports news destination platform

NAZARA entered this segment in FY20 with the acquisition of Absolute Sports, and has scaled up the Sportskeeda business post-acquisition. Average monthly active users (MAUs) for Sportskeeda have increased from 16mn in FY20 to 82mn as of 1QFY24.

Exhibit 24: Sportskeeda: Engaging sports media play

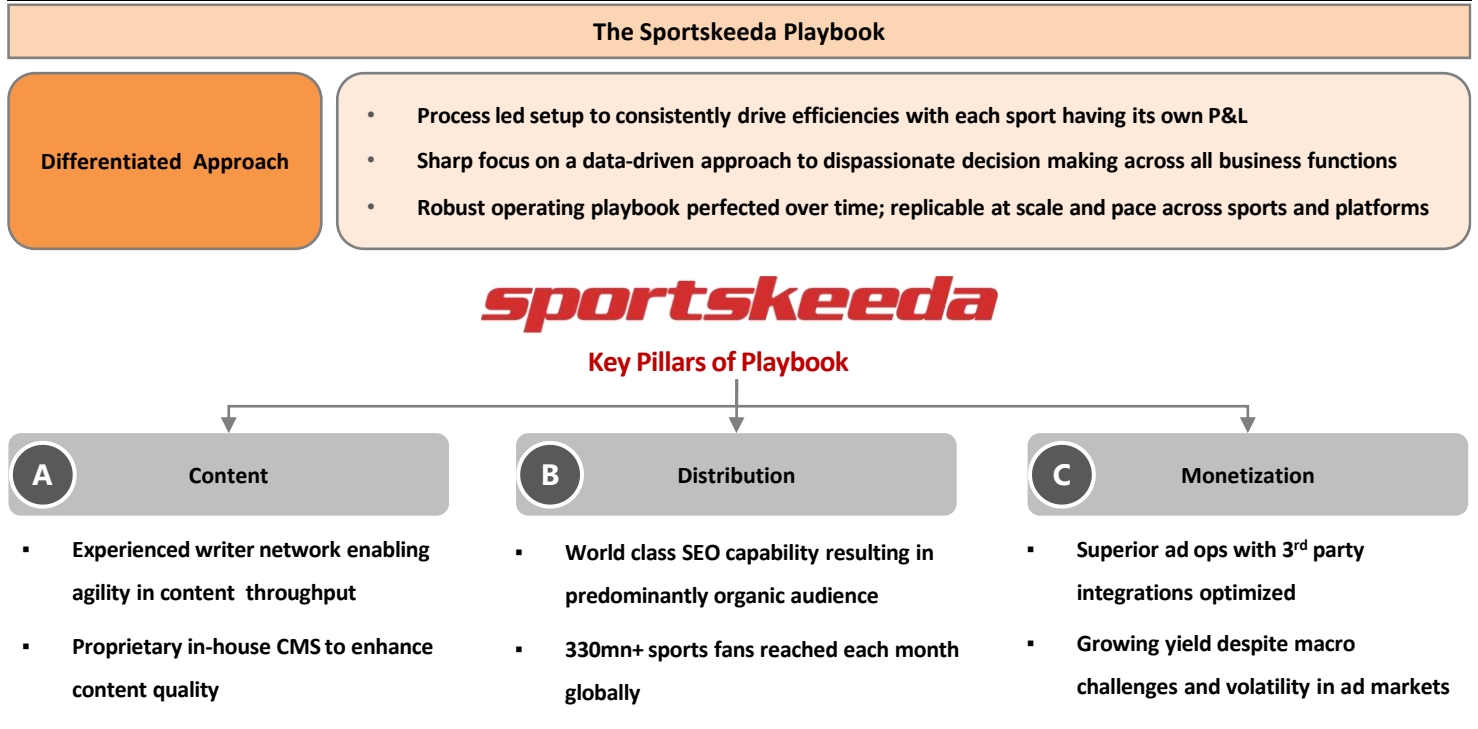


Source: Company, Equirus Securities; Note 1: Engagement metrics are for 1QFY24

Sportskeeda’s content focuses on Combat Sports (WWE, MMA), Cricket and eSports (the largest eSports news website in India), and is mainly sourced from freelance sports journalists in India and abroad. The website sources images directly from IP owners or through third-party image providers. It generates revenues by displaying advertisements, which are sourced through ad networks and programmatic demand channels, enabling the company to monetise user visits and impressions.

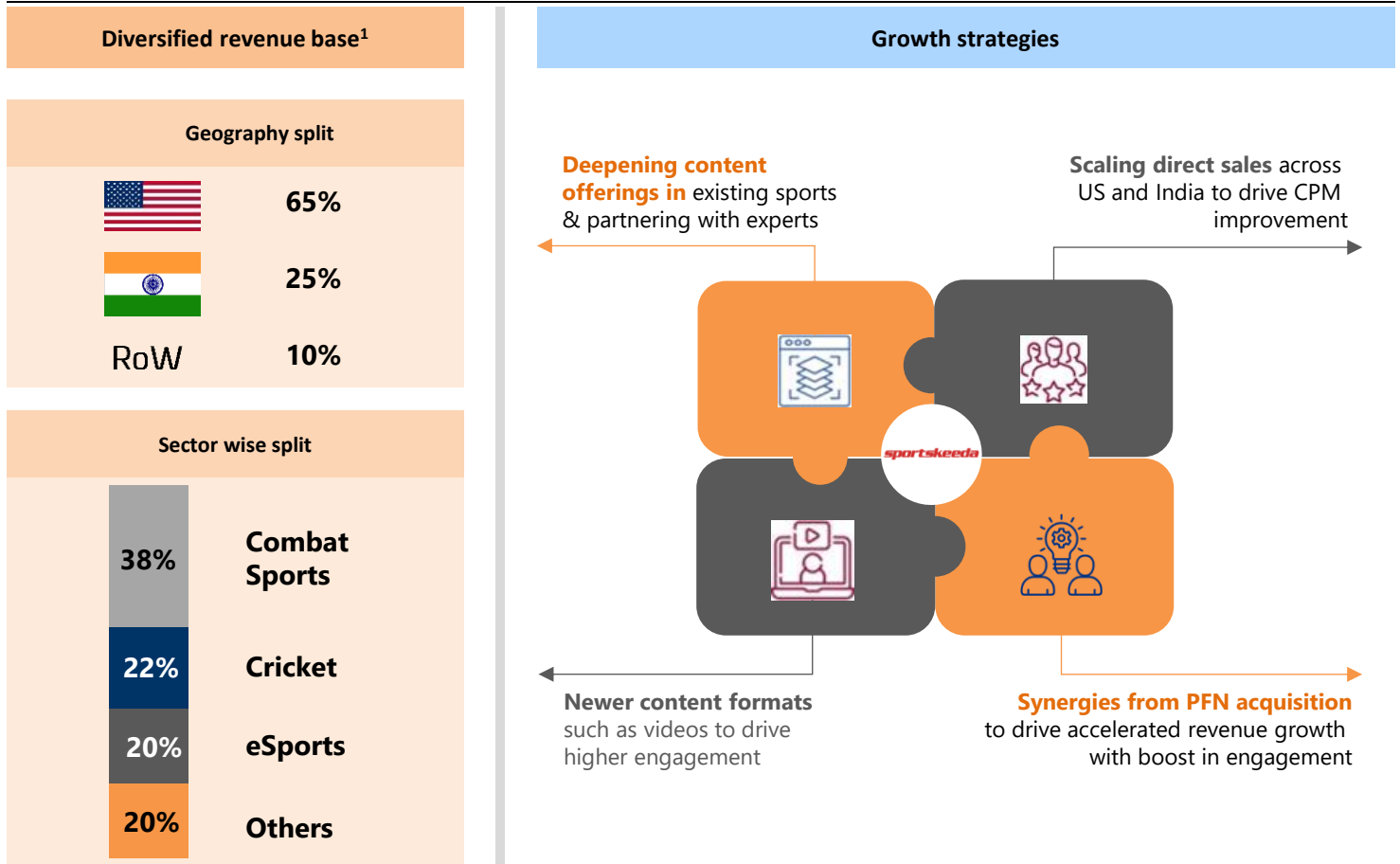
As the viewership of eSports events increases, the readership of eSports related content would also increase, ensuring more visitors to Sportskeeda and hence more advertising revenues.

Exhibit 25: Proven operational success in India and US



Source: Company, Equirus Securities

Exhibit 26: Diversified revenue base with concrete growth levers



Source: Company, Equirus Securities; Note: 1. Revenue Splits are for FY23

*Cricbuzz.com and espnricinfo.com enjoy better brand recall than Sportskeeda*

Given that cricket is the most-watched sport in India, we compared the performance of Sportskeeda with leading cricket websites i.e., espnricinfo.com and cricbuzz.com. Total visits on cricbuzz.com and espnricinfo.com are significantly higher than Sportskeeda.com.



High bounce rates and traffic sourcing data for Sportskeeda suggest that most visitors reach the website through links on Facebook or Google. In contrast, espnricinfo.com and cricbuzz.com have >70% direct traffic, pointing to a higher brand recall for these websites.

*At \$15 bn in revenue, NFL is the largest sports league in the world by revenue*

**Pro Football Network – a premium source of coverage and analysis of NFL**

Sportskeeda acquired a 73% stake in Pro Football Network (PFN) – a premium source of coverage and analysis of NFL in the US – in Mar’23 for US\$ 1.82mn. With more than 5mn MAUs, PFN is ranked third amongst the top NFL-focused media website in the US, as per SimilarWeb rankings in Jan’23.

**Exhibit 27: Growing US footprint with the acquisition of a 73% stake in Pro Football Network**

Acquisition Rationale: Growing US Footprint		Initial Results Successful
<ul style="list-style-type: none"> <li>▪ Leading voice in NFL (ranked #3); multi-format publisher</li> <li>▪ Exclusive contracts with celebrity NFL journalists</li> <li>▪ Doubling SK’s NFL presence (4mn to 10mn in MAUs)</li> <li>▪ Attractive entry point (valued at ~1.2x LTM sales) with clear path to profitability</li> </ul> <div style="text-align: center; margin-top: 10px;"> <p><b>Offerings</b></p>   </div>	<p><b>SK Content Playbook</b> Lean on Sportskeeda’s capabilities to enhance content throughput</p> <p><b>Tech Intervention</b> Leverage SK’s proprietary technology to enhance SEO, user acquisition</p> <p><b>Cost Optimization</b> Overhead reduction across business functions</p>	<ul style="list-style-type: none"> <li>▪ PFN (Pro Football Network) reached #2 NFL ranking in September as per Similar web</li> <li>▪ First month of EBITDA profitability in September</li> <li>▪ Significant scale up in user base (100%+ YoY Growth)</li> </ul>

Source: Company, Equirus Securities

*Sportskeeda, along with PFN, is experiencing high growth in the US sports media market*

Sportskeeda is ranked no. 6 in the sports domain in the US, while PFN no. 3 in the American football domain. With a strong presence in the US, Sportskeeda has reached critical mass, enabling a shift towards more direct selling to customers, which is expected to drive EBITDA growth. Building on the success of direct sales in India over the past 18 months, Sportskeeda is establishing a presence in the US for direct sales, with plans to further monetize existing inventory. This strategic move will allow for increased creation of video content and faster addition of new sports offerings.

Sportskeeda revenues would continue exceeding MAU growth driven by a revenue mix shift between India and the US and increasing contribution from direct sales.



## Exhibit 28: Sportskeeda and PFN continue to grow in the US sports media market

Sportskeeda- #6 Rank in Sports Domain in the US		PFN- #3 Rank in American Football Domains in the US	
Domain	Unique Visitors (mn)	Domain	Unique Visitors (mn)
espn.com	62.7	nfl.com	30.9
si.com	42.1	thesportsdrop.com	9.4
nfl.com	30.9	<b>profootballnetwork.com</b>	<b>5.2</b>
dickssportinggoods.com	29.8	Pro-football-reference.com	4.8
cbssports.com	27.7	newsnationnow.com	4.3
<b>Sportskeeda.com</b>	<b>19.8</b>	atozsports.com	3.8
Fubo.tv	17.6	wisportsheroics.com	3.2
Sports.yahoo.com	17.1	fbschedules.com	2.9
marca.com	14.2	saturdaydownsouth.com	2.4
Rei.com	13.3	dallascowboys.com	2.0

Source: Company, Equirus Securities

## Exhibit 29: Sportskeeda: High operating leverage business model

Sportskeeda	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-FY28E CAGR (%)
Revenue (Rs mn)	142	344	792	1,224	1,886	2,307	2,768	3,294	3,887	26%
Growth (%)		142%	130%	55%	54%	22%	20%	19%	18%	
EBITDA (Rs mn)	14	167	274	388	616	751	908	1,089	1,294	27%
EBITDA Margin (%)	9.5%	48.5%	34.6%	31.7%	32.6%	32.6%	32.8%	33.1%	33.3%	

Source: Company, Equirus Securities

## Gaming: Fastest growing segment in M&E industry

COVID-19 has helped the gaming industry gain on engagements

Global gaming is twice as large as movies and music

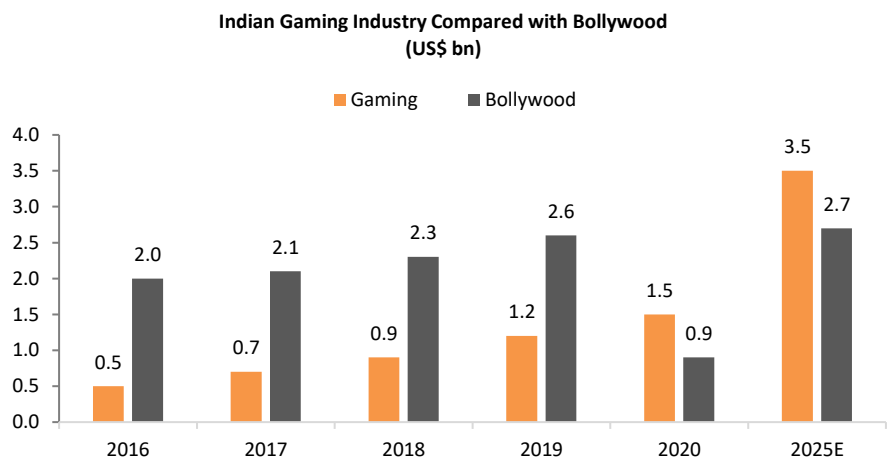
Gaming has gone through a paradigm shift during the COVID-19 pandemic and no longer considered a form of escapism; rather, it has become an integral part of today’s economic transformation. Gaming has attained global relevance, as visible in the astronomic rise in viewership, engagement, investments, and opportunities. Mobile gaming, the most sought after and most convenient way of gaming, will be a critical growth driver ahead. Newer gaming segments such as simulation and gamified early learning have also seen good traction.

eSports – gaming through competitive online engagements – receives huge attention at the global stage. eSports has played a crucial role in bringing gaming to the mainstream M&E industry and is expected to be an alternative to traditional sports in future. When compared to other M&E segments, the gaming industry became twice the combined size of movies and music in 2017.

### Indian gaming industry at an inflection point

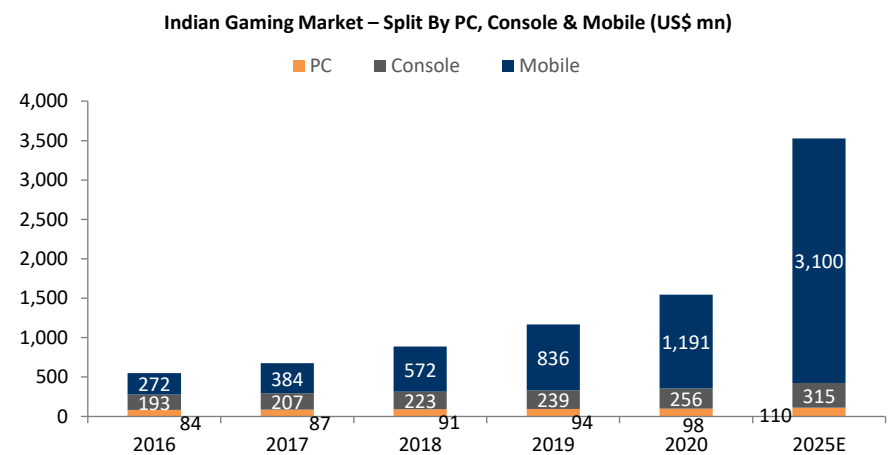
With improvement in the quality and number of engaging games, along with growth of digital infra, the Indian gaming industry is estimated to touch US\$ 3.5bn by 2025. Cheap high-speed internet and smartphones have driven this growth, with gaming revenues estimated to surpass Indian film industry’s revenues by 2025. The number of game developers has surged due to massive growth in the number of gamers – by almost 10x in the last decade.

Exhibit 30: Indian gaming industry vs. film industry



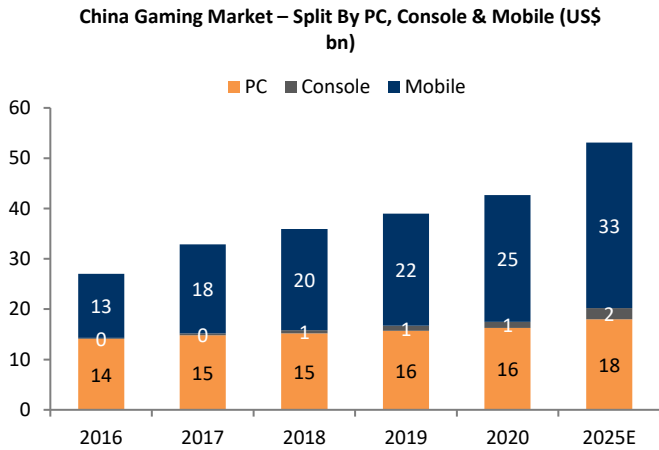
Source: Frost & Sullivan, Investopedia, Equirus Estimates

Exhibit 31: Indian gaming market is mobile driven



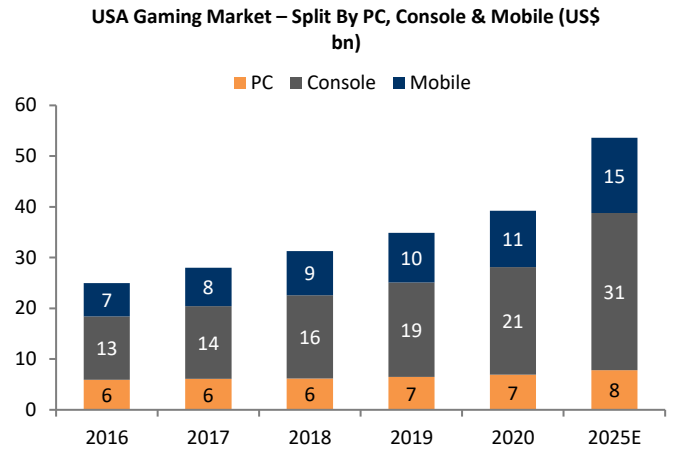
Source: Frost & Sullivan, Equirus Estimates

Exhibit 32: China still uses a lot of PC gaming



Source: Frost & Sullivan, Equirus Estimates

Exhibit 33: Console gaming is still big in the US



Source: Frost & Sullivan, Equirus Estimates

### Key growth drivers for gaming in India

#### Gaming – the most cost-effective form of entertainment

Gaming purchases have undergone a shift over the past few years, with end users buying a specific console from developers providing free-to-play games, and then being charged for in-app-purchases (IAP). This enables consumers to try the product before taking a purchase decision. Popular games such as *PUBG*, *Fortnite* and *Dota* work on a similar revenue model and success is evident from *Fortnite's* 2022 revenues (US\$ 6bn). These types of models would do even better in price-sensitive countries such as India as they provide flexible and scalable payment options.

Another growth factor is streaming of games, making it possible to socialise via platforms like YouTube and Twitch. Yet another promising area is cloud gaming, which eliminates the need of high-end hardware to play games loaded on cloud on anything with a screen. This would make gaming a lot more cost efficient, and make gamers move from spending high on consoles to games.

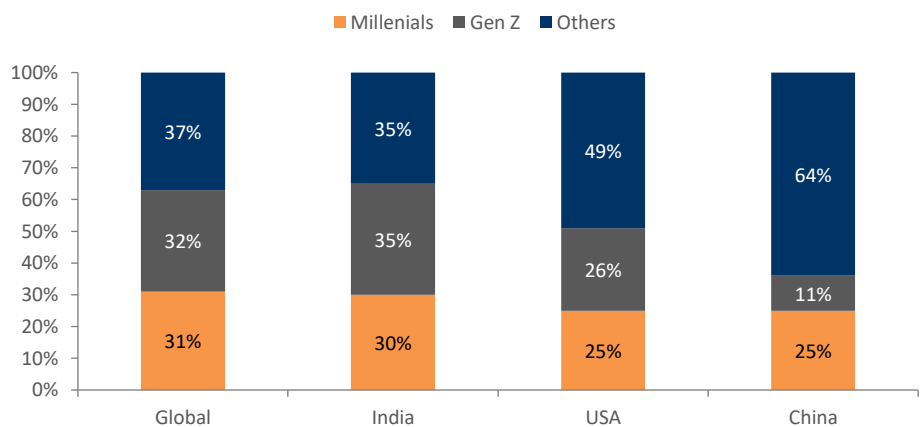
#### Growing eSports culture to help buoy consumer base

eSports has grown exponentially over the years and competition events could give a strong fight to traditional media events with audiences live-streaming content instead of broadcasting it. New games and formats have helped eSports in growing the consumer base.

#### Better demographics: Higher mix of Gen Z population

The Gen Z population is more tech savvy and engages in gaming much more than other groups. India has the highest mix of such younger population which would support growth in the gaming industry.

Exhibit 34: India has a higher mix of GenZ population, which would support gaming



Source: Frost & Sullivan, Equirus Estimates

IAP and cloud gaming to make gaming cost effective for end users

Exhibit 35: Average revenue per gamer is still low in India (2020)

Particulars	Gaming revenues (US\$ bn)	Online Gamers (mn)	Average revenue per gamer (US\$)	Gaming penetration
China	43	650	66	50%
USA	39	166	236	66%
India	1.5	380	4	30%

Source: Frost & Sullivan, Equirus Estimates

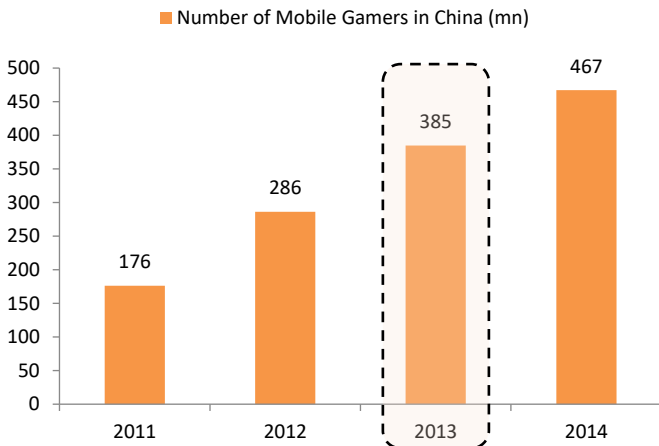
### Mobile gaming to lead growth in next decade

Increasing penetration of smartphones, lower internet costs, and high-speed internet would drive growth in India’s mobile gaming market. Developed markets have matured in the revenue model stage, moving from the ‘download’ phase to increasing usage of apps (which leads to revenue growth). In contrast, India is still in the ‘app download’ stage and monetisation is yet to peak, deterred by low spending patterns and payment channels. The number of downloads and usage in India has exploded across multiple categories; also, engaged gamers are increasingly paying for gaming content. This has led to a huge increase in game developers, from merely 25 in 2010 to more than 400 as of now. Console gaming is losing relevance as the ease of mobile gaming takes precedence.

While India’s internet users have spiked, it is still in an ‘app download’ stage with monetisation is yet to peak

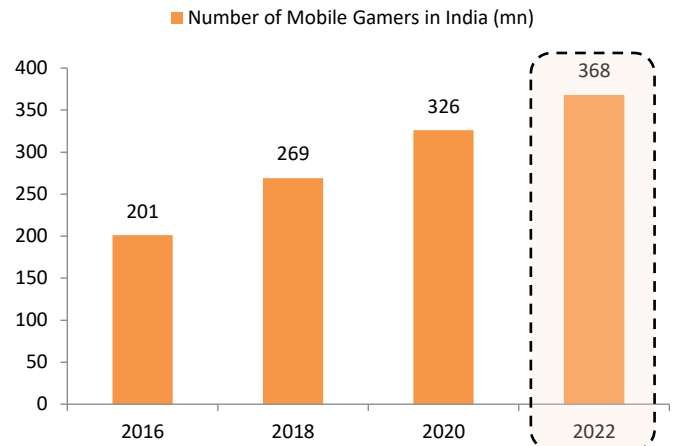
A time series comparison of India’s mobile gaming market with that of China’s shows that India is around 8-9 years behind China.

Exhibit 36: Number of mobile gamers in China in 2013...



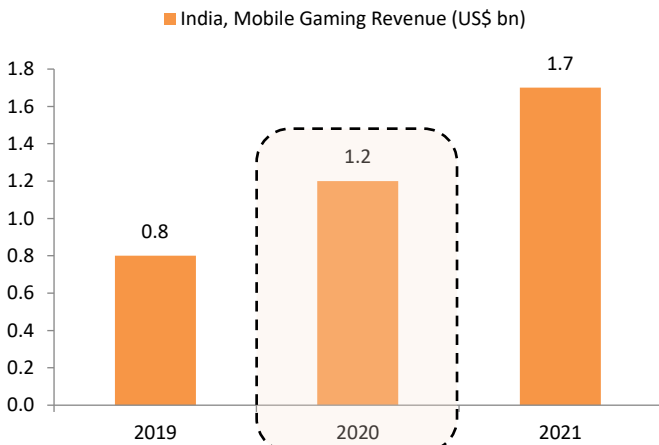
Source: Frost & Sullivan, Equirus Securities

Exhibit 37: ...is similar to number of mobile gamers in India in 2022



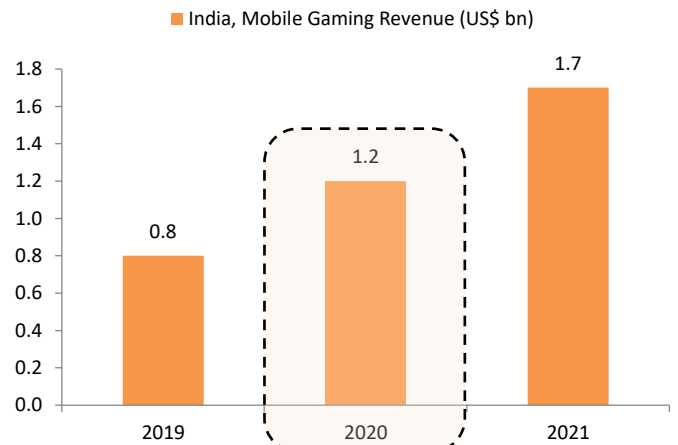
Source: Frost & Sullivan, Equirus Securities

Exhibit 38: China’s mobile gaming industry size in 2012...



Source: Frost & Sullivan, Equirus Securities

Exhibit 39: ...is similar to India’s industry size in 2020



Source: Frost & Sullivan, Equirus Securities

### Emerging revenue models in mobile gaming industry

**Freemium/in-app purchases:** Basic features of games are allowed to be played for free; but gamers have to pay for in-game features or functions like new maps. About 95% of consumer spends on mobile gaming come from IAP. In India, though IAP is growing amongst the mid and hard-core base of players, revenue per paying user is low as willingness to pay is much lower vis-à-vis global average.

**Subscription:** Users can play the game for free for a limited period, post which pay a recurring fee to continue using the game. This model provides a constant cash-flow stream to the developer. Once a user pays for the game, it is highly likely that he would continue playing the game.

**In-app advertising:** Developers generate revenue via in-game ads like banner ads appearing in some part of the screen/full screen ads. Banner ads are dying out as they have limited engagement. In-app ads have a very high click through rate (CTR) – three times than that of website ads.

**Outright purchase:** Users are asked to pay before downloading the game or pay after using its preview. While users are asked for a one-time payment here, those under the subscription model are charged small recurring fees at regular intervals.

The freemium model is getting the most attention as customers do not have to pay for game trials. Only 3% of games on Google Play Store are paid games. In this model, user only pays to get additional contents or features in the game; it is of paramount importance to generate user engagement to continue monetising the game and keeping it alive. The success of IAP is more prominent in mid and hardcore gamers as this segment has the propensity to pay.

*Freemium model getting the most attention as customers do not have to pay for game trials*

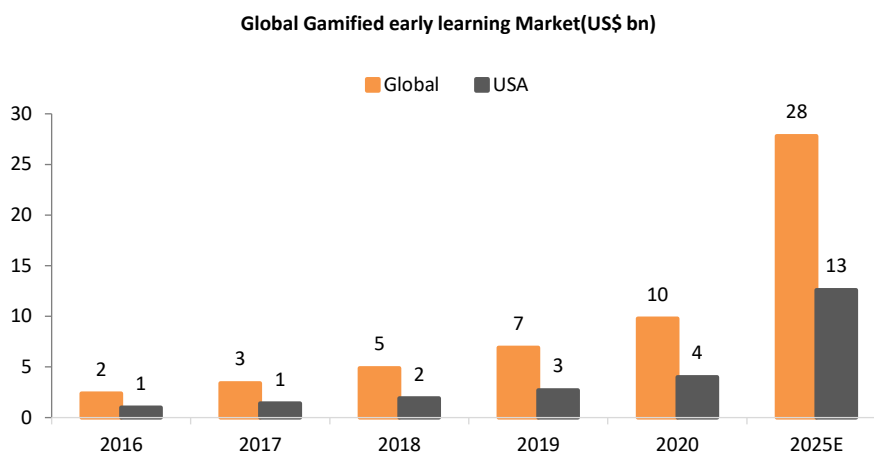
## Gamified Early Learning: Good Unit Economics, Scaling Required

Gamified early learning – as the name suggests – brings in an element of fun to learning by making it more interactive and engaging. This segment does not aim to replace the traditional classroom education system but aid the learning process by adding fun to it.

The global gamified learning market is estimated to grow to US\$ 28bn by 2025; US is the biggest market (~45% share), with an estimated market size of US\$ 13bn. While China has been embracing gamification in its education sector, the idea of gamification is yet to take off in India.

*Gamification in the education sector yet to take off in India*

**Exhibit 40: Global gamified early learning market**



Source: eSchoolNews, Elearning Industry, Frost & Sullivan, Equirus Estimates

### Kiddopia: #2 grossing app for kids (2-8 years) in the US

*Kiddopia is ad-free. Limited amount of content is available for free, and full content is accessible on monthly/annual subscription*

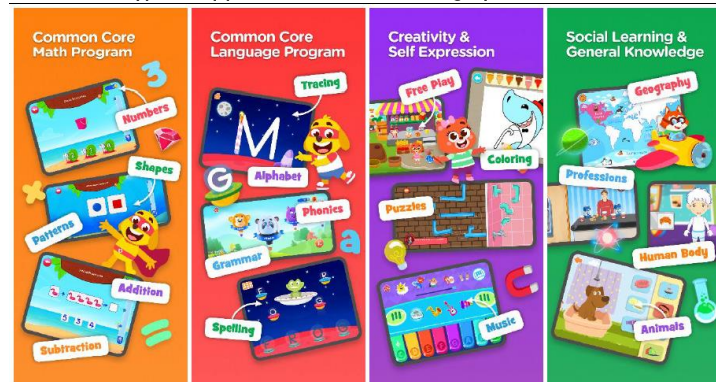
NAZARA entered this business with the acquisition of Paper Boat Apps in FY20. Kiddopia, its flagship app in the gamified learning space, is subscription-based and caters to 2–8-year-olds in North America (US 80+%; RoW 20%). The entire content for Kiddopia has been conceptualised, designed, and developed in-house. Apart from teaching maths and language skills, Kiddopia activities help develop social learning, general knowledge, problem solving, creativity and self-expression. Limited number of activities on this ad-free app are free of cost, and full content is accessible on (monthly/annual) subscription. Rankings have consistently improved since NAZARA's acquisition and it is currently no. 2 grossing app for kids (under 5 years) in the US, according to App Annie's Top Grossing rank.

**Exhibit 41: Kiddopia – NAZARA’s flagship app**



Source: Company, Equirus Securities

**Exhibit 42: Typical app interface and learning cycles**



Source: Company, Equirus Securities

*Stiff competition from established players like Spin Master is denting growth in Kiddopia’s paying subscribers*

Kiddopia had 115,220 paying subscribers at the time of acquisition; the number has grown to 273,249 as of 3QFY24. However, a change in Apple's policy in Apr'21 (Google, Facebook barred to track user device IDs, unless users opt for them) has made it expensive to target potential subscribers.

To overcome this user acquisition barrier, Kiddopia is exploring IP licensing of well-known characters from Hasbro, Mattel, or Disney, to integrate them into Kiddopia games. This would boost the ability to acquire users and drive more organic growth.

Exhibit 43: Kiddopia quarterly KPIs

Operating Metrics	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
<b>Paid Subscribers</b>	3,21,763	3,24,699	3,27,738	3,08,684	3,01,916	2,99,965	3,10,981	3,11,758	3,01,714	2,92,488	2,73,249
Growth (yoy%)	25%	16%	4%	-9%	-6%	-8%	-5%	1%	0%	-2%	-12%
Growth (qoq%)	-5%	1%	1%	-6%	-2%	-1%	4%	0%	-3%	-3%	-7%
<b>Avg. Churn</b>	6.5%	5.3%	5.5%	6.8%	5.9%	6.5%	5.9%	6.4%	5.9%	6.2%	6.7%
<b>Cost Per Trial (US\$)</b>	27	33	35	36	39	38	37	36	39	39	41
Growth (yoy%)	11%	92%	47%	38%	46%	14%	8%	0%	0%	3%	10%
Growth (qoq%)	3%	23%	4%	4%	9%	-4%	-2%	-4%	9%	-1%	5%
<b>Avg. Activation Rate</b>	71%	71%	71%	70%	70%	70%	70%	68%	68%	66%	67%
<b>Avg. ARPU (USD)</b>	6.4	6.6	6.7	6.7	6.7	6.8	6.8	6.8	6.8	6.6	6.8
Growth (yoy%)	2%	5%	6%	5%	4%	3%	1%	2%	1%	-2%	1%
Growth (qoq%)	0%	3%	2%	0%	0%	1%	0%	1%	-1%	-2%	3%
<b>Marketing Spends (US\$ mn)</b>	1.8	2.6	2.8	2.4	2.7	3.1	3.4	3.2	2.6	2.7	2.3
Growth (yoy%)	-62%	37%	0%	-23%	50%	19%	21%	33%	-4%	-13%	-32%
Growth (qoq%)	-42%	44%	8%	-14%	13%	15%	10%	-6%	-19%	4%	-15%

Source: Company, Equirus Securities

Commission to app stores and advertising are the two main costs for the segment. Since all content development work happens in India, employee and other expenses are under control.

ABCmouse.com, the no.1 app in the US, is a leading digital learning resource for kids aged 2-8 with a comprehensive online curriculum. As a part of its growth strategy, ABCmouse.com entered into the education space for elder kids. According to media reports, post VC funding in 2021, Age of Learning Inc. had a post-money valuation of US\$ 3bn. As per management, Kiddopia has a 4-5% market share in the US market and the market leader, ABCmouse.com, is nearly 8 times the size of Kiddopia.

*As per management, Kiddopia has a 4-5% market share in the US and the market leader, ABCmouse.com, is nearly 8 times the size of Kiddopia*

Exhibit 44: Kiddopia's ranking, currently at no. 2, has consistently improved since NAZARA's acquisition



Source: Industry, Equirus Securities

Exhibit 45: Kiddopia: Focus on IP licensing of well-known characters to overcome user acquisition barriers

Kiddopia	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-FY28E CAGR (%)
<b>Revenue (Rs mn)</b>	582	1,759	2,044	2,206	2,217	2,198	2,535	3,021	3,601	10%
Growth (%)		202%	16%	8%	0%	-1%	15%	19%	19%	
<b>EBITDA (Rs mn)</b>	-33	126	510	357	593	461	466	556	662	13%
<b>EBITDA Margin (%)</b>	-5.6%	7.1%	25.0%	16.2%	26.7%	21.0%	18.4%	18.4%	18.4%	

Source: Company, Equirus Securities



### Animal Jam: #1 grossing app for kids (9-11 years) in the US

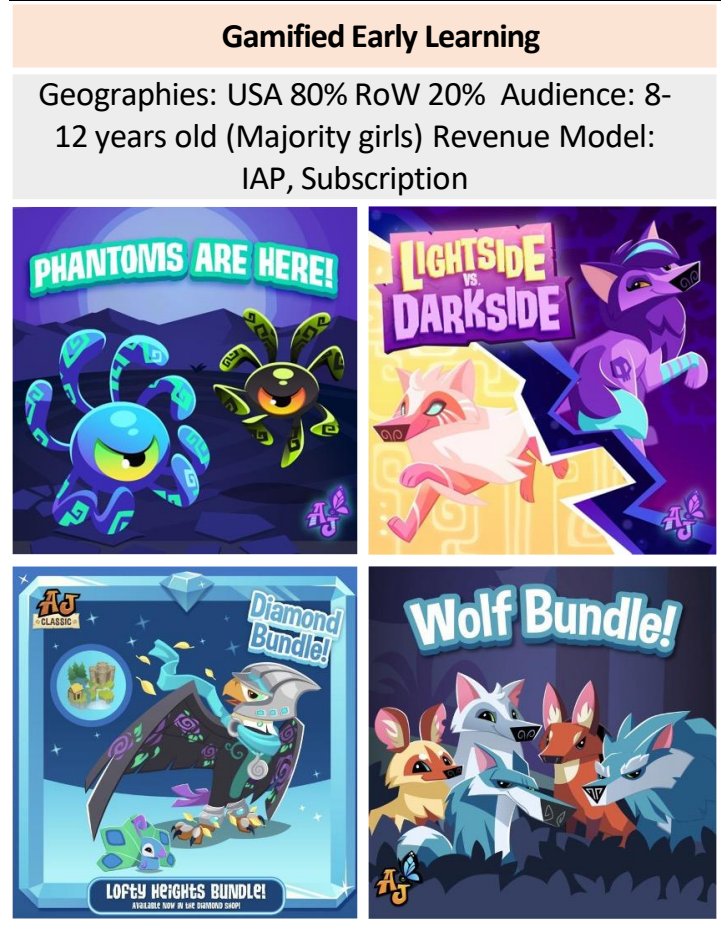
NAZARA acquired 100% of WildWorks for US\$10.4mn in Aug'22. Animal Jam focuses on content updates to drive user engagement and acquisition initiatives to drive subscriber growth. This includes setting up in-app events and running campaigns on TikTok with mini-influencers for user acquisition.

Exhibit 46: Animal Jam – NAZARA’s flagship app for kids (9-11 years)



Source: Company, Equirus Securities

Exhibit 47: App interface of Animal Jam



Source: Company, Equirus Securities

Exhibit 48: Animal Jam: Focus on content updates, in-app events, and IP licensing to drive growth

Animal Jam	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-FY28E CAGR (%)
Revenue (Rs mn)	522	967	1,104	1,292	1,539	1,835	29%
Growth (%)		85%	14%	17%	19%	19%	
EBITDA (Rs mn)	45	225	231	238	283	337	50%
EBITDA Margin (%)	8.6%	23.2%	20.9%	18.4%	18.4%	18.4%	

Source: Company, Equirus Securities

## Freemium: Multiple synergies with eSports but scaling up pertinent

NAZARA operates in the freemium segment through its subsidiary, Nextwave Multimedia, that it acquired in FY18. The user base of these games is mainly aged 15-25 years, followed by players in the 25-45-year group. Main revenue sources for a freemium game are advertisements and IAPs. Currently, most segment revenues are generated from advertisements (~70%). The progression of UPI and digital payments in India is expected to provide strong tailwinds for IAPs.

### WCC – a famous cricket simulation game in India – consistently updated and refined

Nextwave owns the World Cricket Championship (WCC) – the largest cricket simulation game on mobile. Over the years, Nextwave has continuously updated and refined the WCC gaming interface, introducing new content and launching newer versions of the game (WCC3 being the latest). Nextwave transitioned WCC2 and WCC3 to online-only mode, requiring customers who want to play offline to either pay or watch a rewarded video ad. This shift has increased ARPU and improved the LTV/CAC equation. Nextwave has also revamped ad monetization, live ops, brand sales, and user acquisition operations. This includes significant changes to existing games, WCC2 and WCC3, as well as the launch of a new game planned for 1QFY25.

The Indian gaming market tends to see higher IAP in games with strong multiplayer and social community features, such as BGMI, Free Fire, and Call of Duty Mobile.

WCC remains a single-player game as infrastructure limitations prevent a robust multiplayer experience. WCC lacks a social community aspect, contributing to its low IAP.

Exhibit 49: Next Wave: Freemium segment margins typically trend in a high range at scale

Next Wave (WCC)	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-FY28E CAGR (%)
Revenue (Rs mn)	180	188	237	234	295	419	566	736	25%
Growth (%)		4%	26%	-1%	26%	42%	35%	30%	
EBITDA (Rs mn)	46	36	62	51	46	70	100	137	17%
EBITDA Margin (%)	25.6%	19.1%	26.2%	21.8%	15.7%	16.7%	17.7%	18.7%	

Source: Company, Equirus Securities

### Nazara Publishing : promoting the ‘Make in India’ vision in gaming

India’s gaming industry presents a promising opportunity for ‘Make in India’, allowing Indian developers to create high-quality games for both domestic and global markets. NAZARA's new division, Nazara Publishing, aims to provide capital and services to assist developers in creating top-quality games. NAZARA will allocate capital to developers requiring funding for game development, team building, and related activities, taking equity stakes in these companies. The eclectic mix of games selected for publication includes (a) 'Gravity Shooter' by Smash Head Studios, a thrilling 2D action game; (b) 'World Cricket League' from Wandermind Labs, offering a 3D multiplayer cricket experience; (c) 'Hacked: Password Puzzle' by Pixcell Play, a challenging puzzle game; and (d) ATG Studios' 'Laser Tanks' and 'Paperly', both promising unique gaming experiences across varied genres.

NAZARA aims to publish 20 games in the next 12-18 months, investing Rs 10mn-Rs 30mn per game.

The sports genre, due to its longer shelf life than others, has been NAZARA’s focus area

Nextwave aims to launch WCC in global markets where ARPU would be much higher

Free Fire has an IAP conversion of 3-4%; as against this, the number for WCC stands at a measly 0.1%

With increasing number of Indian games, it is only a matter of time before an Indian game publisher creates a breakout hit

**Exhibit 50: Very few Indian games like Ludo King and Teen Patti feature in the top mobile games in India (2020)**

Game	Game type	Genre	Publisher	Downloads	MAUs	Consumer spend
Ludo King	Casual gaming	Board	Gametion	1	1	
PUBG Mobile	Casual gaming	Action	Tencent	6	2	2
Free Fire	Casual gaming	Action	Sea	4	3	1
Candy Crush Saga	Casual gaming	Casual	Activision Blizzard		4	9
Carrom Pool	Casual gaming	Board	Miniclip	2	5	
Subway Surfers	Casual gaming	Arcade	Sybo	7	6	
Bubble shooter by Llyon	Casual gaming	Casual	Miniclip	5	7	
Hunter Assassin	Casual gaming	Action	Ruby Oyun Ve Yazilim Danismanlik	3	8	
Callbreak Multiplayer	Transaction based gaming	Card	Sujan Shakya		9	
Temple Run 2	Casual gaming	Action	Imangi	9	10	
Subway Princess Runner	Casual gaming	Action	Tax Vietnam Technology	8		
Hill Climb Racing	Casual gaming	Racing	Fingersoft	10		
Coin Master	Casual gaming	Adventure	Moon Active			3
Teen Patti	Transaction based gaming	Casino	Octro			4
Clash of Clans	Casual gaming	Strategy	Supercell			5
Call of Duty: Mobile	Casual gaming	Action	Activision Publishing, Inc			6
Teen Patti Gold	Transaction based gaming	Casino	Moonfrog			7
Lords Mobile	Casual gaming	Strategy	IGG			8
Gardenscapes – New Acres	Casual gaming	Puzzle	Playrix			10

Source: Company, Equirus Securities

Nazara Publishing is adopting a platform approach, similar to companies like Zupee and Winzo, by collaborating with multiple game development studios to publish their games on its platforms. This approach is particularly beneficial for casual games, as it spreads the risk of unsuccessful games while expanding the user acquisition funnel and increasing cross-selling opportunities. NAZARA launched a Nazara SDK, embedded in each of these games, to build a large network that can provide additional value addition such as cross-promotion and access to more first-party data.

## Real Money Gaming: Scale-up via acquisitions in near term

NAZARA's acquisition of HalaPlay in FY19 marked its entry into fantasy sports (FS). NAZARA also acquired 100% of OpenPlay, a real money gaming (RMG) company offering online rummy on its platform, in 2QFY22.

The RMG segment relies heavily on network effects and requires user concurrency, liquidity of money, and a trusted brand to succeed. In Jul'23, the GST Council decided to levy a 28% tax on real money game deposits, effective 1 Oct'23. Currently, ~400 startups operate in the RMG space. RMG players will have to reduce the bonuses issued and increase the commission charged. They also need to incentivise users to withdraw less frequently, thus keeping more money in the system (rather than continuous withdrawing and depositing) to reduce the outgoing tax liability.

These platforms are not fully passing on the 28% GST rate to end-users, fearing loss of market share, and consumers continue to play as before. This is intensifying the cash crunch for RMG players.

Cautious investor sentiment towards the RMG space suggests consolidation is a distinct possibility. The steep correction in valuations (>50% down rounds) and the belief that regulators could revise taxation in 1H CY24 have delayed consolidation. However, correction in salaries and conversations regarding potential buyouts are underway. This could benefit NAZARA as it looks at some new formats outside of the OpenPlay business, as well as potential bolt-on acquisitions in OpenPlay. NAZARA needs to look at the retrospective liabilities RMG companies are carrying and in consolidation move, ensure they not get carried over.

### Exhibit 51: OpenPlay (Classic Rummy) has been scaled down to reduce losses

OpenPlay (Classic Rummy)	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-FY28E CAGR (%)
<b>Revenue (Rs mn)</b>	233	530	409	366	395	418	439	-4%
Growth (%)		127%	-23%	-11%	8%	6%	5%	
<b>EBITDA (Rs mn)</b>	35	113	-8	22	31	34	37	-20%
<b>EBITDA Margin (%)</b>	15.0%	21.3%	-2.0%	5.9%	7.9%	8.2%	8.4%	

Source: Company, Equirus Securities

*In Jul'23, GST Council levied a 28% tax on real money game deposits, effective 1 Oct'23*

*NAZARA is set to capitalize on the funding freeze as it tries to buy/build a play in the RMG space*

*OpenPlay issues bonuses to consumers to offset GST costs and, as per accounting standards, deducts bonus from revenues to display net revenues*



## Telco Subscription: On a continuous decline

NAZARA has >1,021 android games distributed in 58 countries via 52 telecom operators

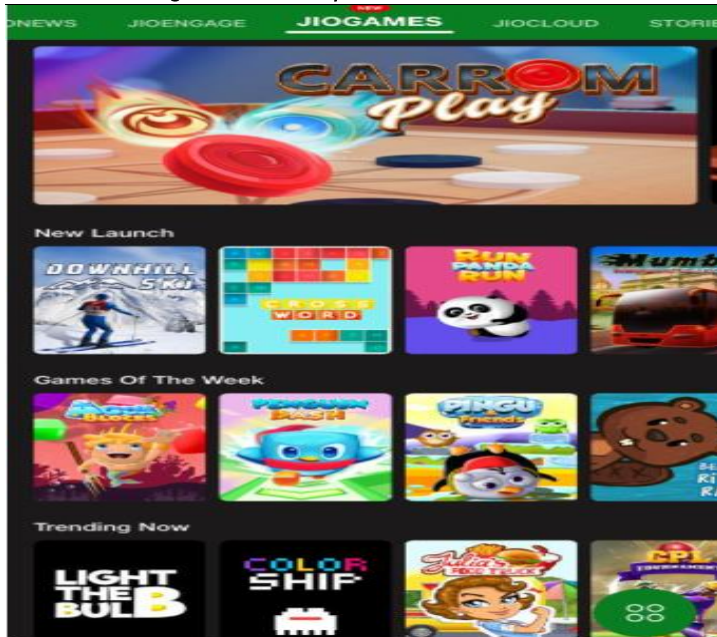
India revenues from the telco segment have become nil over the years due to disruption by R Jio

NAZARA has more than 1,021 android games targeting mass mobile internet users, distributed in 58 countries through arrangement with 52 telecom operators. The games are typically offered in a bouquet format, including under the names of Gameshub, GamesLounge or GamesClub, depending on the relevant region, through periodic subscriptions or on a downloadable basis. NAZARA recently has acquired a Disney contract for exclusive distribution of their games of Star Wars Ips and Disney Ips on telco platforms across 101 countries; NAZARA is trying to leverage this premium content via its strong relationship with the telcos.

Subscribers of telecom partners can access games made available through NAZARA’s platform, either upon subscription, which may typically be on a daily or weekly subscription, or by purchasing and downloading them from their platform. Telecom operators manage billing for the subscriptions, and the revenue from telco subscription is shared between NAZARA and the telecom operator through periodic payments by the telecom operators in accordance with the terms of the agreements (typically ranging between one to two years). Considering the low propensity to pay of subscribers in the emerging markets, the unit prices for subscription to the services are kept low, to ensure that the price for subscriptions does not dissuade gamers from subscribing to games.

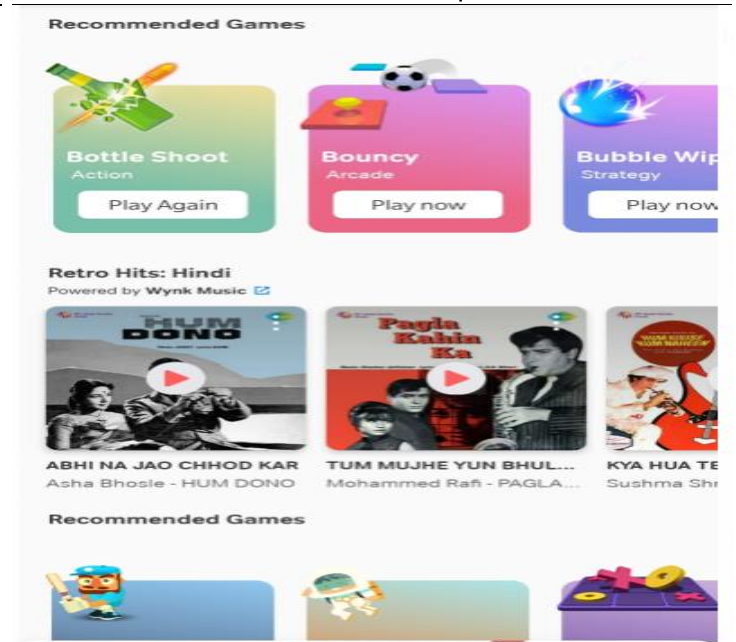
Telco subscription revenues, which used to form ~90% of group revenues for NAZARA, have been on decline ever since telcos in India started offering free games since 2018.

Exhibit 52: Free games offered by R-Jio...



Source: My JIO, Equirus Securities

Exhibit 53: ...and Airtel have hurt the subscription-based model



Source: Airtel Xtreme, Equirus Securities

Exhibit 54: Telco Subscriptions: Revenues have been consistently falling with margins also under pressure

Telco Subscriptions	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-FY28E CAGR (%)
Revenue (Rs mn)	1,862	1,517	961	818	749	624	514	321	235	188	169	152	-22%
Growth (%)		-1.9%	-37%	-15%	-8%	-17%	-18%	-38%	-27%	-20%	-10%	-10%	
EBITDA (Rs mn)				206	114	142	139	-18	60	48	40	36	-24%
EBITDA Margin (%)				25.2%	15.2%	22.8%	27.0%	-5.6%	25.5%	25.5%	23.6%	23.6%	

Source: Company, Equirus Securities

## Datawrkz : Comprehensive AdTech offering

*Datawrkz acquisition aimed to enhance in-house capabilities for optimising customer acquisition spends and increasing ad monetisation yields*

NAZARA acquired 55% stake in Datawrkz, an advertising technology provider for publishers, agencies, and brands. Datawrkz operates three businesses: (a) ITD for advertisers, (b) Mediawrkz for publishers, and (c) Vizibl, a self-serve demand side platform. The acquisition aimed to enhance in-house capabilities for optimizing customer acquisition spends and increasing ad monetisation yields.

Datawrkz is focused on reducing low-margin work, shifting towards higher-margin business clients, and expanding the client base to mitigate concentration risk. The company is strengthening its global sales capabilities, prioritizing establishing an on-the-ground presence in the US to leverage its leading digital spends, and actively evaluating M&A opportunities. These efforts have led to increased investments in sales and marketing, bolstering the pipeline and leading to a higher conversion rate from the sales pipeline and the formation of key partnerships. Datawrkz added 42 new clients in FY23, contributing 34% of total revenues.

Datawrkz has been working with Animal Jam for driving and optimising user acquisition spends. It aims to expand this collaboration to other companies within the NAZARA group.

### Exhibit 55: Datawrkz focuses on reducing low-margin work, shifting to higher-margin business clients

Datawrkz	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-FY28E CAGR (%)
Revenue (Rs mn)	1,003	1,532	1,016	1,140	1,302	1,459	1,619	1%
Growth (%)		53%	-34%	12%	14%	12%	11%	
EBITDA (Rs mn)	107	135	91	100	121	139	158	3%
EBITDA Margin (%)	10.7%	8.8%	9.0%	8.7%	9.3%	9.5%	9.8%	

Source: Company, Equirus Securities

## Kofluence

*The NAZARA-Kofluence partnership aims to launch an influencer-driven game discovery platform*

NAZARA acquired a 10.38% stake in Kofluence, a leading social media influencer marketing-tech platform in India, from certain existing investors through a share swap. Kofluence is India's leading social media influencer-led marketing-tech platform with 600,000+ registered creators across Instagram, YouTube, Facebook, LinkedIn, and Twitter, representing 20+ languages. The platform caters to performance metrics across all stages of marketing – Awareness, Interest, Desire, and Action – and has worked with 500+ marquee clients across 20+ sectors. This approach enhances NAZARA's game visibility, enables targeted marketing, and allows for direct performance feedback, aiding in market penetration.

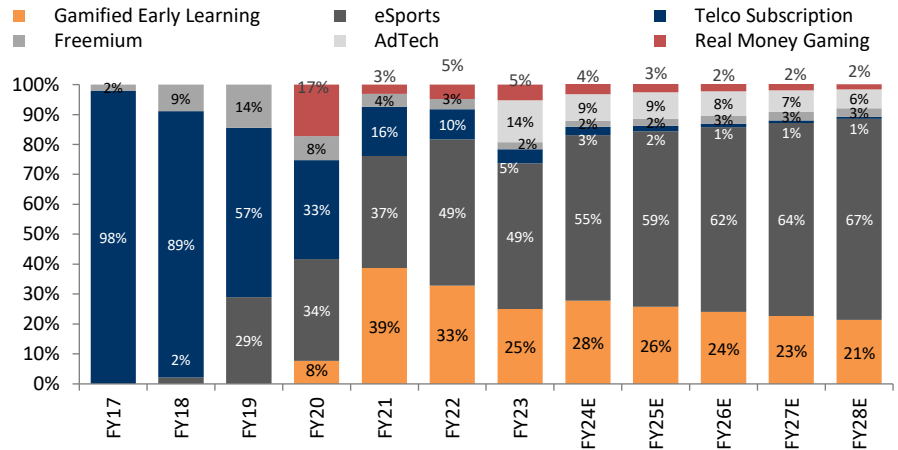
This partnership will leverage influencers to promote NAZARA's games on social media, tailoring content to match audience preferences, creating buzz around new releases, and driving downloads.

## Acquisitions to remain a key part of NAZARA’s growth strategy

Share of telco subscription revenues on a decline while that of newly acquired businesses on an uptrend

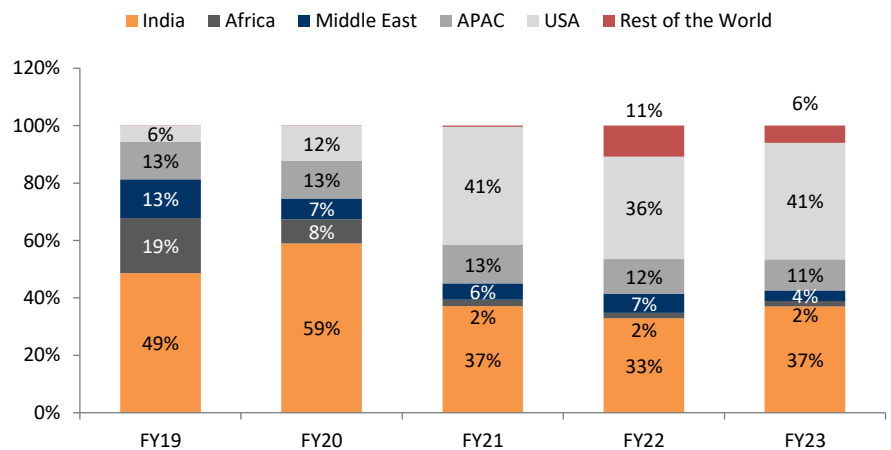
NAZARA’s revenue mix has seen a tectonic shift over the last few years. Telco subscription revenues, ~98% of group revenues in FY17, have been on a decline and new acquired businesses – eSports and Gamified Early Learning – have gained share.

Exhibit 56: Revenue mix over the years has undergone a tectonic shift



Source: Company, Equirus Securities

Exhibit 57: India and North America – focus markets



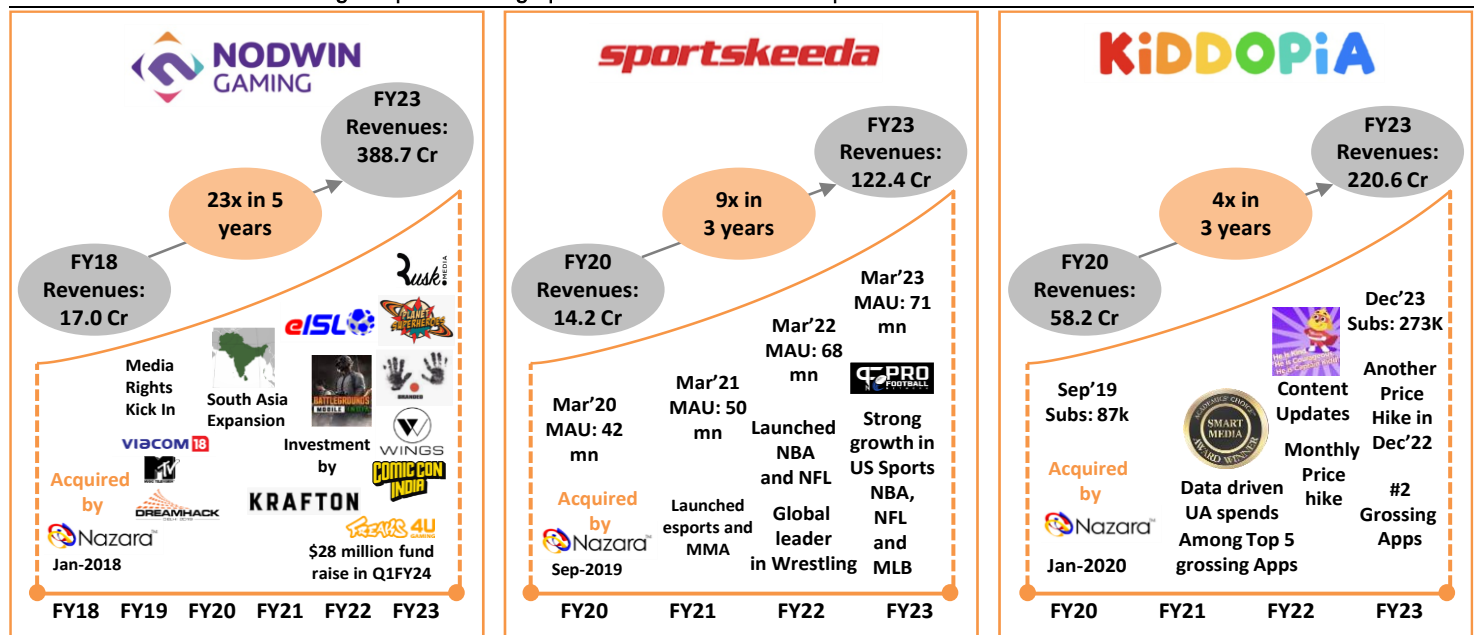
Source: Company, Equirus Securities

Acquisitions to remain a key part of NAZARA’s growth strategy

NAZARA’s acquisition strategy has been to buy companies partly by cash and partly by share swaps. The company likes to call it a ‘Friends of Nazara Network’ – comprising fast-growing gaming companies where NAZARA has acquired majority stakes with possible synergies within the network. Additionally, management of acquired companies is offered equity in NAZARA to foster alignment of roles, while original management teams continue to oversee day-to-day operations.



Exhibit 58: NAZARA has done a good job in scaling up revenues of Nodwin and Sportskeeda



Source: Company, Equirus Securities

Despite recent acquisitions, net cash position is strong at Rs 15bn (30% of market cap) post a recent fund infusion

NAZARA continues to target white spaces in existing business segments via strategic acquisitions. The company deploys capital directly from specific subsidiaries running their own businesses, rather than bringing it back at the corporate level. The cash generated by existing businesses is first used to drive organic growth and then for acquisitions, as exemplified by the recent acquisition of Pro Football Network by Sportskeeda.

At the corporate level, NAZARA targets larger acquisitions, focusing on businesses generating over Rs 1bn in revenues and largely profitable.

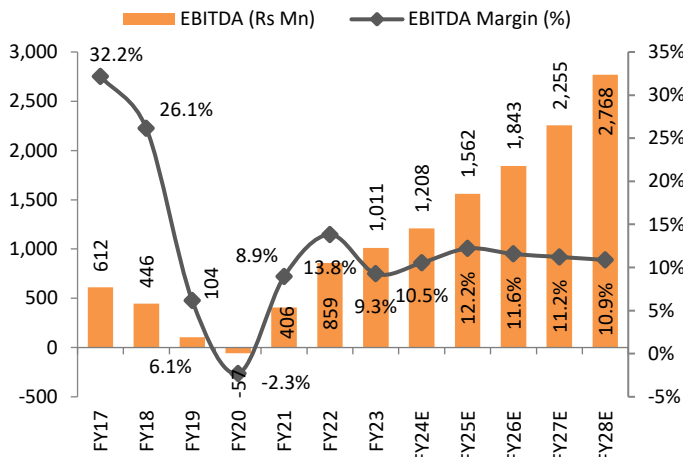
Exhibit 59: Overall Financials: Revenue/EBITDA estimated to grow at 18%/22% CAGR over FY23-FY28E

Rs Mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
<b>Revenue from Operations</b>	<b>2,475</b>	<b>4,542</b>	<b>6,217</b>	<b>10,910</b>	<b>11,459</b>	<b>12,787</b>	<b>15,932</b>	<b>20,092</b>	<b>25,453</b>
Gamified Early Learning	191	1,758	2,044	2,728	3,184	3,302	3,827	4,561	5,436
eSports	842	1,701	3,039	5,315	6,336	7,489	9,840	12,958	17,111
Telco Subscription	818	749	624	514	321	235	188	169	152
Freemium	198	195	213	251	234	295	419	566	736
AdTech	0	0	0	1,532	1,016	1,140	1,302	1,459	1,619
Real Money Gaming	426	139	297	570	410	366	395	418	439
Inter Segment Revenue	0	0	0	0	-41	-40	-40	-40	-40
<b>Growth (%)</b>	<b>46%</b>	<b>84%</b>	<b>37%</b>	<b>75%</b>	<b>5%</b>	<b>12%</b>	<b>25%</b>	<b>26%</b>	<b>27%</b>
Gamified Early Learning	NA	819%	16%	33%	17%	4%	16%	19%	19%
eSports	71%	102%	79%	75%	19%	18%	31%	32%	32%
Telco Subscription	-15%	-8%	-17%	-18%	-38%	-27%	-20%	-10%	-10%
Freemium	-19%	-1%	9%	18%	-7%	26%	42%	35%	30%
AdTech	NA	NA	NA	NA	-34%	12%	14%	12%	11%
Real Money Gaming	NA	-67%	114%	92%	-28%	-11%	8%	6%	5%
<b>Segment EBITDA</b>	<b>-57</b>	<b>406</b>	<b>859</b>	<b>1,011</b>	<b>1,208</b>	<b>1,562</b>	<b>1,843</b>	<b>2,255</b>	<b>2,768</b>
Gamified Early Learning	-35	126	510	402	812	692	704	839	1,000
eSports	74	289	414	417	541	963	1,270	1,610	2,045
Telco Subscription	206	114	142	139	-18	60	48	40	36
Freemium	66	40	40	62	76	46	70	100	137

Rs Mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E
AdTech	0	0	0	135	91	100	121	139	158
Real Money Gaming	-347	-90	-1	110	-8	22	31	34	37
Unallocable (Derived)	-21	-73	-246	-254	-286	-321	-401	-507	-644
<b>Segment EBITDA Margin (%)</b>	<b>-2.3%</b>	<b>8.9%</b>	<b>13.8%</b>	<b>9.3%</b>	<b>10.5%</b>	<b>12.2%</b>	<b>11.6%</b>	<b>11.2%</b>	<b>10.9%</b>
Gamified Early Learning	-18.1%	7.2%	25.0%	14.7%	25.5%	21.0%	18.4%	18.4%	18.4%
eSports	8.8%	17.0%	13.6%	7.8%	8.5%	12.9%	12.9%	12.4%	11.9%
Telco Subscription	25.2%	15.2%	22.8%	27.0%	-5.6%	25.5%	25.5%	23.6%	23.6%
Freemium	33.4%	20.5%	18.8%	24.7%	32.5%	15.7%	16.7%	17.7%	18.7%
AdTech	NA	NA	NA	8.8%	9.0%	8.7%	9.3%	9.5%	9.8%
Real Money Gaming	-81.4%	-64.7%	-0.3%	19.8%	-2.0%	5.9%	7.9%	8.2%	8.4%
Unallocable (% of Sales)	-0.9%	-1.6%	-4.0%	-2.4%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%

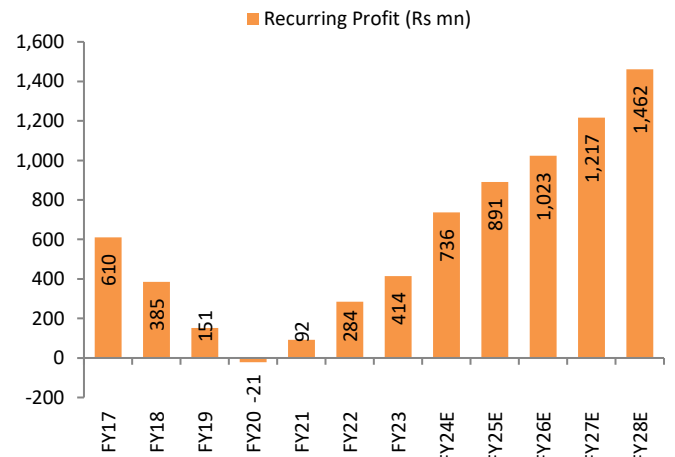
Source: Company, Equirus Securities

Exhibit 60: Expect a 22% EBITDA CAGR over FY23-FY28E



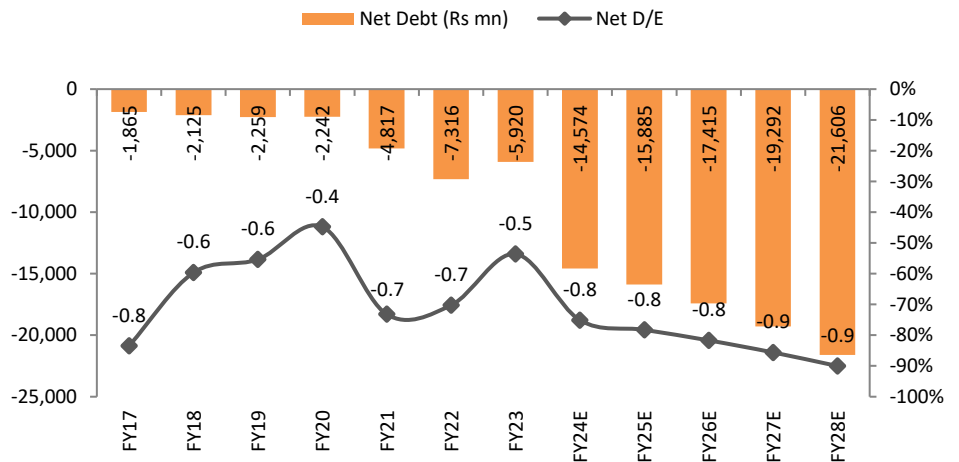
Source: Company, Equirus Securities

Exhibit 61: Expect a 29% PAT CAGR over FY23-FY28E



Source: Company, Equirus Securities

Exhibit 62: NAZARA has a strong cash position



Source: Company, Equirus Securities

## Maintain LONG with a Mar'25 TP of Rs 820

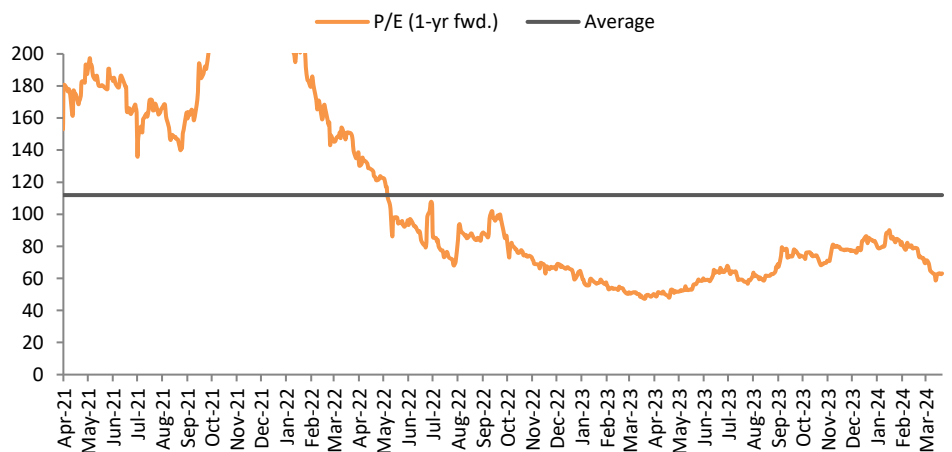
We maintain a LONG with a SOTP-based Mar'25 TP of Rs 820. At CMP, NAZARA trades at a P/E of 59x/52x and an EV/EBITDA of 22x/18x on our FY25E/FY26E estimates, respectively.

Exhibit 63: SOTP-based valuation snapshot

SOTP	Metric	1-yr fwd. target multiple (x)	Mar'26 Sales	Mar'26 EBITDA	Mar'25 Target EV	Nazara's Stake (%)	Mar'25 target EV (Ascribed to Nazara)
<b>(1) Gamified Early Learning</b>			<b>3,827</b>	<b>704</b>	<b>16,575</b>		<b>11,051</b>
(a) Kiddopia	EV/Sales	4.5x	2,535	466	11,408	52%	5,884
(b) Animal Jam	EV/Sales	4.0x	1,292	238	5,167	100%	5,167
<b>(2) Freemium</b>			<b>419</b>	<b>70</b>	<b>2,097</b>		<b>1,508</b>
(a) Next Wave (WCC)	EV/Sales	5.0x	419	70	2,097	72%	1,508
<b>(3) Real Money Gaming</b>			<b>395</b>	<b>31</b>	<b>711</b>		<b>674</b>
(a) OpenPlay (Classic Rummy)	EV/Sales	1.8x	395	31	711	95%	674
<b>(4) eSports</b>			<b>9,840</b>	<b>1,270</b>	<b>68,669</b>		<b>43,875</b>
(a) Nodwin	EV/Sales	6.5x	7,072	362	45,970	53%	24,231
(b) Sportskeeda	EV/EBITDA	25.0x	2,768	908	22,700	87%	19,644
<b>(5) AdTech</b>			<b>1,302</b>	<b>121</b>	<b>2,415</b>		<b>1,328</b>
(a) Datawrkz	EV/EBITDA	20.0x	1,302	121	2,415	55%	1,328
<b>(6) Telecom</b>			<b>188</b>	<b>48</b>	<b>96</b>	<b>100%</b>	<b>96</b>
Unallocated	EV/Sales	6.5x	-40	-401	-260	100%	-260
<b>Mar'25 EV</b>							<b>58,272</b>
Less: Holdco Discount (at 20%)							11,654
<b>Mar'25 Net Debt</b>							<b>-15,885</b>
<b>Mar'25 Equity Value</b>							<b>62,502</b>
No of Shares O/S (Mn)							76.5
<b>Mar'25 Target Price (Rs)</b>							<b>820</b>

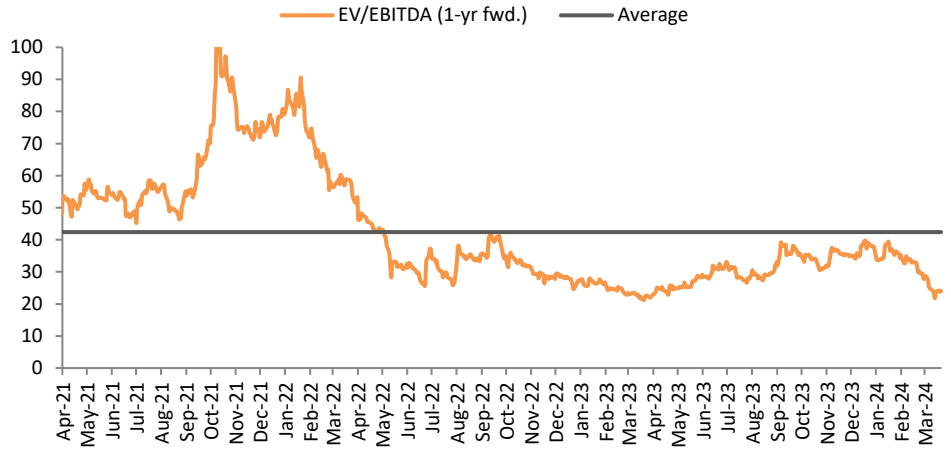
Source: Company, Equirus Securities

Exhibit 64: Historical one-yr fwd. P/E since listing



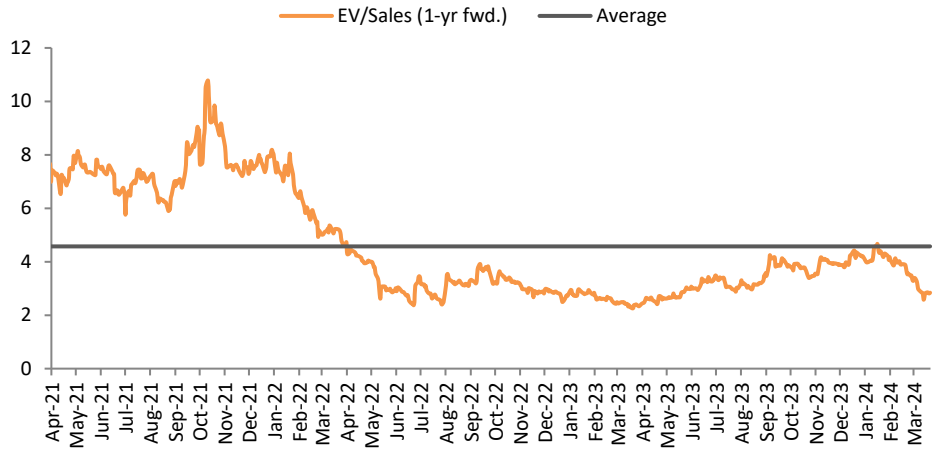
Source: Company, Bloomberg, Equirus Securities

Exhibit 65: Historical one-yr fwd. EV/EBITDA since listing



Source: Company, Bloomberg, Equirus Securities

Exhibit 66: Historical one-yr fwd. EV/Sales since listing



Source: Company, Bloomberg, Equirus Securities

**Global gaming companies** trade at a one-year fwd. EV/sales of 1-5x. Gaming is a very broad term which includes game publishers, game marketing platforms, eSports platforms, and eSports team franchises. Most listed companies have already reached a considerable size and their growth rates are much lower than what is expected from Indian counterparts – also evident from the fact that most game publishing players are increasingly investing in India at considerably higher valuations.

Exhibit 67: Relative valuation vs global peer

Company Name	Price M Cap (Mn)		Sales (Mn)				Sales Growth (%)			Sales CAGR (FY23-26E)	EBITDA (Mn)				EBITDA Margin (%)				EPS				EPS CAGR (FY23-26E)
			FY23	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E		FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	
Nazara Tech (INR)	691	50662	10,910	11,458	12,787	15,932	5%	12%	25%	13%	1,011	1,208	1,562	1,843	9.3%	10.5%	12.2%	11.6%	6.3	9.7	11.6	13.4	29%
ELECTRONIC ARTS INC (USD)	137	36,555	7,426	7,572	7,798	8,341	2%	3%	7%	4%	2,439	2,469	2,623	2,853	32.8%	32.6%	33.6%	34.2%	6.5	7.2	7.5	8.4	9%
TENCENT HOLDINGS LTD (HKD)	287	27,10,695	5,54,552	6,12,659	6,77,021	7,47,815	10%	11%	10%	10%	1,84,698	2,11,019	2,39,982	2,67,746	33.3%	34.4%	35.4%	35.8%	11.8	16.1	18.7	21.1	21%
NETEASE INC (HKD)	169	5,44,340	1,03,468	1,15,381	1,27,172	1,37,099	12%	10%	8%	10%	31,175	34,696	39,240	45,296	30.1%	30.1%	30.9%	33.0%	NA	9.5	11.0	12.7	NA
UBISOFT ENTERTAINMENT (EUR)	19	2,470	1,814	2,192	2,336	2,481	21%	7%	6%	11%	800	1,000	1,069	1,215	44.1%	45.6%	45.8%	49.0%	-3.3	1.6	1.9	2.1	-186%
SEA LTD-ADR (USD)	58	33,104	13,064	14,805	16,797	18,942	13%	13%	13%	13%	-447	1,125	1,960	2,593	-3.4%	7.6%	11.7%	13.7%	-0.9	1.0	2.1	3.1	-250%
MODERN TIMES GROUP-A SHS (SEK)	75	9,626	5,829	6,168	6,484	6,809	6%	5%	5%	5%	1,514	1,539	1,631	1,722	26.0%	25.0%	25.2%	25.3%	0.5	6.8	7.2	7.6	143%

Company Name	Price M Cap (Mn)		Net D/E	P/E				EV/EBITDA				EV/Sales				ROE (%)			
				FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Nazara Tech (INR)	691	50662	-0.5	110x	72x	59x	52x	44x	30x	22x	18x	4x	3x	3x	2x	4%	5%	4%	5%
ELECTRONIC ARTS INC (USD)	137	36,555	-0.1	21x	19x	18x	16x	15x	14x	13x	12x	5x	5x	4x	4x	14%	23%	22%	23%
TENCENT HOLDINGS LTD (HKD)	287	27,10,695	0.1	24x	18x	15x	14x	15x	13x	11x	10x	5x	4x	4x	3x	26%	17%	18%	18%
NETEASE INC (HKD)	169	5,44,340	-0.8	NA	18x	15x	13x	14x	12x	10x	11x	4x	4x	3x	4x	26%	23%	22%	21%
UBISOFT ENTERTAINMENT (EUR)	19	2,470	0.7	-6x	12x	10x	9x	4x	4x	3x	3x	2x	2x	1x	1x	-20%	11%	13%	14%
SEA LTD-ADR (USD)	58	33,104	-0.4	-64x	59x	28x	19x	-69x	27x	15x	11x	2x	2x	2x	2x	12%	6%	12%	16%
MODERN TIMES GROUP-A SHS (SEK)	75	9,626	-0.2	142x	11x	10x	10x	5x	5x	4x	3x	1x	1x	1x	1x	1%	5%	6%	6%

Source: Bloomberg, Equirus Securities

## Annexure

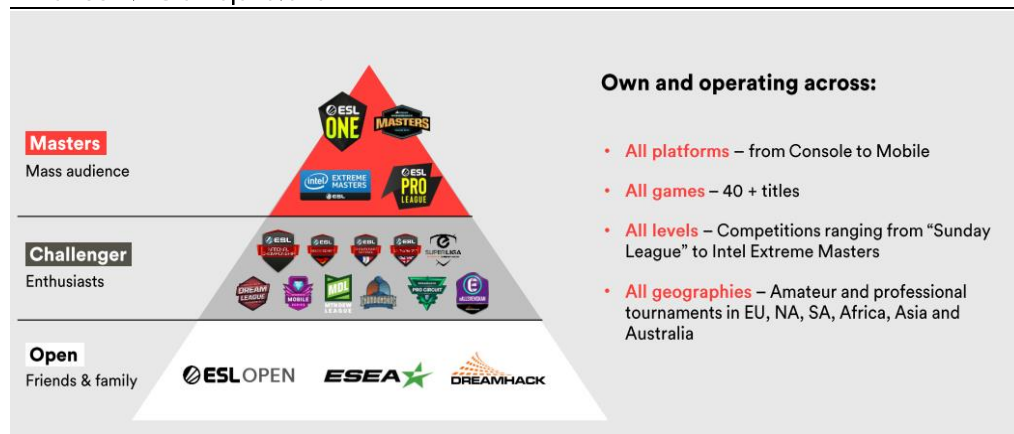
### eSports – Global Case Studies

#### Modern Times Group (MTG)

MTG is a digital entertainment company listed in Stockholm, with eSports, gaming and other digital assets.

In 2015, MTG bought 74% stake in Turtle Entertainment, for €78 mn, a top-tier esports tournament operator, owning brands such as Electronic Sports League (ESL). Later the same year MTG made the acquisition of 100% of DreamHack, one of the biggest eSports tournament organisers in the world. It is recognised by the Guinness Book of Records and Twin Galaxies as the world’s largest LAN party and computer festival with the world’s fastest internet connection, and the most generated traffic.

Exhibit 68: MTG’s major events



Source: Company, Equirus Securities

Post-acquisition by MTG, ESL, the world’s largest eSports company, and Dreamhack, the premier gaming lifestyle festival company, had merged their organisations to further accelerate future of eSports and gaming. Primary revenue streams comprise sponsorship deals, media rights sales, event tickets and branded merchandise.

In Jan’22, MTG sold ESL to Saudi Arabia’s Public Investment Fund Savvy Gaming Group (SGG). SGG also acquired FACEIT and will merge the two eSports companies to form the ESL FACEIT Group.

#### SEA Ltd

SEA has three major segments (1) Ecommerce, (2) Digital Payments, and (3) Digital Entertainment (includes eSports). SEA is the leader in eSports in Southeast Asia, Taiwan, and Brazil. The company also has developed one of the most played battle games, *Free Fire* – the most downloaded mobile game globally in 2019 and has over 1bn downloads on Google Play store. Besides, *Free Fire* was the highest grossing mobile game in Latin America, Southeast Asia, and India in 2020.

SEA has set up Garena Academy, which educates young people on making a career in gaming. Digital entertainment includes revenues through sale of games (including IAPs) and eSports.

Exhibit 69: Major eSports events by SEA (not exhaustive)

Major Events	Country
Garena World	Bangkok Thailand
SEA Tour	Indonesia, Malaysia, Philippines, Singapore, and Thailand
League of Legends Master Series	Hong Kong, Macau, Taiwan
Free Fire India Championship (FFIC)	India
Free Fire World Series	Worldwide Organised in Singapore

Source: Company, Equirus Securities

SEA has 3 major business segments: Ecommerce, digital payments and Digital Entertainment

Digital Entertainment segment houses both eSports and gaming. It developed *Free Fire* – the most downloaded mobile game globally in 2019.

**Exhibit 70: SEA: Segment-wise revenues**

	FY18	FY19	FY20	FY21	FY22
<b>Revenue (US\$ mn)</b>					
E- Commerce	270	834	2,167	5,123	7,289
Digital Entertainment	462	1,136	2,016	4,320	3,877
Digital Financial	11	9	61	470	1,222
<b>Revenue Growth (%)</b>					
E- Commerce	2900%	209%	160%	136%	42%
Digital Entertainment	27%	146%	77%	114%	-10%
Digital Financial	-31%	-18%	578%	670%	160%

Source: Bloomberg, Equirus Securities

**Exhibit 71: SEA: Segment-wise EBITDA**

	FY18	FY19	FY20	FY21	FY22
<b>Adjusted EBITDA (US\$ mn)</b>					
E- Commerce	-860	-1043	-1,307	-2,554	-1,691
Digital Entertainment	263	1,022	1,983	2,776	1,313
Digital Financial	-32	-113	-511	-617	-229
<b>EBITDA Margin (%)</b>					
E- Commerce	-319%	-125%	-60%	-50%	-23%
Digital Entertainment	57%	90%	98%	64%	34%
Digital Financial	-291%	-1256%	-838%	-131%	-19%

Source: Bloomberg, Equirus Securities

Saudi Arabia's Savvy Games Group has invested \$265mn in VSPO, making it VSPO's single largest equity holder

**Versus Programming Network - VSPO**

VSPO is leading eSports solution provider in Asia, with a 70% market share in premium eSports events hosted in China. The company conducts and builds online/offline events and produces online content. In Jul'17, it also launched very large-scale eSports complexes – Shanghai Quantum Community and Chengdu Quantum Community. In Aug'18, VSPO expanded into South Korea.

**Exhibit 72: Major events conducted by VSPO (not exhaustive)**

Year	Event	Location
Sep'2016	King Pro League	China
May'2018	PUBG China Pro Invitational	China
Nov'2018	PUBG Mobile Star Challenge (PMSC) (Global Event)	Dubai
Jan'2019	PUBG Asia Invitational	China

Source: Company, Equirus Securities

Kuaishou Technologies bought a 1.13% stake in VSPO in Oct'20 for RMB 70mn, amounting to a valuation of US\$ 929mn for VSPO

**Exhibit 73: Funds raised by VSPO (not exhaustive)**

Year	Funding From	Amount
Jan'2017	Focus Media, DMG Entertainment, Sequoia Capital China, China Media Capital	NA
Oct'2020	Tencent Holdings, Tiantu Capital, SIG and Kuaishou	\$100mn
Jan'2021	Prospect Avenue Capital (PAC), Guotai Junan International and Nan Fung Group	\$60mn
Jun'2021	Morgan Stanley Private Equity Asia	NA

Source: Company, Equirus Securities













## Global case studies in kids’ education/entertainment apps

### (a) ABCMouse.com

Age of learning also has presence in China via partnership with Tencent, and in Japan partnering with Rakuten.











ABCMouse.com is the leading digital learning resource for kids aged 2-8 majorly operating in the US. This app is developed by Age of learning Inc., a leading EdTech innovator and creator based in California. The company has a team of >500 individuals comprising educators, curriculum experts, designers, animators, and engineers. It also has a presence in China through partnership with Tencent, and in Japan with Rakuten. ABCMouse.com is the #1 digital learning product for young children; as a part of its growth strategy, the company also entered into education space for elder kids.

Exhibit 74: Top Grossing kids’ education app Apple Store

Top Grossing	
 Age of Learning, Inc. <b>ABCMouse.com</b> ★★★★★ (550,224) Free	
 Monkimun Inc <b>Lingokids - playlearning™</b> ★★★★★ (62,718) Free	
 Paper Boat Apps <b>Kiddopia - ABC Toddler Games</b> ★★★★★ (53,365) Free	
 Nickelodeon <b>Noggin Preschool Learning App</b> ★★★★★ (8,144) Free	
 Homer <b>HOMER Learn &amp; Grow</b> ★★★★★ (17,413) Free	
 BENIPOL LIMITED <b>Keiki Puzzle Games for Toddler</b> ★★★★★ (4,519) Free	
 Blub Blub Inc. <b>Speech Blubs: Language Therapy</b> ★★★★★ (9,823) Free	
 Sago Mini <b>Sago Mini World: Kids Games</b> ★★★★★ (19,877) Free	
 BENIPOL LIMITED <b>Keiki Preschool Learning Games</b> ★★★★★ (171) Free	
 AMZN Mobile LLC <b>Amazon Kids+</b> ★★★★★ (40,059) Free	

Source: Sensortower.com, Equirus Securities

Exhibit 75: Top Grossing kids’ education app Google Play Store

Top Grossing	
 Nickelodeon <b>Noggin Preschool Learning Games &amp; Videos for ...</b> ★★★★★ (8,362) Free	
 Epic! Creations Inc <b>Epic: Kids' Books &amp; Educational Reading Library</b> ★★★★★ (72,105) Free	
 Kiddopia Inc. <b>Kiddopia: Preschool Education &amp; ABC Games fo...</b> ★★★★★ (6,500) Free	
 Photomath, Inc. <b>Photomath</b> ★★★★★ (2,214,795) Free +1	
 Age of Learning, Inc. <b>ABCMouse.com</b> ★★★★★ (82,530) Free -1	
 Lingokids - English Learning For Kids <b>Lingokids - A fun learning adventure</b> ★★★★★ (118,398) Free +1	
 ClassDojo <b>ClassDojo</b> ★★★★★ (245,967) Free -1	
 LingoDeer - Learn Languages Apps - Japanese,Korean <b>LingoDeer: Learn Languages - Japanese, Korean...</b> ★★★★★ (391,489) Free	
 Entertainment One <b>World of Peppa Pig – Kids Learning Games &amp; Vi...</b> ★★★★★ (12,869) Free	
 Homer Learning <b>HOMER Learn &amp; Grow</b> ★★★★★ (1,972) Free	

Source: Sensortower.com, Equirus Securities

Exhibit 76: Age of learning’s Funding Details

Date	Funding type	Investor	Amount
June 29,2021	Equity	Tencent Holdings Ltd, Qatar Investment Authority, Madrone Capital Partners LLC, TPG Growth LLC	\$300mn
May 3, 2016	Equity	ICONIQ Capital, Chan Zuckerberg Initiative and Angel Capital Management	\$150mn
Apr 12, 2012	Debt Financing	NA	\$16.5mn
Jun 17, 2011	Debt Financing	NA	\$15mn

Source: Crunchbase.com, Equirus Securities

### Valuation

As per media reports, post VC funding in 2021, the post-money valuation stood at US\$ 3bn.

**(b) iHuman inc**

iHuman inc. is one of the leading childhood edutainment companies based in China. The company has decades of experience in childhood education. iHuman with its cutting-edge technology provides children with unique, interactive, and entertaining learning experiences. The product portfolio includes games, audio books and e-learning apps. The users are primarily children aged between 3 and 8. The company is also looking to expand the users of its learning apps to older children’s groups between 8 and 12 to increase the lifetime value. iHuman Chinese learning app gained the top spot among the best-selling educational apps in China on Apple App store. The company had raised \$100mn via IPO route in US in 2020.

Exhibit 77: iHuman – suite of online apps and offline products

**Integrated Suite of Online Apps and Offline Products**

- Interaction and immersion
- All-around coverage
- High quality content
- Integrated approach



Source: Company, Equirus Securities

## Quarterly performance

Y/E Mar (Rs mn)	1QFY23A	2QFY23A	3QFY23A	4QFY23A	1QFY24A	2QFY24A	3QFY24A	4QFY24E
<b>Revenue</b>	<b>2,231</b>	<b>2,638</b>	<b>3,148</b>	<b>2,893</b>	<b>2,544</b>	<b>2,972</b>	<b>3,204</b>	<b>2,738</b>
COGS	57	276	130	79	106	458	205	0
Employee Cost	284	344	436	426	454	489	475	489
Other Expenses	1,589	1,879	2,282	2,115	1,655	1,759	2,160	2,000
<b>EBITDA</b>								
<b>EBITDA</b>	<b>300</b>	<b>138</b>	<b>300</b>	<b>273</b>	<b>330</b>	<b>267</b>	<b>363</b>	<b>248</b>
Depreciation	143	119	149	160	152	151	152	165
<b>EBIT</b>	<b>157</b>	<b>20</b>	<b>151</b>	<b>113</b>	<b>178</b>	<b>116</b>	<b>211</b>	<b>83</b>
Interest Exp.	4	9	5	29	13	27	20	21
Other Income	66	232	115	82	117	123	179	174
<b>Profit before Tax</b>	<b>219</b>	<b>242</b>	<b>261</b>	<b>165</b>	<b>283</b>	<b>212</b>	<b>370</b>	<b>236</b>
Tax Expenses	60	89	59	46	74	(13)	80	60
<b>Profit After Tax</b>	<b>159</b>	<b>153</b>	<b>202</b>	<b>119</b>	<b>209</b>	<b>225</b>	<b>290</b>	<b>177</b>
Minority Interest	46	67	37	68	14	44	38	70
Profit/(Loss) from Associates	0	0	0	0	0	0	0	0
<b>Recurring PAT</b>	<b>113</b>	<b>86</b>	<b>165</b>	<b>51</b>	<b>195</b>	<b>181</b>	<b>253</b>	<b>107</b>
Exceptional Items	0	5	0	(25)	0	17	5	0
<b>Reported PAT</b>	<b>113</b>	<b>91</b>	<b>165</b>	<b>26</b>	<b>195</b>	<b>198</b>	<b>258</b>	<b>107</b>
Other comprehensive income.	0	0	0	0	0	0	0	0
<b>PAT after comp. income.</b>	<b>113</b>	<b>91</b>	<b>165</b>	<b>26</b>	<b>195</b>	<b>198</b>	<b>258</b>	<b>107</b>
<b>FDEPS</b>	<b>1.7</b>	<b>1.3</b>	<b>2.5</b>	<b>0.8</b>	<b>2.9</b>	<b>2.7</b>	<b>3.4</b>	<b>1.4</b>
<b>Cost items as % of sales</b>								
RM expenses	2.6	10.5	4.1	2.7	4.2	15.4	6.4	0.0
Employee expenses	12.7	13.0	13.9	14.7	17.8	16.5	14.8	17.9
Other expenses	71.2	71.3	72.5	73.1	65.0	59.2	67.4	73.1
<b>Margin (%)</b>								
Gross Margin	97.4	89.5	95.9	97.3	95.8	84.6	93.6	100.0
EBITDA Margin	13.5	5.2	9.5	9.4	13.0	9.0	11.3	9.1
PAT Margin	5.1	3.4	5.2	0.9	7.7	6.7	8.0	3.9
<b>YoY Growth (%)</b>								
Sales	70.0	103.5	69.4	65.2	14.0	12.7	1.8	(5.4)
EBITDA	18.7	(26.4)	3.1	111.7	10.0	92.9	21.1	(9.2)
EBIT	(7.0)	(80.6)	(17.9)	604.4	13.3	485.9	39.9	(26.0)
PAT	113.4	(12.9)	60.2	16.8	72.4	118.8	56.2	315.6

## Key Financials (Consolidated)

## Income Statement

Y/E Mar (Rs mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>2,475</b>	<b>4,542</b>	<b>6,217</b>	<b>10,910</b>	<b>11,458</b>	<b>12,787</b>	<b>15,932</b>
COGS	0	0	0	542	769	0	0
Employee Cost	319	487	881	1,490	1,907	2,214	2,691
Other Expenses	2,213	3,649	4,477	7,867	7,574	9,011	11,398
<b>EBITDA</b>	<b>(57)</b>	<b>406</b>	<b>859</b>	<b>1,011</b>	<b>1,208</b>	<b>1,562</b>	<b>1,843</b>
Depreciation	263	355	390	571	619	708	787
<b>EBIT</b>	<b>(320)</b>	<b>51</b>	<b>469</b>	<b>440</b>	<b>589</b>	<b>854</b>	<b>1,055</b>
Interest Exp.	12	4	6	47	81	75	62
Other Income	155	143	241	495	593	947	1,026
<b>Profit before Tax</b>	<b>(178)</b>	<b>190</b>	<b>704</b>	<b>888</b>	<b>1,101</b>	<b>1,726</b>	<b>2,020</b>
Tax Expenses	72	30	192	254	201	435	509
<b>Profit After Tax</b>	<b>(250)</b>	<b>160</b>	<b>512</b>	<b>634</b>	<b>901</b>	<b>1,291</b>	<b>1,511</b>
Minority Interest	(246)	44	223	220	165	400	488
Profit/(Loss) from Associates	(18)	(24)	(5)	0	0	0	0
<b>Recurring PAT</b>	<b>(21)</b>	<b>92</b>	<b>284</b>	<b>414</b>	<b>736</b>	<b>891</b>	<b>1,023</b>
Exceptional Items	0	0	0	(20)	22	0	0
<b>Reported PAT</b>	<b>(21)</b>	<b>92</b>	<b>284</b>	<b>394</b>	<b>758</b>	<b>891</b>	<b>1,023</b>
Other comprehensive income.	0	0	0	0	0	0	0
<b>PAT after comp. income.</b>	<b>(21)</b>	<b>92</b>	<b>284</b>	<b>394</b>	<b>758</b>	<b>891</b>	<b>1,023</b>
FDEPS	(0.4)	1.6	4.5	6.3	9.7	11.6	13.4
DPS	0	0	0	0	0	0	0
BVPS	90	114	167	168	255	265	279

YoY Growth (%)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	45.7	83.5	36.9	75.5	5.0	11.6	24.6
EBITDA	0.0	0.0	111.6	17.7	19.5	29.2	18.0
EBIT	0.0	0.0	819.6	(6.2)	33.8	45.0	23.6
PAT	0.0	0.0	208.7	38.7	92.3	17.6	14.8

## Key Ratios

Profitability (%)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Gross Margin	100.0	100.0	100.0	95.0	93.3	100.0	100.0
EBITDA Margin	(2.3)	8.9	13.8	9.3	10.5	12.2	11.6
PAT Margin	(0.9)	2.0	4.6	3.6	6.6	7.0	6.4
ROE	(0.5)	1.6	3.3	3.9	4.8	4.5	4.9
ROIC	(0.1)	1.3	2.8	3.4	4.4	4.1	4.4
Core ROIC	(15.5)	1.3	8.6	5.3	7.0	9.4	11.7
Dividend Payout	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAGR (%)	1 year	2 years	3 years	5 years
Revenue	75.5	55.0	64.0	44.9
EBITDA	17.7	57.8	(361.4)	17.8
PAT	38.7	106.9	(364.5)	70.0

Valuation (x)	FY23A	FY24E	FY25E	FY26E
P/E	109.9	71.5	59.4	51.7
P/B	4.1	2.7	2.6	2.5
P/FCFF	(50,662.0)	56.5	115.5	89.5
EV/EBITDA	44.3	29.9	22.3	18.0
EV/Sales	4.1	3.1	2.7	2.1
Dividend Yield (%)	0.0	0.0	0.0	0.0

**Balance Sheet**

Y/E Mar (Rs mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Equity Capital	112	122	130	265	305	306	306
Reserves	4,899	6,460	10,283	10,784	19,103	19,992	21,015
<b>Net Worth</b>	<b>5,011</b>	<b>6,582</b>	<b>10,413</b>	<b>11,049</b>	<b>19,407</b>	<b>20,298</b>	<b>21,321</b>
Total Debt	80	13	43	382	378	378	78
Other long term liabilities	339	299	374	456	456	456	456
Minority Interest	690	1,208	1,570	2,117	2,282	2,681	3,169
Account Payables	693	610	499	767	879	981	1,222
Other Current Liabilities	732	1,515	1,199	2,247	1,789	1,997	2,488
<b>Total Liabilities</b>	<b>7,544</b>	<b>10,227</b>	<b>14,098</b>	<b>17,018</b>	<b>25,192</b>	<b>26,792</b>	<b>28,735</b>
Gross Fixed Assets	3,781	3,824	5,485	7,478	8,295	8,925	9,555
Acc. Depreciation	(513)	(863)	(1,245)	(1,649)	(2,268)	(2,976)	(3,763)
Net Fixed Assets	3,268	2,961	4,240	5,829	6,027	5,949	5,792
Capital WIP	63	24	11	2	2	2	2
Long Term Investments	128	76	292	634	803	803	803
Others	200	307	363	237	237	237	237
Inventory	0	0	13	246	0	0	0
Receivables	681	686	847	1,536	1,413	1,576	1,964
Loans and advances	657	1,036	704	1,543	1,256	1,401	1,746
Other current assets	225	307	269	689	502	561	698
Cash & Cash Equivalents.	2,323	4,830	7,359	6,302	14,952	16,263	17,493
<b>Total Assets</b>	<b>7,544</b>	<b>10,227</b>	<b>14,098</b>	<b>17,018</b>	<b>25,192</b>	<b>26,792</b>	<b>28,735</b>
Non-Cash WC	139	(96)	135	1,000	502	561	698
Cash Conv. Cycle	14.7	2.6	12.8	23.0	24.7	16.1	15.3
WC Turnover	17.8	(47.3)	46.1	10.9	22.8	22.8	22.8
Gross Asset Turnover	0.7	1.2	1.1	1.5	1.4	1.4	1.7
Net Asset Turnover	0.7	1.5	1.5	1.9	1.9	2.1	2.7
Net D/E	(0.4)	(0.6)	(0.6)	(0.4)	(0.7)	(0.7)	(0.7)
<b>Days (x)</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Receivable Days	84	55	45	40	47	43	41
Inventory Days	0	0	0	4	4	0	0
Payable Days	69	52	33	21	26	27	25
Non-cash WC days	20	(8)	8	33	16	16	16
<b>Cash Flow</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Profit Before Tax	(178)	190	704	888	1,101	1,726	2,020
Depreciation	263	355	390	571	619	708	787
Others	(122)	(17)	(2)	(262)	(491)	(872)	(964)
Tax paid	72	160	190	260	201	435	509
Change in WC	87	311	(281)	(856)	498	(58)	(138)
<b>Operating Cashflow</b>	<b>(22)</b>	<b>679</b>	<b>621</b>	<b>81</b>	<b>1,527</b>	<b>1,068</b>	<b>1,196</b>
Capex	(69)	(21)	(114)	(82)	(630)	(630)	(630)
Change in Invest.	120	(2,699)	(3,283)	(954)	(357)	0	0
Others	38	40	61	84	593	947	1,026
<b>Investing Cashflow</b>	<b>89</b>	<b>(2,680)</b>	<b>(3,336)</b>	<b>(952)</b>	<b>(393)</b>	<b>317</b>	<b>396</b>
Change in Debt	(56)	(53)	(38)	191	(4)	0	(300)
Change in Equity	97	2,227	3,390	163	7,601	0	0
Others	(8)	(4)	(5)	(206)	(81)	(75)	(62)
<b>Financing Cashflow</b>	<b>34</b>	<b>2,170</b>	<b>3,347</b>	<b>148</b>	<b>7,516</b>	<b>(75)</b>	<b>(362)</b>
<b>Net Change in Cash</b>	<b>101</b>	<b>169</b>	<b>632</b>	<b>(723)</b>	<b>8,650</b>	<b>1,311</b>	<b>1,230</b>

Source: Company, Equirus Research



<p><b>Rating &amp; Coverage Definitions:</b></p> <p><b>Absolute Rating</b></p> <ul style="list-style-type: none"> <li>• LONG : Over the investment horizon, ATR <math>\geq</math> Ke for companies with Free Float market cap <math>&gt;</math>Rs 5 billion and ATR <math>\geq</math> 20% for rest of the companies</li> <li>• ADD: ATR <math>\geq</math> 5% but less than Ke over investment horizon</li> <li>• REDUCE: ATR <math>\geq</math> negative 10% but <math>&lt;</math>5% over investment horizon</li> <li>• SHORT: ATR <math>&lt;</math> negative 10% over investment horizon</li> </ul> <p><b>Relative Rating</b></p> <ul style="list-style-type: none"> <li>• OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon</li> <li>• BENCHMARK: likely to perform in line with the benchmark</li> <li>• UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon</li> </ul> <p><b>Investment Horizon</b></p> <p>Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter</p>	<p><b>Registered Office:</b></p> <p>Equirus Securities Private Limited Unit No. A2102B, 21st Floor, A Wing, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai-400013. Tel. No: +91 – (0)22 – 4332 0600 Fax No: +91- (0)22 – 4332 0601</p> <p><b>Corporate Office:</b></p> <p>3rd floor, House No. 9, Magnet Corporate Park, Near Zydus Hospital, B/H Intas Sola Bridge, S.G. Highway Ahmedabad-380054 Gujarat Tel. No: +91 (0)79 - 6190 9550 Fax No: +91 (0)79 – 6190 9560</p>
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Disclosure of Interest statement for the subject Company	Yes/No	If Yes, nature of such interest
Research Analyst' or Relatives' financial interest	Yes	Samarth Patel has some holding in the stock
Research Analyst' or Relatives' actual/beneficial ownership of 1% or more	No	
Research Analyst' or Relatives' material conflict of interest	No	

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