

Company Overview

Nazara Technologies Limited (“Nazara”) is the leading India based diversified gaming and sports media platform with presence in India and across emerging and developed global markets such as Africa and North America, and offerings across the interactive gaming, eSports and gamified early learning ecosystems including World Cricket Championship (WCC) and CarromClash in mobile games, Kiddopia in gamified early learning, Nodwin and Sportskeeda in eSports and eSports media, and Halaplay and Qunami in skill-based, fantasy and trivia games. Company’s goal is to cater to billion plus mobile internet players across emerging markets who have embraced social multiplayer interactive gaming as the foremost form of entertainment. They seek to achieve this by providing interactive mobile games, eSports content and gamified early learning apps which are entertaining, locally relevant and result in positive engagement and longer retention of users of their platform. Given their market-first position in India across sports simulation and eSports, Nazara is well placed to leverage the opportunity that interactive mobile games, eSports content and gamified early learning apps offer.

Objects of the issue

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the Offer for Sale. Further, NTL expects that listing of the Equity Shares will enhance its visibility and brand image and provide liquidity to the Shareholders. The listing will also provide a public market for its Equity Shares in India.

Investment Rationale

Leadership position in a diversified and scalable business

The company believes the current position of leadership in India across a diversified set of offerings provides a strong foundation for continued growth. Its successful business model and established presence in India, a market with economic, technical and cultural complexities, has given it a competitive advantage. It has successfully leveraged its capabilities for in-house content creation, game engine development and propriety technology stack development, ability to deliver positive LTV/CAC ratios across offerings and its relationships with telecom operators, app stores and other participants in gaming ecosystems. (Source: F&S Report) The content is developed in India for the Indian as well as global audience, allowing it to achieve scale. It has an operating leverage in gamified early learning on account of captive development of content being undertaken in India, while it generates revenues inter alia from North America.

Continuous global expansion leveraging the existing distribution network

The company believes that expanding its offerings footprint to heterogeneous cohorts of gamers will further deepen its competitive moats to defend and grow its strong market position. It also believe there is an opportunity to capitalise on cross-selling its multiple offerings, which in turn could create a network effect resulting in operating leverage on EBITDA margins and also at unit economics level, for instance, utilising Sportskeeda as a content destination for its eSports events. The company also intend to increase the geographic coverage of its existing apps, Kiddopia and the WCC franchise, across other developed markets to leverage the strong monetization potential given the universal appeal of compelling content for children and sports fans across markets, respectively. The company intend to introduce more products and services tailored to overseas markets. It also plan to selectively cooperate with local distribution partners to effectively promote its offerings overseas. It intend to continue to be present and expand its presence in emerging markets by capitalising on its first mover advantage in these markets, and leveraging its existing network of partnerships across the local ecosystem.

Valuation and Outlook

Nazara Technologies is one of the diversified mobile gaming companies in India that has presence in developing and emerging global markets. The company’s IPO will be the first pure play gaming company that would get listed on stock exchanges. On the valuation front, the company is valued at 12.7x EV/Sales based on FY20 numbers. Considering its leading position in the mobile gaming industry in India with a presence across emerging and developing countries and ongoing positive sentiments for new IPO’s in current scenario, we believe a decent listing gains is possible. Therefore, We assign ‘SUBSCRIBE’ rating to this IPO issue (only for listing gain).

Issue Details

| | |
|----------------------------------|--------------------------|
| Offer Period | Mar 17th - 19th Mar 2021 |
| Price Band | INR.1100 to INR.1101 |
| Bid Lot | 13 |
| Listing | BSE&NSE |
| Issue Size (no. of shares in mn) | 30.4 |
| Issue Size (INR. in bn) | 5.8 |
| Face Value (INR) | 4 |

Issue Structure

| | |
|-----------|--|
| QIB | 75% |
| Retail | 10% |
| HNI | 15% |
| BRLM | ICICI Securities, IIFL Securities, Jefferies India, Nomura Financial |
| Registrar | : Link Intime India Pvt. Ltd. |

Particulars Pre Issue % Post Issue %

| | | |
|--------------|------------|------------|
| Promoter | 24.16 | 20.70 |
| Public | 75.84 | 79.30 |
| Total | 100 | 100 |

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



Income Statement (In mn)

| Particulars | FY18 | FY19 | FY20 | 1HFY21 |
|--|--------------|--------------|--------------|--------------|
| Revenue | | | | |
| Revenue from operations | 1,721 | 1,697 | 2,475 | 2,005 |
| Total revenue | 1,721 | 1,697 | 2,475 | 2,005 |
| Expenses | | | | |
| Content, event and web server | 121 | 443 | 507 | 152 |
| Advertising and promotion | 428 | 272 | 1,329 | 1,196 |
| Employee benefit expenses | 372 | 414 | 319 | 219 |
| Commission | 32 | 31 | 71 | 223 |
| Other expense | 280 | 373 | 305 | 154 |
| Total Operating expenses | 1,233 | 1,534 | 2,530 | 1,944 |
| EBITDA | 488 | 163 | (55) | 61 |
| Depreciation and amortisation expense | 82 | 195 | 268 | 187 |
| Other income | 99 | 164 | 146 | 65 |
| EBIT | 505 | 132 | (177) | (61) |
| Finance costs | 18 | 14 | 12 | 5 |
| Exceptional items | (357) | | | |
| Share of loss of Investments accounted using equity method (net) | (1) | (9) | (18) | (16) |
| PBT | 128 | 108 | (208) | (82) |
| Current tax | 144 | 70 | 56 | 46 |
| Deferred Tax charge | (26) | (28) | 2 | (26) |
| Total tax | 118 | 42 | 58 | 19 |
| PAT | 11 | 67 | (266) | (101) |
| EPS | 0.3 | 2.2 | (8.7) | (3.3) |

Source: DRHP, BP Equities Research

Cash Flow Statement (In mn)

| Particulars | FY18 | FY19 | FY20 | 1HFY21 |
|--|------------|--------------|------------|------------|
| Cash Flow from operating activities | 32 | 192 | (22) | (66) |
| Cash flow from investing activities | (183) | (675) | 89 | 190 |
| Cash flow from financing activities | 371 | 59 | 34 | (22) |
| Net increase/(decrease) in cash and cash equivalents | 220 | (423) | 101 | 102 |
| Cash and cash equivalents at the beginning of the period | 648 | 886 | 533 | 721 |
| Effect of exchange differences on cash & cash equivalents held in foreign currency | 17 | 70 | 88 | (12) |
| Cash and cash equivalents at the end of the period | 886 | 533 | 721 | 811 |

Source: DRHP, BP Equities Research



Balance Sheet (In mn)

| Particulars | FY18 | FY19 | FY20 | 1HFY21 |
|---|--------------|--------------|--------------|--------------|
| Equity | | | | |
| Share Capital | 108 | 110 | 112 | 114 |
| Other Equity | 3,410 | 3,961 | 4,959 | 4,842 |
| Non-controlling interests | 353 | 323 | 830 | 757 |
| Net worth | 3,871 | 4,394 | 5,901 | 5,713 |
| Long-Term Borrowings | 0 | - | - | - |
| Long-Term Provisions | 20 | 25 | 27 | 32 |
| Deferred tax Liabilities | 99 | 76 | 388 | 364 |
| other financial liabilities | 130 | 68 | - | - |
| Lease liabilities – Non-Current | 83 | 38 | 20 | 7 |
| Total Non Current Liabilities | 331 | 207 | 436 | 403 |
| Lease liabilities – Current | 54 | 56 | 60 | 33 |
| Trade payables | 235 | 249 | 690 | 1,076 |
| Liabilities for income taxes (net) | 44 | 12 | 20 | 22 |
| Other current liabilities | 70 | 54 | 293 | 363 |
| Short Term Provisions | 3 | 4 | 10 | 12 |
| Other Financial Liabilities | 100 | 172 | 358 | 364 |
| Total Current Liabilities | 505 | 545 | 1,432 | 1,871 |
| Total liabilities | 4,707 | 5,146 | 7,768 | 7,987 |
| Assets | | | | |
| Tangible Assets | 16 | 15 | 23 | 20 |
| Right of Use Assets | 134 | 88 | 86 | 48 |
| Capital work in Progress | 6 | 7 | 63 | 24 |
| Goodwill | 680 | 680 | 1,596 | 1,596 |
| Investments accounted for using the equity method | 22 | 303 | 81 | 64 |
| Intangible Assets | 672 | 587 | 1,772 | 1,666 |
| Loans | - | 2 | 14 | 11 |
| Investments | 116 | 132 | 136 | 119 |
| Deferred tax assets (net) | 58 | 59 | 37 | 34 |
| Income tax assets (net) | 58 | 68 | 92 | 65 |
| Non-current tax assets (net) | - | 1 | 3 | 1 |
| Other non-current assets | 57 | 59 | 68 | 67 |
| Total Non current assets | 1,820 | 2,001 | 3,971 | 3,715 |
| Trade Receivables | 431 | 447 | 681 | 1,281 |
| Cash and Bank Balances | 886 | 533 | 721 | 811 |
| Other current assets | 72 | 96 | 225 | 332 |
| Bank Balances | 289 | 800 | 1,146 | 1,032 |
| Investment | 868 | 840 | 367 | 243 |
| Loans | 0 | 2 | 22 | 25 |
| Other Financial Assets | 341 | 427 | 636 | 548 |
| Total Current Asset | 2,887 | 3,144 | 3,797 | 4,271 |
| Net Current Assets | 2,382 | 2,599 | 2,365 | 2,401 |
| Total Assets | 4,708 | 5,146 | 7,768 | 7,987 |

Source: DRHP, BP Equities Research

Key Risks.

- ⇒ Halaplay and Sports Unity have unsecured loans, which may be recalled any time. Such recall loans can have an impact on business.
- ⇒ There have been certain instances of non-compliances, including regulatory filings for corporate actions taken by company in the past. They are subject to penalties for such non compliance.
- ⇒ They are certain proceedings involving company, if determined against them, would have an adverse impact on company business and results of operations .

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from a ny inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392