

Nazara Technologies Ltd

REDUCE

CMP Rs1,784

Target Rs2,208

Upside 23.8%

Upbeat in medium-term, Uncertain over Long-term

Medium Term looks promising

Nazara is expected to clock revenue of Rs11.4bn in FY24, at FY21-FY24E CAGR of 36.0%. Given the general gaming market frenzy, growing interest in platform businesses, and bright prospects of gaming industry in India, the stock can rise 20-50% from current levels. Our base case target price is for 23.8% upside in 12 months.

Strong presence across subsegments of online gaming:

Nazara has well recognized brands across 1) Gamified Early learning (Kiddopia); 2) eSports (Nodwin, Sportskeeda); 3) Freemium Games (WCC); 4) Online Real Money Games (Halaplay); 5) Telecom subscription business. Apart from legacy business of telecom subscription, other segments (especially eSports and Real Money Games) are expected to see sustained high growth, driven by rising popularity of online games among 18-35 years old. Planned expansion in the foreign market especially US has helped leverage its brand and IPs to promote growth.

Industry poised for high growth

Led by increasing smartphone penetration, increase in the number of mid/hard core gamers and gradual increase in In-app purchases, Indian Gaming industry is expected to achieve \$3.5bn in 2023 from \$1.5bn in 2020 at CAGR of 32.6%. The Covid19 lockdowns has seen more youth seriously exploring online gaming.

There's a huge growth opportunity as number of Mid/hard core gamers is expected to increase to 120mn by FY25 from 35mn (FY21) that will drive ARPU growth (currently ~\$9/pa) through In-App purchases. Such purchases are merely 2-3% of subscribers in India, compared to 7% to 10% in bigger markets of US and China. Indian online gaming is at same level as was China in 2013 which recorded 12x increase in size of gaming industry over next 7 years.

Long-term uncertainty:

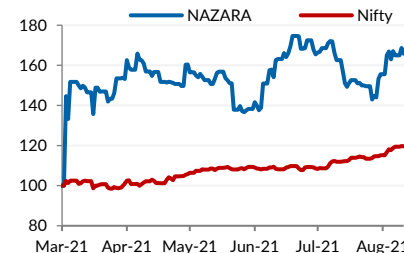
- ✓ The company didn't grow between FY17-19 until it made strategic acquisitions across subsegments of the gaming industry. Legacy online games tend to lose engagement levels with audience and since, Nazara has not demonstrated its ability to build blockbuster games, acquisition is only way to achieve growth.
- ✓ Acquisitions are an expensive affair as they often come at premium valuation in this sector. Hence, it raises concern on the impact on shareholders returns. Acquisitions will require frequent equity dilution of a promoter holding that's already at low 20.7%.
- ✓ Barrier to entry is low as it is relatively easy to develop a mobile based game based on current technologies. There is no doubt about the growth of industry in coming years, but it is likely to be highly fragmented with few dominant games, unlikely to be part of any one company alone.
- ✓ Moat for the business may not be strong. We've seen best of games fall out of favor over time. Developing mobile games is a hit and miss business as several factors determine the success or failure of a game. Nazara is yet to develop a popular in-house mobile game.

Valuation and Target price: Given the long term uncertainty in this business, we initiate coverage with REDUCE Rating and target price of Rs 2,208 at EV/EBITDA(FY24E) of 25x, taking into account valuation multiples of global peers like Electronic Arts, Activision Blizzard, and Tencent Holding, (adjusted for 30% growth in Indian market compared to 12-15% growth in the US and Chinese gaming markets). The stock currently trades EV/EBITDA of 19.4x

Stock data (as on September 09, 2021)

Nifty	17,369
52 Week h/l (Rs)	2025 / 1432
Market cap (Rs/USD mn)	54337 / 739
Outstanding Shares (mn)	30
6m Avg t/o (Rs mn):	NA
Div yield (%):	NA
Bloomberg code:	NAZARA IN
NSE code:	NAZARA

Stock performance



	1M	3M	1Y
Absolute return	3.2%	5.7%	NA

Shareholding pattern (As of Mar'21 end)

Promoter	20.7%
FII+DII	12.5%
Others	66.8%

Financial Summary

(Rs mn)	FY22E	FY23E	FY24E
Net Revenue	6,269	8,596	11,432
YoY Growth	38.0%	37.1%	33.0%
EBIDTA	878	1,569	2,458
YoY Growth	113.3%	78.8%	56.7%
PAT	378	922	1,533
YoY Growth	308.9%	144.0%	66.3%
ROE	5.6%	12.4%	17.7%
EPS	12.3	30.1	50.0
P/E	144.7	59.3	35.7
BV	227	257	307
EV/EBITDA	56.1	30.9	19.4

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A Case Study on the challenges and risks faced by businesses in Entertainment/Gaming which rely on a set of video content/game applications

In this comparative probe, we draw contextual parallels between video content provider, Shemaroo and gaming player, Nazara. Shemaroo Entertainment is an Indian film content aggregator and distributor. It primarily buys film/music copyrights, owns it for a defined span, and distributes it across TV channels, YouTube, and OTT platforms. Shemaroo has a collection of more than 4000+ film titles, spanning Hindi and regional language content. **The business model helped the company deliver a revenue CAGR of 15% from FY15 to FY19. Shemaroo capitalized on its massive title collection and ruled the roost during this span.** However, when online original content creation (web series and films) got a big boost in India with the advent of 4G, the audience shifted loyalties in favor of freshly baked global content - whether films or music - catering to modern-day sensibilities. The charm of legacy content of a bygone era was thus diluted if not lost completely. Consequently, Shemaroo's business model took a hit, triggering a sharp drop in financials and share price.

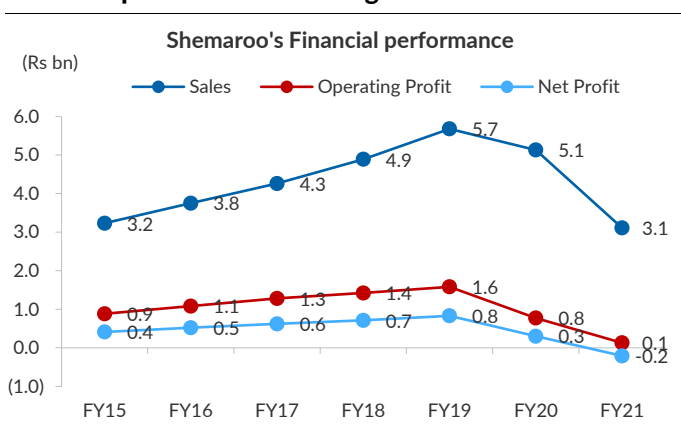
Nazara, although in a different space, may face a similar predicament in the long run given the lack of original content creation. The medium-term prospects look bright but over time, it may face a Shemaroo-like situation of low monetization and high cost of content acquisition.

Shemaroo Vs Nazara

Different cosmos, Similar concerns

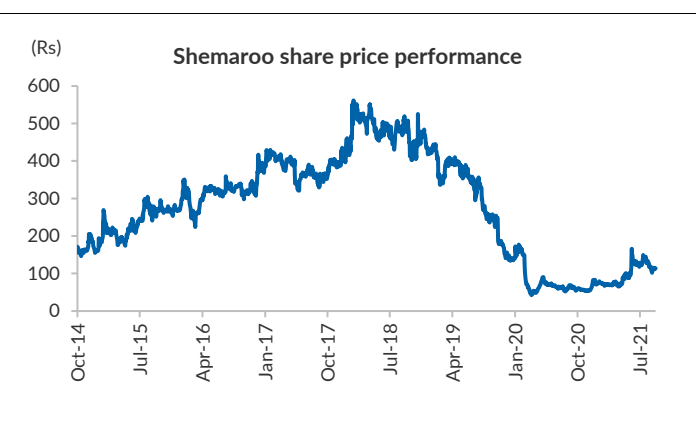
Shemaroo		Nazara
Existing content is in essence a dated library, hence lacks fresh appeal. Younger audiences who are the prime movers of the digital space, steer clear of this content, which impacts monetization potential.	VS	Existing content carries the risk of getting dated as graphics lose their appeal amid fresh, alluring content available elsewhere. The monetization potential hence suffers over time.
New content needs to be acquired on frequent basis causing high working capital days, blocked inventory, and high acquisition premium. This adversely impacts shareholders' return		New content would need to be acquired frequently with no control over the cost of content. Consequently, there is risk of further dilution of an already low promoter holding. Besides, the high premium paid for acquired content will impact margins and prevent creation of shareholder value.

Exhibit 1: Financial performance Shemaroo: Revenue and Net profit declined during 2018-2020



Source: Company, YES Sec

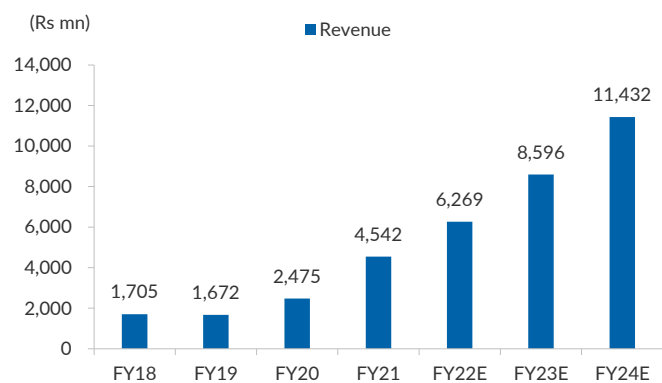
Exhibit 2: Witnessed declined in share price during 2018-2020



Source: Company, YES Sec

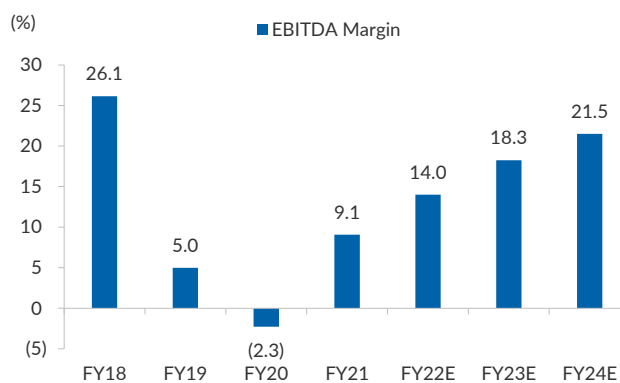
STORY IN CHARTS

Exhibit 3: Revenue growth expected to maintain 30% plus trajectory



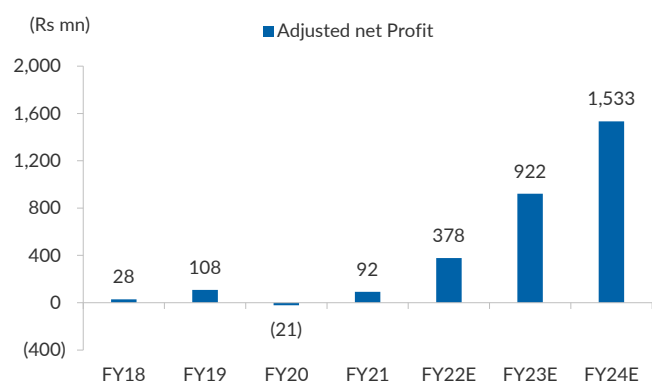
Source: Industry, YES Sec

Exhibit 4: Operating leverage will drive improvement in EBITDA margin



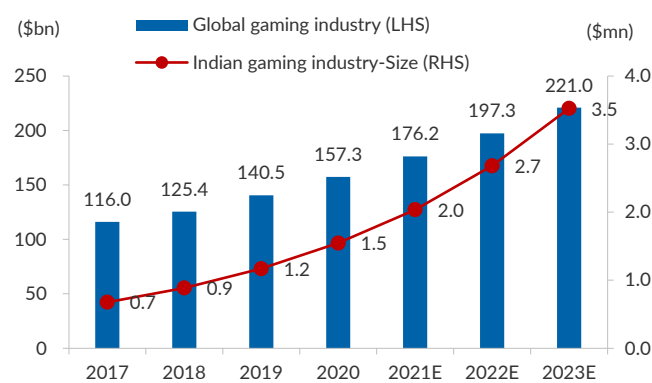
Source: Industry, YES Sec

Exhibit 5: Expected to see strong growth in net profit on the back of growth in topline



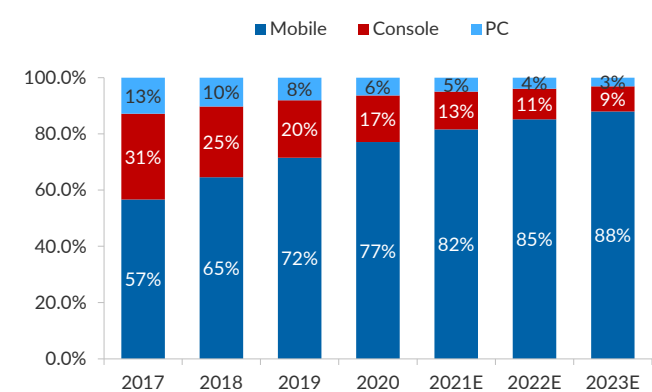
Source: Industry, YES Sec

Exhibit 6: Indian gaming industry expected to reach \$3.5bn by FY23 growing at 30%+ (vs 12% global growth)



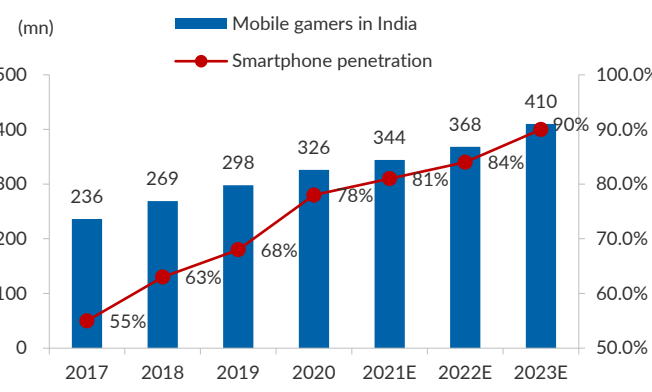
Source: Industry, YES Sec

Exhibit 7: Mobile gaming to drive growth in gaming industry in India, growing faster than overall gaming



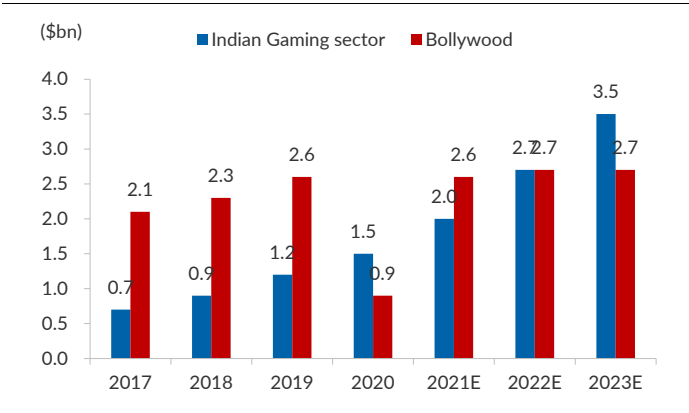
Source: Industry, YES Sec

Exhibit 8: Indian mobile gaming to grow faster than global mobile gaming industry



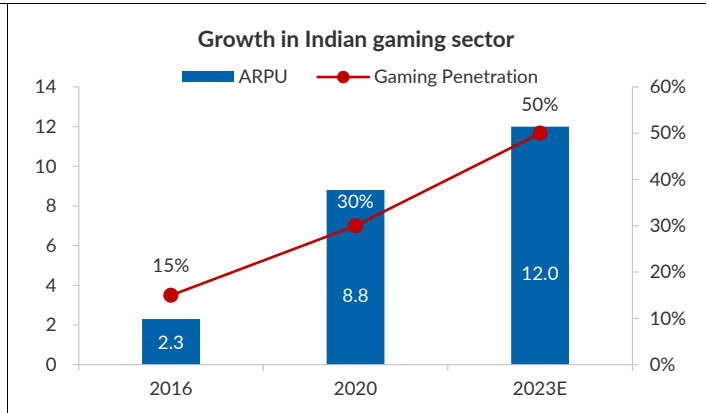
Source: Industry, YES Sec

Exhibit 9: Gaming in India expected to exceed size of Bollywood industry by FY23



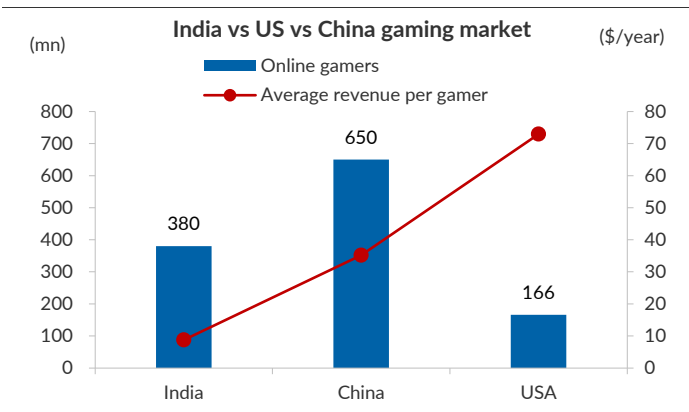
Source: Company, YES Sec

Exhibit 10: Gaming sector in India has taken off sharply in India over last 4-5 years



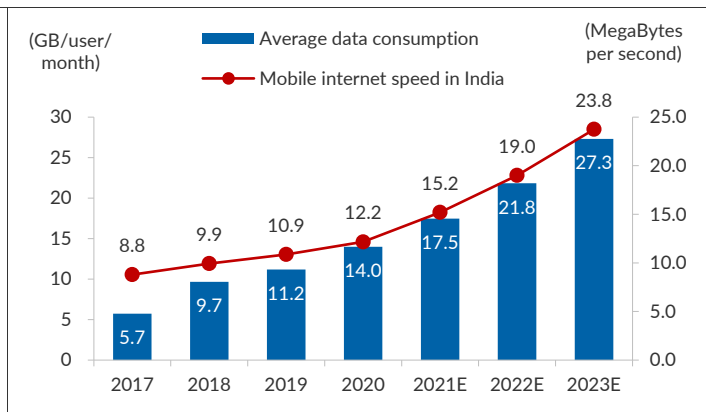
Source: Company, YES Sec

Exhibit 11: India still way behind China and US in terms of average revenue per gamer



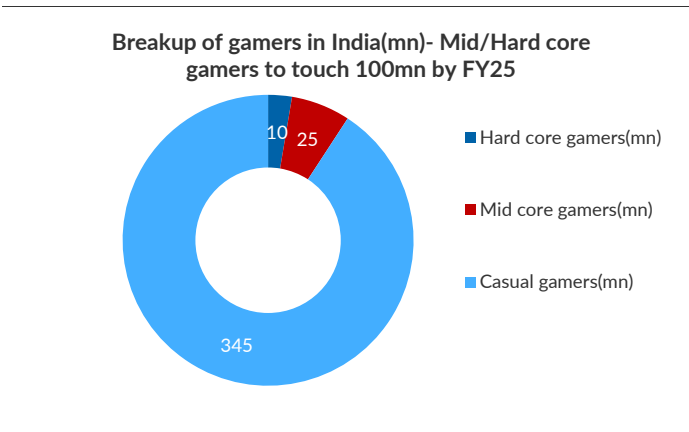
Source: Company, YES Sec

Exhibit 12: Rise in mobile internet speed/usage to drive mobile gaming in India



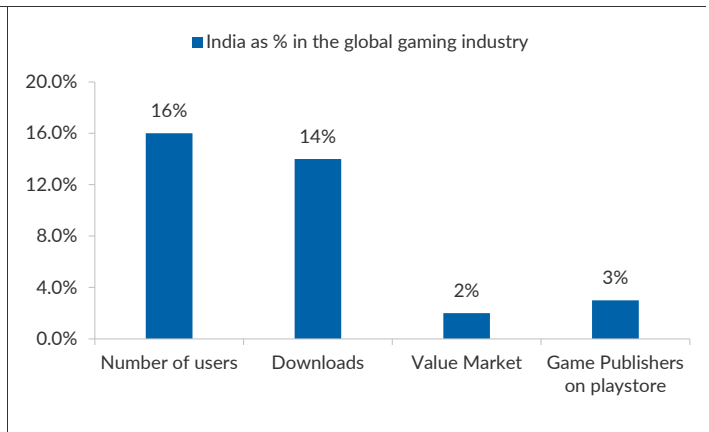
Source: Company, YES Sec

Exhibit 13: Monetization to be led by growth in the number of Mid/Hardcore gamers (Expected to touch 120mn by FY25)



Source: Company, YES Sec

Exhibit 14: Increase in ARPU to be the key growth driver as ARPU in India is 1/7 th of global average



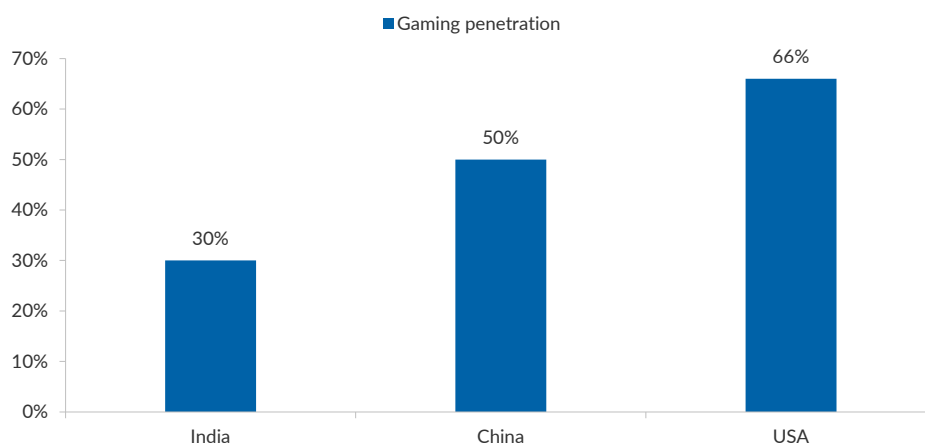
Source: Company, YES Sec

ONLINE GAMING IS A SUNRISE SECTOR ON FAST GROWTH LANE

Indian Gaming Industry is currently valued at \$1.5Bn (grown at 32% CAGR over 2016-2020). Currently, it is relatively small in size when compared to markets of USA (Gaming overall \$39bn – Mobile gaming \$11bn) and China (\$42bn – Mobile gaming \$25bn). Globally, online gaming is growing at 12% per annum. In India, the growth is higher at ~30% per annum on lower base as the gaming ecosystem has recently taken shape. The growth of gaming in India is being driven by increasing smartphone penetration, affordable mobile data and rising number of mid/hard core gamers. The number of mobile gamers in India has grown from 200 mn in 2016 to 330 mn (total gamers at 380mn) by the end of 2020 and the growth momentum is expected to continue led by favourable demographics as around 65% of population of India is less 35 years old. Around 92% of gamers in India are casual gamers who play for fun and have little propensity to spend money on gaming; whereas Mid/Hard core gamers comprise just 8% of total gamers but they drive the total gaming spending and their number will accelerate going ahead, given tangible improvement in device ecosystem (availability of affordable handsets suitable for gaming) along with improvement in broadband speed.

In terms of per capita spending on online gaming, an average gamer in India spends about \$9 (gamer base of 380mn) in a year compared to \$35 per year in China (gamer base of 650mn) and \$73/year in US (gamer base of 166mn). The average spending is set to rise with increase in per capita income and rise in the popularity of leading online games along with increase in the number of mid/hard core gamers.

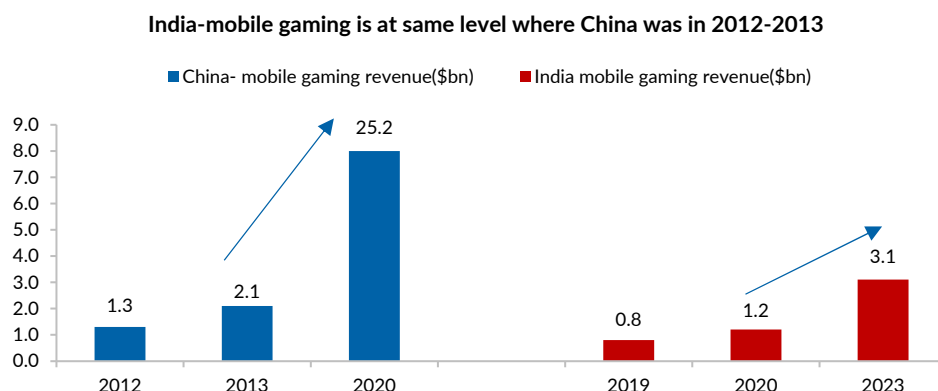
Exhibit 15: Gaming penetration expected to improve in India with rising smartphone penetration



Source: Company, YES Sec

Actually, Indian gaming industry in 2021 is at same level, where China was in 2012-2013. China had exponential growth since 2012 and is currently \$25bn industry from \$2bn industry in 2013. India mobile gaming at \$1.2bn is expected to reach \$3.1bn by 2023.

Exhibit 16: India-mobile gaming is at same level where China was in 2012-2013

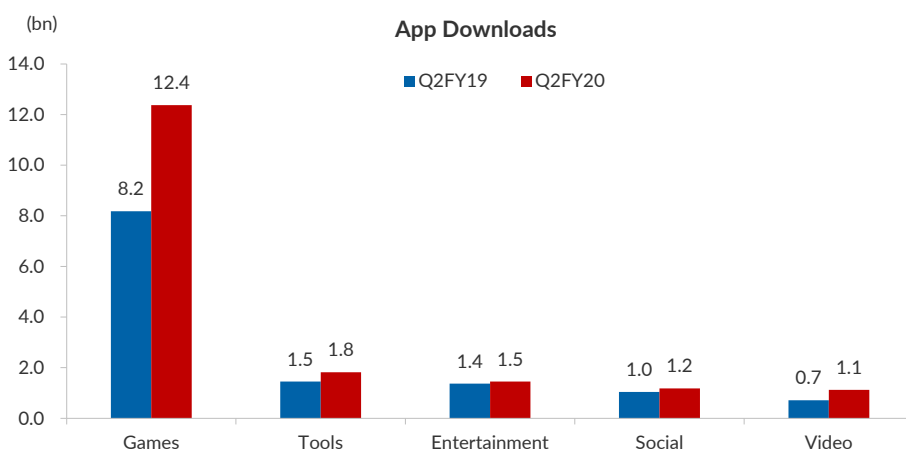


Source: Company, YES Sec

In recent years, gaming has emerged as an alternative to other forms entertainment such as movies and music. The average gamer in India is in his/her mid twenties compared to average age of early thirties for gamers in China/USA, signifying growing traction of online gaming among younger population in India. To capture market share across gaming segments, game publishers have been able to come out with a range of mobile games catering to varied preferences of different customer groups.

The Pandemic boosted the adoption of online gaming as more people stayed indoors on account of numerous covid19 led lockdowns. This can also be seen in the increase in the number of gaming app downloads(globally) in Q2 2020 compared Q2 2019.

Exhibit 17: The Pandemic boosted the downloads of gaming apps globally

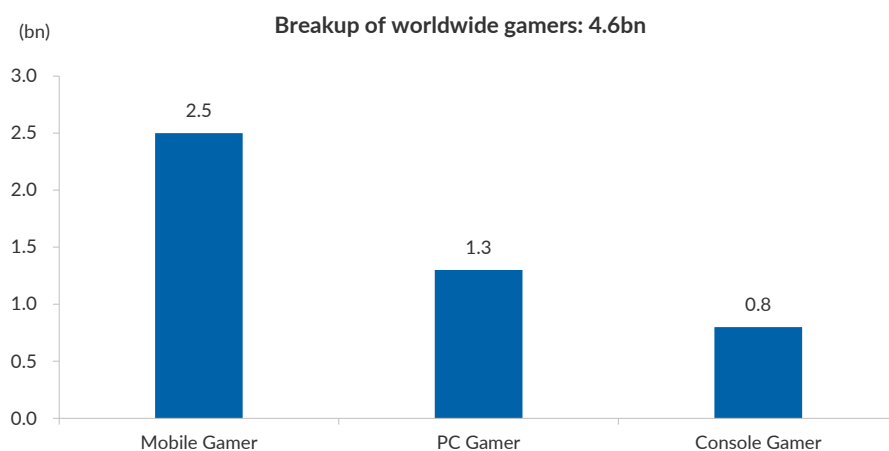


Source: Company, YES Sec

The launch of RJio in September'2016, which led to low mobile data rates in India, was major factor behind growth of online gaming in India. Till then, Telco based subscription model was dominant as in this model, gaming companies partnered with telecom service providers to provide catalogue of casual games on daily/weekly/monthly subscription basis. This changed as telcos started bundling their services and there was proliferation of free casual games with growing penetration of 4G smartphones; thus, leading to decline in the relevance of VAS (Value Added Services)

Globally, Mobile Gaming is the fastest growing segment within online gaming with revenue of \$77bn and gamer base of 2.5bn mobile users across the globe.

Exhibit 18: Breakup of worldwide gamers



Source: Company, YES Sec

The increase in the number of Mid/Hard core gamers and rising per capita income is expected to drive in app purchases going ahead. Currently, low penetration of in-app purchases and low advertisement rates in online gaming market has resulted in relatively small market size of just \$1.5bn in India, even with around 380mn gamers

NAZARA EXPECTED TO BENEFIT FROM STRONG INDUSTRY GROWTH OVER NEXT 3 YEARS

Nazara is present in Gamified early Learning (Kiddopia), eSports (Nodwin and Sportskeeda), Freemium mobile games (World Cricket Championship), Real Money games (Halaplay) and Telco subscription games. It has strong presence in each of the segments and is expected to consolidate on its strength as online gaming market grows at 30% plus in India. Currently, Gamified early learning and esports are key contributors to revenue

Exhibit 19: Revenue breakup by segments (FY21)

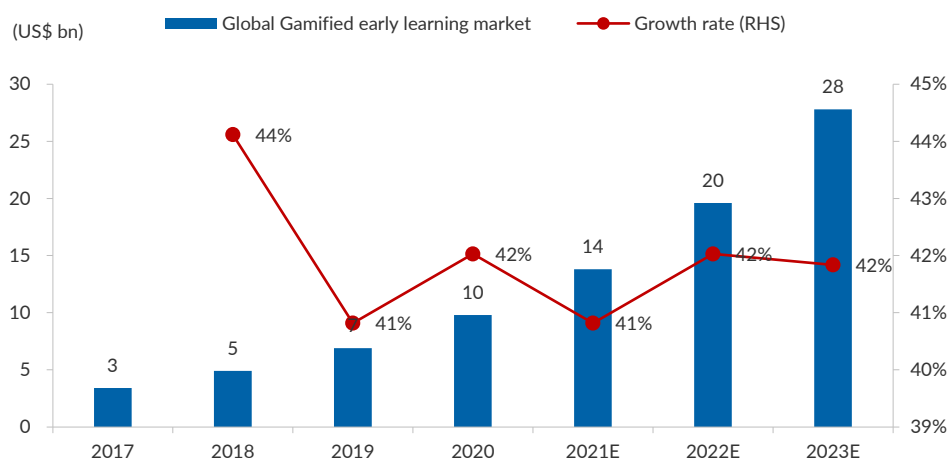
Gaming segment	FY21 Revenue	% Revenue
Gamified early Learning (Kiddopia)	1,758	39%
eSports (Nodwin and Sportskeeda)	1,701	37%
Freemium mobile games	195	4%
Real Money Games	139	3%
Telco subscription business	749	17%

Source: Company, YES Sec

1) Gamified Early Learning (Kiddopia)

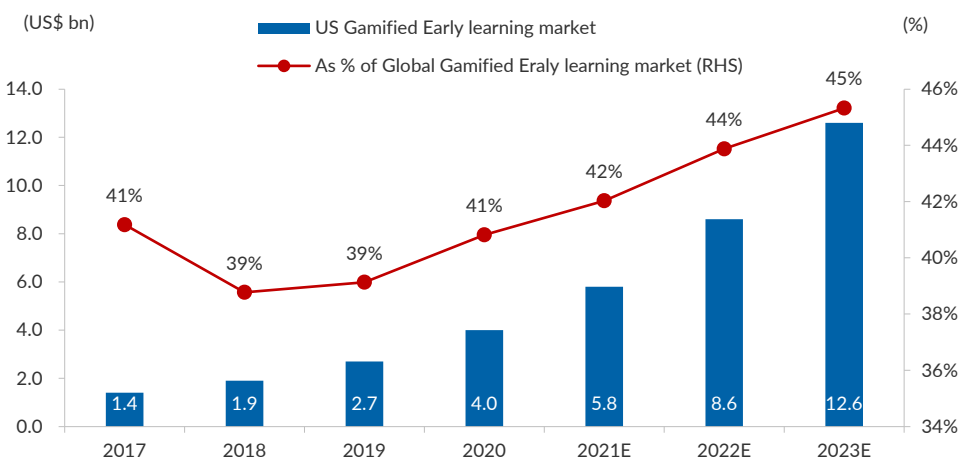
Nazara acquired majority stake (51%) in Paper Boats (Developer of Kiddopia app) in Oct 2019. Kiddopia (launched in 2017) is a gaming and interaction based learning app targeted towards children in two to seven year age bracket. Kiddopia offers interactive games and activities that help in the development of cognitive skills and emotional wellbeing in kids and currently focuses on the US (accounts for 90% of revenue) and Indian market. Kiddopia App is currently top 3 Grossing app in Kids Section (US). It offers monthly and annual subscription plans for the US market priced at \$7.99 per month and \$64.99 per year. However, the pricing for India market is quite lower at Rs99 per month and Rs 400/annual). This app has 5mn+ downloads and 340,000 plus paying subscribers (around 93% of customers are iOS based).

Exhibit 20: Global gamified Early learning market growing at more than 40% pa



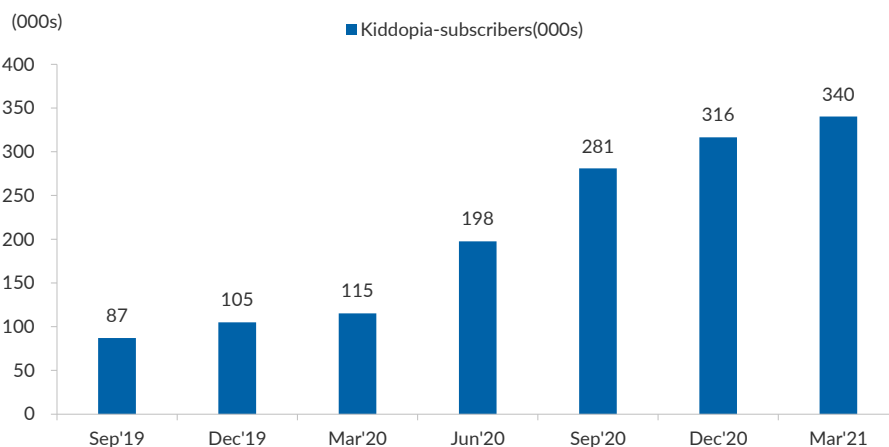
Source: Company, YES Sec

Exhibit 21: US accounts for 45% of global Gamified Early learning market



Source: Company, YES Sec

Exhibit 22: The Pandemic has boosted the growth in the paying subscribers of Kiddopia



Source: Company, YES Sec

Exhibit 23: Kiddopia's unit EBITDA margin is around 22%

Unit Economics of Kiddopia	
Lifetime Value (\$)	61
Minus Appstore commission	28%
Net Lifetime Value (\$)	44
Cost of subscription (\$)	30
Gross profit (\$)	14
Gross margin	32%
Content cost	10%
EBITDA margin	22%

Source: Company, YES Sec

Exhibit 24: Top Ten Downloaded Gamified-Early learning Apps in the US-2020

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

Source: Company, YES Sec

Outlook for Gamified Early Learning Segment: The revenue in this segment is expected to grow at CAGR of 37.1% FY21-24E. The growth in the segment will be led by expansion in the US market as it has explored just 4% of the US market and is also planning to strengthen its presence in India. Meanwhile, it is also trying for gaining presence in Europe and Japan markets. The improvement in profitability will be driven by higher organic customer addition as its visibility improves among target customer group. The Pandemic has led to the adoption of digital learning solutions across the world and this trend has also been witnessed in the case of gamified learning for kids and the momentum is expected to sustain even after this current Pandemic.

2) Esports: Includes two sub-segments for Nazara: 1) Nodwin (eSports) and 2) Sportskeeda (Sports news portal). Nazara owns 50.1% in Nodwin and 74.3% in Sportskeeda

eSports is a common term for a hosting of electronic games organized in the form of tournament involving multiple teams/players. The global eSports market which was valued at \$0.5bn in 2016 grew to \$1bn in 2020, led by rise in the number of eSports viewership and the popularity of eSports tournaments. The global eSports market is expected to have a growth rate of 16.% CAGR between 2020-2023 and is expected to reach a value of \$1.6 bn by 2023. Indian eSports ecosystem has much lower penetration compared to two of the biggest markets in the eSports Industry. Around 25% of China's Internet users and 10% of the US internet users consume eSports content. Indian lags behind both in terms of reach of esports as only 2-3% of Internet users consume esports content.

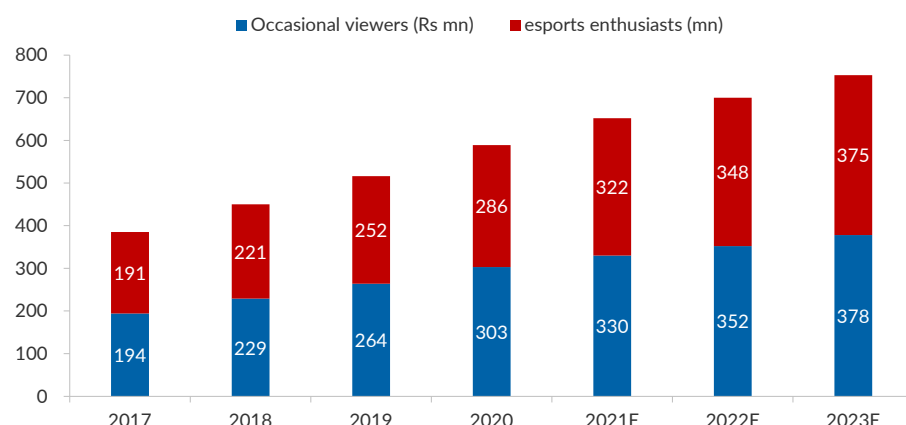
Exhibit 25: Global eSports market to reach \$1.6bn by 2023



Source: Company, YES Sec

The rise of eSports viewership owing to streaming platforms and broadcasting services resulted in audience growth from 323 mn in 2016 to 589 mn in 2020. The global eSports audience growth is forecasted to grow at a rate of 13.3% and is expected to reach about 753 million viewers by 2023, comprising of 378 million casual viewers and 375 million eSports enthusiasts.

Exhibit 26: Global eSports audience growth to be led by rising popularity of key games



Source: Company, YES Sec

Exhibit 27: Currently, sponsorship and media rights are main contributor to eSports revenue

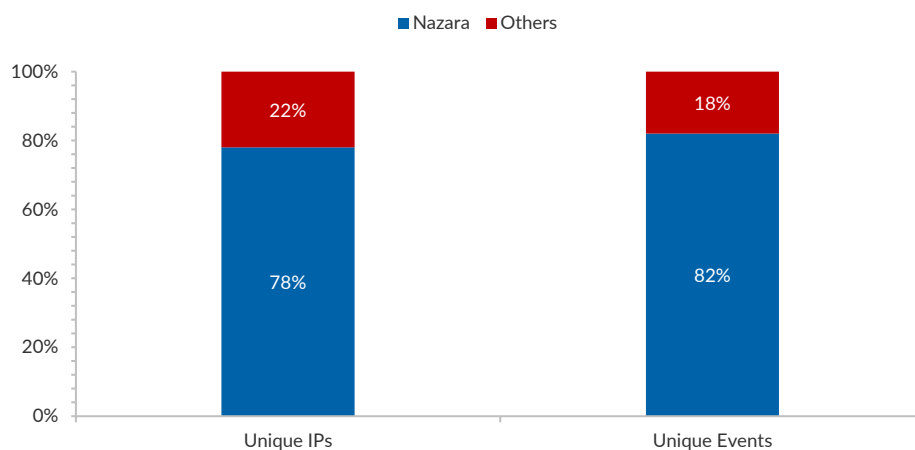


Source: Company, YES Sec

Nazara Technologies Ltd

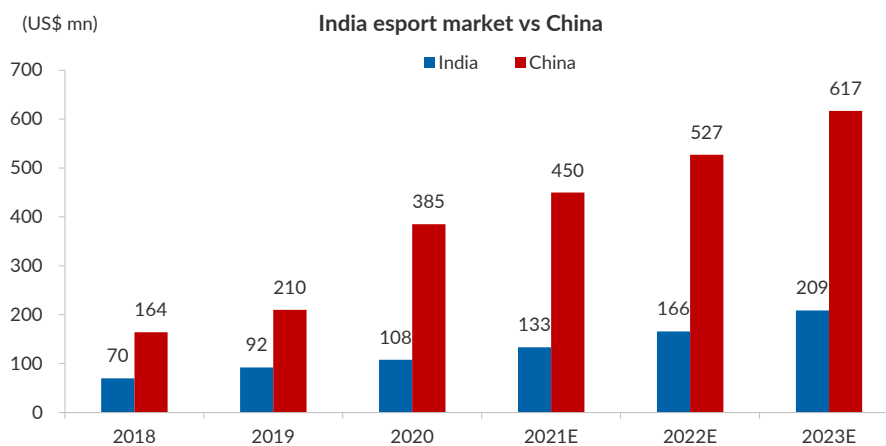
Nazara earns money by organizing such competitive tournaments/events. Nazara’s overall business is similar to hosting, coordinating, media-management of a sports league (Eg: IPL, EPL etc). Nazara’s eSports offerings have agreements with game publishers (for game rights), contracts with broadcasters for live streaming of offline and online tournaments (earn media rights) and are able to manage sponsorship from Advertisers (more viewers, more sponsorships). Online gamers who have interest in such esports come together to watch top ranked players compete in such tournaments. Nodwin (Nazara’s eSports segment) is currently dominating the Indian eSports market with over 80% of the total market share in India.

Exhibit 28: Nazara has dominant presence in India eSports



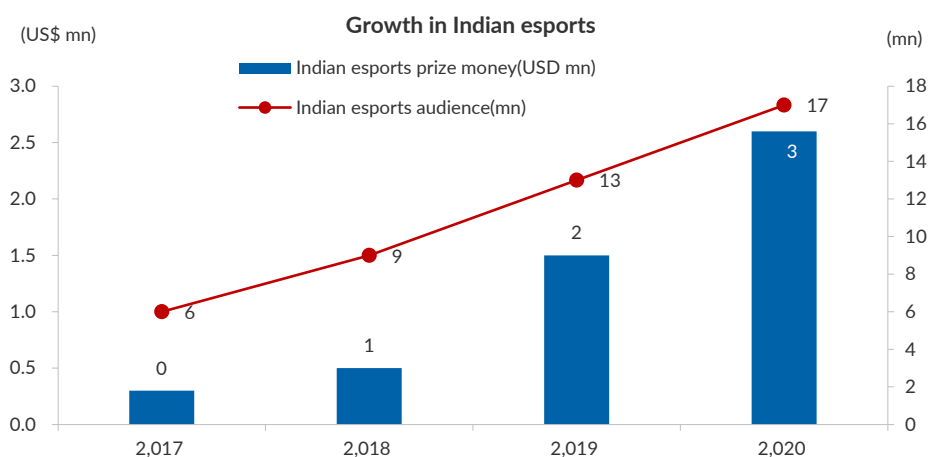
Source: Company, YES Sec

Exhibit 29: Indian eSports market to grow faster than China during 2020-23



Source: Company, YES Sec

Exhibit 30: Growth in Indian esports



Source: Company, YES Sec

Outlook for eSports (Nodwin)- Nodwin is set to benefit from its leadership position in this fast growing segment, which is still in nascent phase in India. Esports has been included in 2022 Asian games, providing further impetus to their popularity. As more and more game publishers enter esports ecosystem, it will lead to increase in number of esports audience and hence higher revenue from media rights for organizer of such events. Currently, the pricing of media rights and advertisement is at 10% of that of television, which is expected to improve with growing popularity of esports in India. Moreover, the expected increase in mid and hardcore gamers (~35mn) will directly support esports ecosystem in India. **The relaunch of PUBG in the form of Battlegrounds Mobile (replacement of banned PUBG Mobile)** is expected give boost to the industry as PUBG mobile (launched in 2017) was a key driver of esports in India, till it got banned in Sep'20. Nazara's focus to expand into foreign markets such as Sri Lanka, Bangladesh, Africa and Middle East will help to diversify revenue base.

Sportskeeda (part of eSports segment), a eSports news website, is the largest eSports related news website in India. Nazara acquired majority stake (67%) in Sportskeeda in Aug 2019 and has played a big role in putting it on fast growth lane. It has over 42mn MAUs and gets around 40% of its traffic from esports segment. It generates content primarily through freelance sports journalists covering WWE, Cricket, Football, Basketball and Esports while images are obtained from IP-holders. In India, it is the largest eSports website and 3rd largest overall sports website (behind ESPNcrinfo and Cricbuzz). Sportskeeda generates revenue by displaying advertisements, which in turn depends on the number of visits the website gets and advertising rates in that country. It plans to introduce subscription revenue model at a later stage, as currently, only 1-2% of its visitors are heavy users of the website. The current strategy is to focus on short videos on sports related content to drive next leg of growth.

Exhibit 31: Comparison with Larger Peers

Metrics	Sportskeeda	Cricbuzz	ESPN
Global Rank	1,056	246	103
Total Monthly visits(mn)	53.7	238.3	433.7
Avg visit duration	1min 22sec	8 min 8 sec	9 min 16 sec
Key traffic source	Search (~85%)	Direct (~70%)	Direct (~70%)

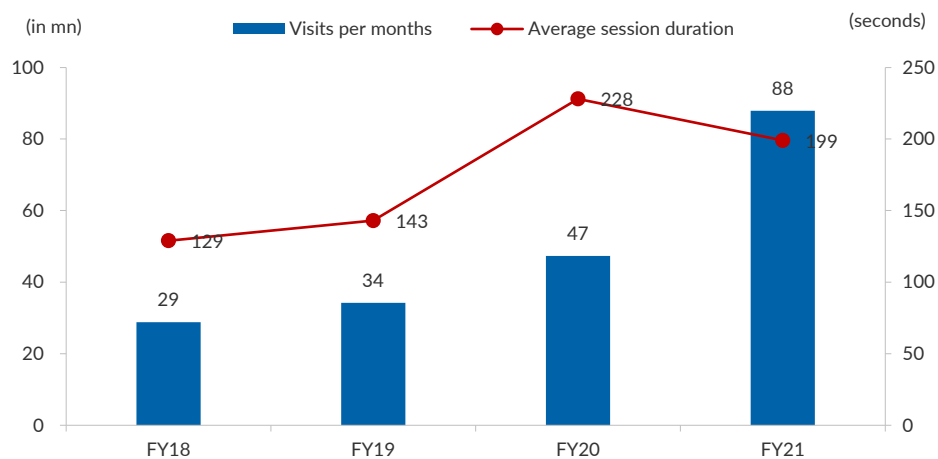
Source: Company, YES Sec

It has seen big turnaround in its performance since its acquisition by Nazara. Sportskeeda has seen higher traction recently in terms of website visits led by its focus on wide range of games including esports. Increased focus on the US market has helped to turnaround its performance as

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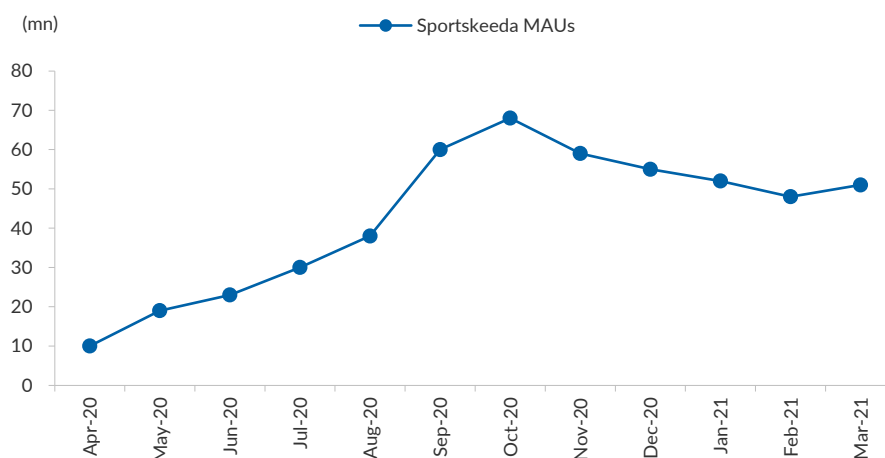
advertising rates are higher in the US. This sustained improvement in user metrics is also visible in its financial performance. The focus on curated content helped it to take advantage from Search Engine Optimization (SEO) which led to higher traffic from search engines. Moreover, the margin has also improved as the content cost (content creation is done in India) remains almost same even while targeting new developed markets.

Exhibit 32: Key Sportskeeda stats



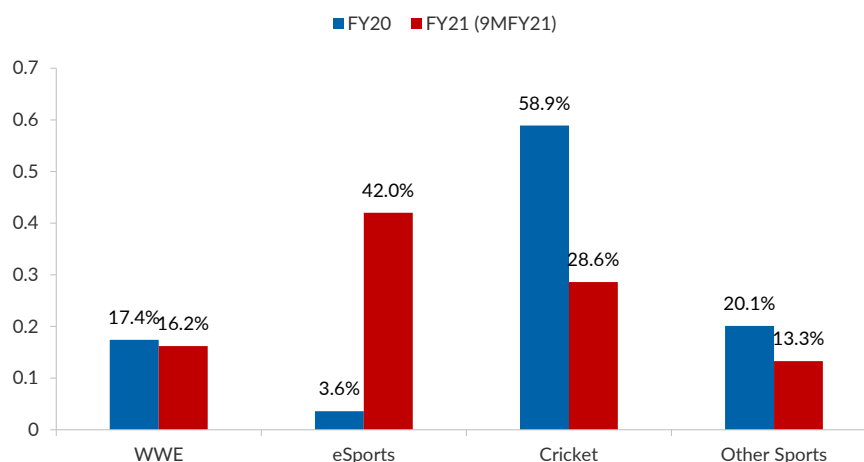
Source: Company, YES Sec

Exhibit 33: Sportskeeda MAU trend



Source: Company, YES Sec

Exhibit 34: Traffic Mix to Sportskeeda website



Source: Company, YES Sec

Outlook for Sportskeeda: We expect the growth trajectory in overall performance to continue, led by higher focus on the US market (with better advertisement rates) and investment in content creation (with special focus on videos), driving higher visits to the portal. Increasing popularity of esports will help to drive more organic traffic to the portal, leading to better margin along with improvement in scale.

We expect overall Esports segment revenue to grow at 39.5% CAGR over FY21-FY24E

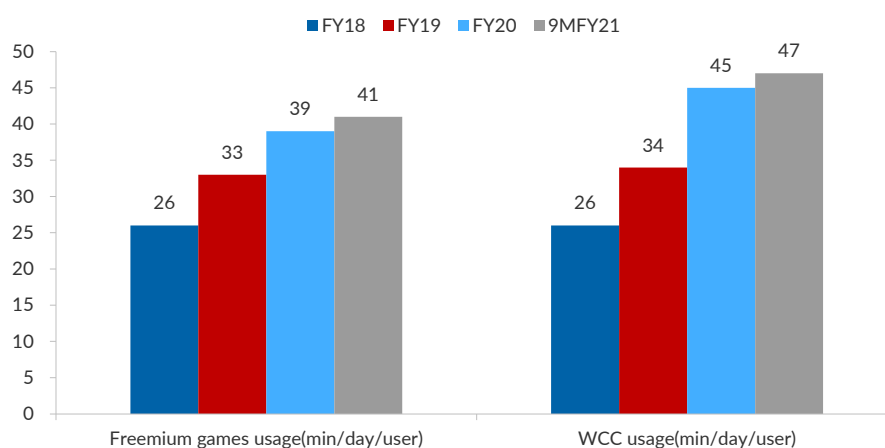
3) Freemium business

It offers simple games for children under age of 11 and it includes (Choota Bheem, Motu Patlu, etc) and many other mid-core games that include mobile cricket IP of World Cricket Championship(WCC). Nazara intends to focus on WCC to leverage on cricket's huge popularity in India. It has made significant investment in WCC IP after the acquisition of this IP as part of acquisition of Nextwave Multimedia in early 2018. The revenue model is primarily through advertisement(~around 75-80% of revenue) and in App purchases contribute just ~20-25% of revenue due to low advertising rates in India and low penetration of in app purchases.

Daily Paying Users (DPU) as percentage of Daily Active Users (DAU) is currently at 0.1%, but has improved nearly 10x from 0.01% over last few users. In India, the leading games such PUBG/Free Fire just have 2-3% of their user base as IAPs, rest all play for free. For comparison purpose, on an average 7%/10% gamers in US/China have done IAPs and thus there is huge room for growth in In-App purchases in India.

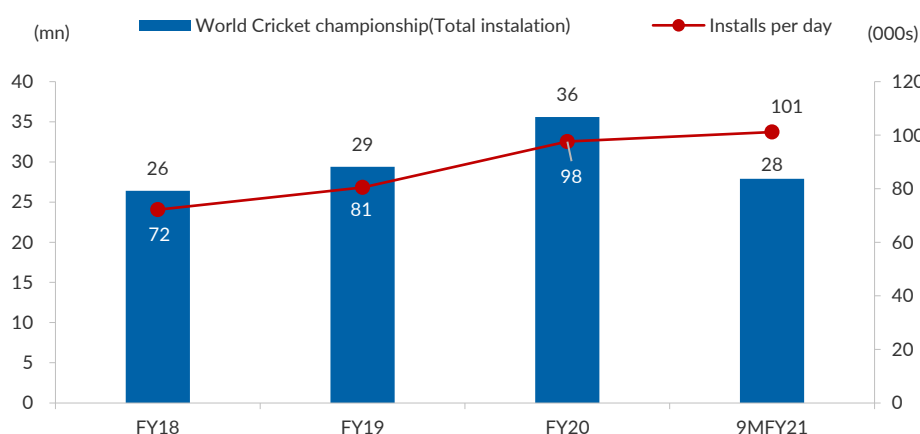
The Pandemic has accelerated the growth in the number of mobile gamers in India. The increase in the number of mid and hardcore gamers will drive In App purchases and thus revenue growth going ahead. However, it would take 2 to 3 years in India before In-app purchase picks up. The gradual improvement in advertisement rates for online games is also expected with increase in the number of mobile gamers from current ~330mn. For comparison purpose, in developed markets, In-app purchases account for around 70% of revenue, while revenue from advertisement is just around 30%.

Exhibit 35: Usage of Freemium games



Source: Company, YES Sec

Exhibit 36: Key stats-WCC(World Cricket Championship)



Source: Company, YES Sec

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

4) Real Money games (3% of Revenue-FY21)

Nazara got into Real Money Games through the acquisition of majority stake in Halaplay (in 3 years tranches between 2017-2020) and Sports Unity(2019). Real Money Gaming (RMG) provides online games where customers can win or lose real money as they bet on real outcomes of such games. Gamers often require certain skills and knowledge of the games to improve their chances of win in such games.

In the Halaplay business (~85-90% revenue of Real Money Games segment), Nazara offers a fantasy sports platform through which it targets sports fans of Cricket, Football and Kabaddi in India. The platform allows users to form their own teams of players (which are ranked on real-life performance of players) and the players bet certain money(which can be as low as Rs 30) on certain team (cricket, Football team etc.) winning a real match or on a player scoring maximum goals in a match as per their knowledge of that sport. All this money collected from gamers forms a prize pool after deducting the fees of the platform. Platform fees is around 7 to 8% of the total

prize pool. The player who wins the bet receives the prize money. People are attracted to such games for the thrill of winning some money by using their knowledge of that sport.

Platform fees forms the revenue of operator running real money games. Real Money Gaming is fastest growing segment in the Indian Gaming Industry and it reached 100 mn players in 2020 from just 2mn players in 2016 and approximately accounts for ~70% of the Indian Mobile Gaming Industry (i.e \$700mn in size). The segment is currently loss making and expected to breakeven at PAT level by FY24.

Exhibit 37: Key fantasy Sports Apps

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

Source: Company, YES Sec

Real Money games faces certain regulatory risk due to different view among Judiciary and governments regarding involvement of skill vs luck in an online real money game. Consequently, Nazara has adopted cautious stance regarding the expansion of the business as there is binary risk in the business. However, with passing time, there is growing consensus among Regulatory authorities that skill based real money games should be allowed. While, online real money games based on luck is banned in India, there is some ambiguity in certain states regarding definition of skill based game. Some states have allowed skill based games while few States have outright banned skill or chance based games; and that include Sikkim, Assam, Odisha, Telangana, Nagaland, Andhra Pradesh and Tamil Nadu.

Recent development: In May'21, government formed a seven-member panel of state level ministers to look into the issue of value of services provided by casinos, online gaming portals and race courses. This committee has been asked to submit its report to GST Council in six months. In Dec'20, NITI Aayog proposed a draft paper "Guiding Principles for the Uniform National-Level Regulation of Online Fantasy Sports Platforms in India" for setting up regulatory guidelines and common operating standards for sports fantasy in India. It is a much-needed step and will bring the regulatory clarity in the fantasy gaming space.

Exhibit 38: Competition landscape

Application	Users/ Downloads (Mn)
Dream11	100mn
MPL	60mn
Paytm First games	25mn
MyTeam11	18mn
Halaplay (Nazara's App)	10mn
FanFight	6mn
Baazi games	5.5mn
11wickets	3mn
PlayerzPot	2.5mn
Trivia based games	Downloads
Loco	~10mn
Brainbaazi	~10 mn
Qureka	~10mn
Zupee	~5mn
Qunami(Nazara App)	400k

Source: Company, YES Sec

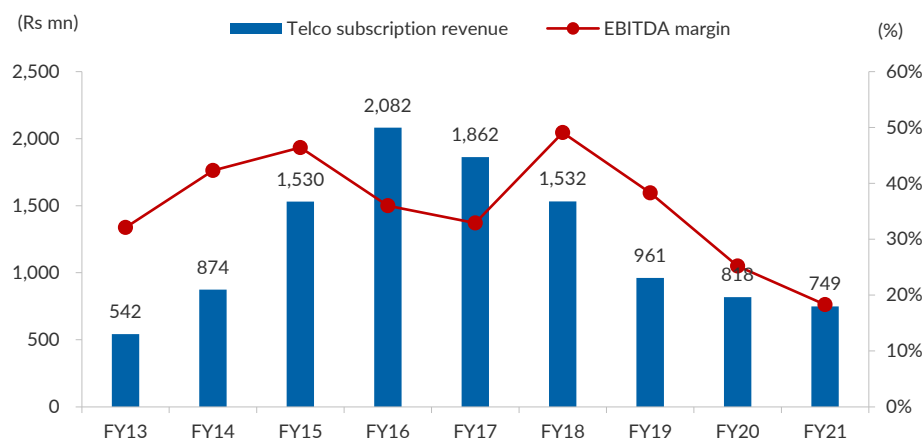
Outlook for Real Money games: Real money games form the biggest part of the mobile gaming industry. The industry is moving towards better understanding of what constitutes skill based games and what type of games will be allowed by regulatory authorities. It recently acquired Hyderabad based Open Play, a real money skill based game for Rs 1.9bn. The management is focused on growing this segment through strategic acquisitions and this segment is expected to reach around Rs 1,200mn by FY24 from Rs 138mn in FY21.

5) Telco Subscription business

Telco Subscription Business is the legacy business of Nazara where it offers mobile games in different packages to telecom subscribers through partnership with telecom companies. This legacy business was a key growth driver till FY16 and has been on a gradual decline ever since. This is mainly due to a) Increased availability of free casual games on App Stores- adversely impacting subscription business 2) Telcos in India adopted pricing model based on bundled services since the launch of Jio-as VAS(Value Add Services) component declined in relevance 3) As the Indian telecom sector went through consolidation, there was decline in partnerships with telecom operators and that has adversely impacted the revenue of the segment.

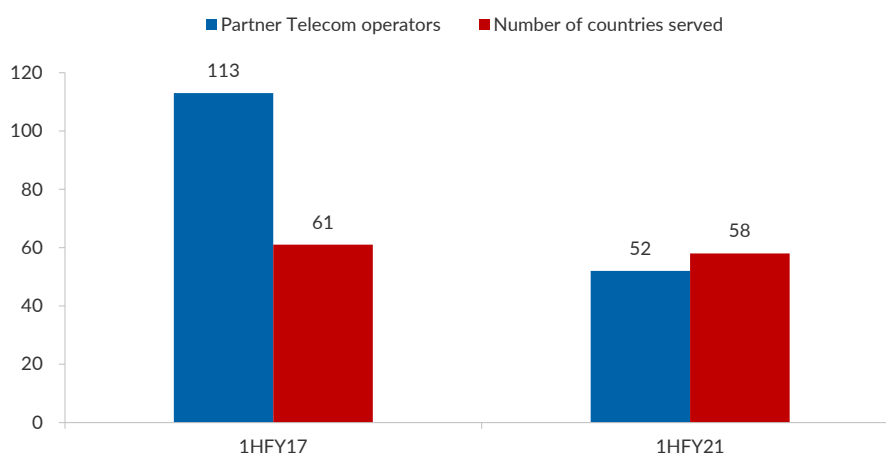
This subscription-based business provides a catalog of around thousand mobile based games which are bundled and provided to telecom subscribers under sachet pricing model (daily, weekly or per game subscription). The selling point of the business is that it provides multiple games at extremely affordable rates(less than Rs 100) and this attracts users. With the rising availability of free games, the pricing power is weak in this segment.

Exhibit 39: Telecom subscription business



Source: Company, YES Sec

Exhibit 40: Contraction in scale of Telco subscription business



Source: Company, YES Sec

This segment relies on just one revenue model where it earns subscription revenue on daily, weekly or per game basis from a telecom subscriber. The billing is done through telecom service providers who charge a certain percentage commission of the sale value. Revenue is generally recognized after the commission. Customers are acquired via advertising on TSPs' portals and popular websites by a third party agency at a cost which ranges about ~33 to 35% of revenue). Nazara also bears the content Cost, which is the cost of "leasing" , i.e bringing the games from the publisher to the telecom platform. The business remains a cash cow for the company and business partnership with several telcos provide strategic distribution channel.

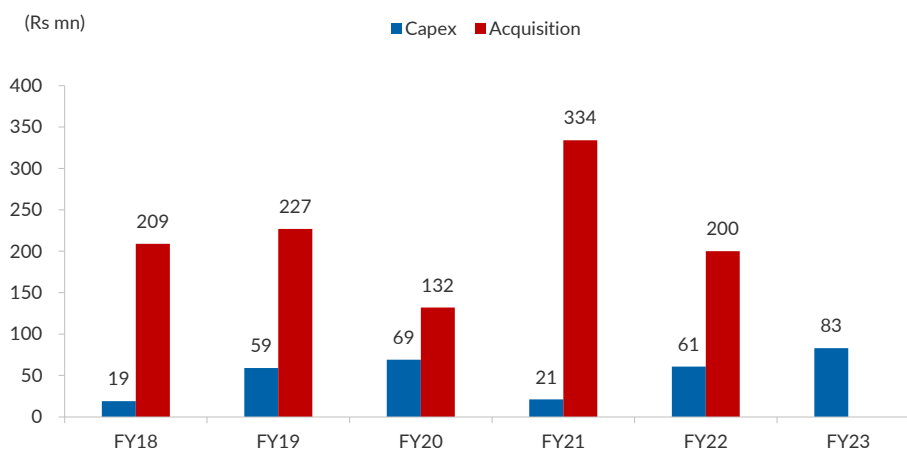
The EBITDA margin of this business has declined over last 4 years due to negative operating leverage as many of its costs are fixed in nature even in declining revenue phase.

Outlook for Telecom subscription business: To revive the business, Nazara has announced partnership with Disney to augment its portfolio of games but we believe that the revenue from this business would continue to decline at around 5% pa going ahead as the competition from free casual games remains high and the structural dynamics doesn't favour the segment.

Low capital intensive

Nazara's businesses are asset light in nature and have limited capex requirements. It did capex of Rs. ~150mn in last 3 years. Most of the capex is towards the Freemium Business (Nextwave Multimedia) where it has to capitalize the expense of building a game. Once, a game is launched by it, the capitalized asset is amortized.

Exhibit 41: Capital Expenditure



Source: Company, YES Sec

Gaming industry has low entry barrier; Companies need to come up with new set of games/enhancements to keep the audience engaged.

There are low entry barriers as it is relatively easy to develop a mobile based game based on current technologies. Consequently, there has been an influx of new games in market. However, only few (7-8) players have dominant position and account for significant part 50% of industry revenue. Developing mobile games is a hit and miss business as number of factors determine whether a game will be successful among the target audience. However, games based on local preference are more likely to be successful. Moreover, the game publishers are required to come out with regular updates/ enhancements/new games to retain the interest of its customer base. Overall, it remains a risky business for the players in the sector as any well-funded new entrant with an appealing set of games can disrupt the sector.

VIEW AND VALUATION

Initiate Coverage with REDUCE Rating on the stock

We initiate coverage on Nazara technologies with REDUCE recommendation and target price of Rs 2,208/share. While, the near term outlook over next 3 years remains strong, but given low entry barriers, the competition is expected to intensify from other players like Jio Games, Dream11, Paytm First Games over medium term. Recently, Jio Games launched Gaming Masters e-sports event, in a partnership with MediaTek and is also planning to bring Microsoft xCloud to India.

The growth over next 3 years will be driven by increase in the number of mobile gamers with rising smartphone penetration. Mobile data remains affordable and the gradual improvement in mobile broadband speed would improve user experience. Indian online gaming is at the same point where China was 8 years ago and saw exponential growth over next 8 years. Nazara has its presence across all key segments of online gaming. It is expected that increase in mid and hard core gamers would drive In app purchases in Freemium segment and create improved ecosystem for esports. Gamified learning for kids(Kiddopia) has established its presence and the growth would be led by expansion in the US market. The Real Money Games are expected to be on fast lane once the regulatory haze is cleared. We expect the telco subscription business to continue to decline by 5% pa as the competition from free casual games would remain strong. The overall profitability would improve led by growing scale. It is a net debt free company with little capex requirements.

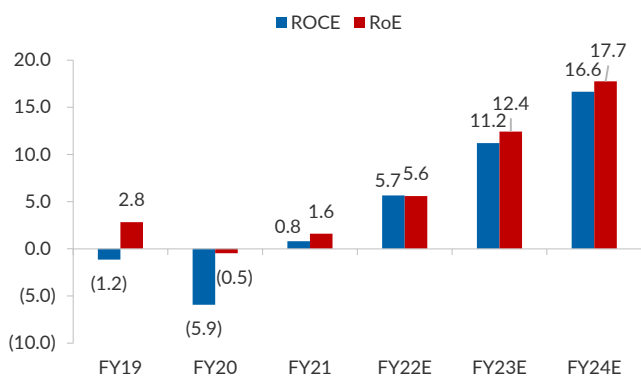
We value it at EV/EBITDA of 25x on FY24E EBITDA (taking into account EV/EBITDA valuation multiples of global peers like Tencent Holding, Electronic Arts, Activision Blizzard; adjusted for higher growth in the Indian market at ~30% plus compared to 12-15% growth in China and US)

Valuation	
FY24E EBITDA (Rs mn)	2,457.8
EV/EBITDA(x)	25.0
EV (Rs mn)	61,445.0
Net Debt (Rs mn)	(5,431.5)
Equity Value (Rs mn)	66,876.5
Shares Outstanding (mn)	30.3
Target share price (Rs)	2,208

In another scenario, we expect, competition to increase from well funded players such as Jio Games, Dream 11, Paytm First Games as barriers to entry are low and this sector often requires new set of games/enhancements to keep the audience engaged. In this scenario, we value it at EV/EBITDA of 20x on FY24E EBITDA

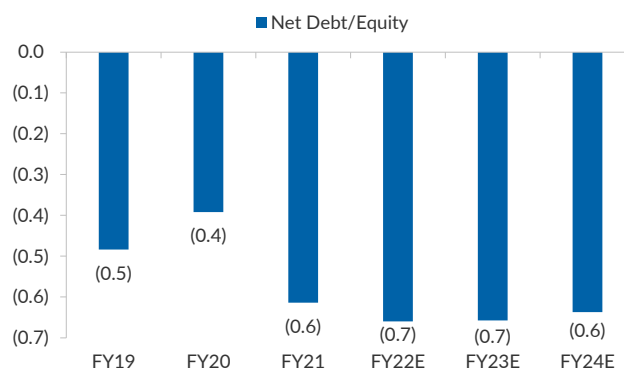
Valuation-Scenario 2	
FY24E EBITDA (Rs mn)	2,457.8
EV/EBITDA (x)	20.0
EV(Rs mn)	49,156.0
Net Debt (Rs mn)	(5,431.5)
Equity Value (Rs mn)	54,587.5
Shares Outstanding (mn)	30.3
Target share price (Rs)	1,802

Exhibit 42: RoCE and RoE Profile



Source: Company, YES Sec

Exhibit 43: Net Debt/Equity Profile



Source: Company, YES Sec

LONG TERM POTENTIAL

Earnings			Multiple			
	Past 4yr	FY21-FY25E	Past 2yr	Next 3yr	Next 5yr	
Revenue CAGR	24.4%	34.8%	ROCE (%)	(2.6)	11.2	14.4
Earnings CAGR	(37.6)%	120.2%	RoE(%)	0.6	11.9	15.1
We forecast revenue/ EBITDA/ PAT CAGR of 36%/ 81%/ 154% over FY21E-24E. We expect the Matchmaking service to drive overall revenue growth			Net Debt/ Equity (x)	(0.5)	(0.7)	(0.7)
			RoE/RoCE expected to improve over coming years			



Target Price with 3-year perspective

Long term potential			
CMP (Rs)	1,784		
	Base case	Bear case	Bull case
FY25E EBITDA(Rs mn)	3,085	2,776	3,393
Base EV/EBITDA (x)	25	20	30
Enterprise Value(Rs mn)	77,123	55,529	101,803
Net Debt(Rs mn)	(5,431)	(5,431)	(5,431)
Equity Value(Rs mn)	82,555	60,960	107,234
Share Outstanding(mn)	30	30	30
Target Price in 3 years	2,726	2,013	3,541
Potential Return in 3 years	52.8%	12.8%	98.5%

ABOUT NAZARA

Nazara Technologies is a 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 Gaming and Sportskeeda in eSports and eSports media, and Halaplay and Qunami in skill-based, fantasy and trivia games.

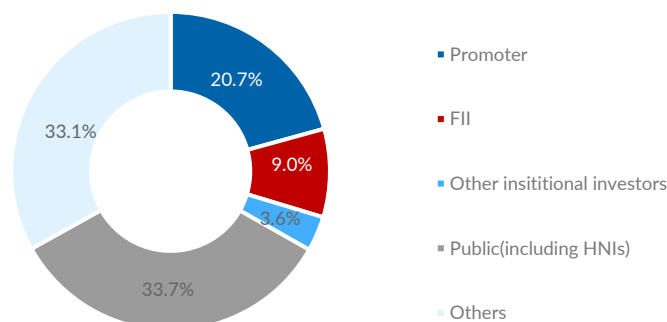
Its key applications include Kiddopia (Gamified e-learning), HalaPlay (Fantasy Sports), Qunami (Real Money quizzing), WCC Rivals, Carrom Clash (Real Money games), World Cricket Championship (WCC), WCC 2, WCC 3, Beach Cricket, Real Carrom, World Table Tennis Champs and Battle of Chepauk 2 (Freemium) and Sportskeeda (Sports Website). For FY21, the revenue breakup was Gamified Early Learning (~39% of revenues), esports (~37% of revenues), Freemium (~4% of revenues), Telco Subscription (~17% of revenues), Skill Based, Fantasy Sports and Trivia real money gaming (~3% of revenues). It has diversified revenue base across geographies with India and US being key contributors.

Exhibit 44: Nazara-A timeline

Year	Events
1999	Nazara founded by Mr Vikas Mittersain and Mr Nirish Mittersain
2004	Launched java games on pay per download with BPL and Hutch
2007	Started working with Bharti Airtel
2008	Signed an exclusive wireless content distribution agreement with Electronic Arts Asia Pacific
2009	Launched the subscription based games club model on RCOM
2011	Commenced operations in the Middle east and an office in Dubai
2013	Commenced operations in Uganda, Singapore, Mauritius and Kenya
2015	Commenced the Freemium business in India
2017	Acquisition of 55% stake in Nodwin Gaming and the launch of eSports
2018	Acquisition of 52.38% stake in Nextwave multimedia
2019	Acquired majority stake in Halaplay and 63.9% stake in Absolute sports(Sportskeeda)
2020	Acquisition of 50.9% stake in PaperBoats(Kiddopia)
2021	IPO-rising Rs 5.8 bn

Source: Company, YES Sec

Exhibit 45: Nazara-Shareholding



Source: Company, YES Sec

Exhibit 46: Segment wise performance

Revenue by business segments	FY18	FY19	FY20	FY21
i. eSports	36.4	491.7	842.0	1,701.0
ii. Gamified early learning			191.0	1,758.0
iii. Freemium	152.3	244.3	198.0	195.0
iv. Real money gaming			426.0	139.0
v. Telco subscription	1,531.7	961.0	818.0	749.0
Total revenue from operations	1,720.4	1,697.0	2,475.0	4,542.0

EBITDA by business segments				
i. eSports	3.0	-18.8	74.8	304.8
ii. Gamified early learning			-34.6	125.7
iii. Freemium	21.7	44.4	66.1	41.3
iv. Real money gaming			-347.2	-57.5
v. Telco subscription	752.5	367.8	205.8	137.3
vi. Unallocated			133.1	44.0
EBITDA	777.2	393.5	98.0	595.6
EBITDA margin (%)	45.2%	23.2%	4.0%	13.1%

EBITDA % by business segments				
i. eSports	8.2%	-3.8%	8.9%	17.9%
ii. Gamified early learning	0.0%	0.0%	-18.1%	7.2%
iii. Freemium	14.2%	18.2%	33.4%	21.2%
iv. Real money gaming	0.0%	0.0%	-81.5%	-41.4%
v. Telco subscription	49.1%	38.3%	25.2%	18.3%

Geography Mix(Rs mn)				
India	334.1	826.6	1461.0	1685.8
Africa	346.8	324.1	205.9	105.4
Middle East	594.8	228.8	179.6	257.2
APAC	444.7	223.7	326.7	604.7
North America		93.8	301.7	1871.4
Rest of the world			0.2	17.5
Total	1,720.4	1,697.0	2,475.1	4,542.1

Exhibit 47: Other investments

Hashcube (12.4% Stake at Rs. 22mn)	Hashcube, founded by Deepan Chakravarthy and Ramprasad Rajendran in 2008, is a mobile game developer focusing on casual games. Hashcube has developed on puzzle related games to keep users engaged for longer period of time. The most known games built by Hashcube are Mahong Quest, Sudoku Quest, Unblock Quest (Tile based game)
Mastermind Sports (26.0% Stake at Rs. 26mn)	Mastermind Sports, founded by Pratik Shah and Thomas McCall (left the company) in 2013, was creating a second screen experience for cricket and football in their App Sportsie. The second screen experience enabled them to watch cricket scores & stats. It also had a sports betting option via virtual currency (Not Real Money).
Moong Labs Technologies (24.4% Stake at Rs. 10mn)	Moong Labs, founded in 2013, is mobile game developer focused on making freemium games and specializes in simulation games for cricket (which holds global interest). Moong Labs currently has 3 active games under their portfolio (2 Cricket Games & 1 FPS Game). It's most popular game of Cricket is ranked 6th on keyword search of "cricket". Nazara had bought 26% stake (diluted later) in Dec-17 for Rs. 10mn.
Crimzoncode Technologies (100% Stake at Rs. 30mn)	Crimzoncode, founded in 2017, a real money gaming mobile developer. Its primary app is TopQuiz (published by Nazara) which provides daily real money for winning quizzes.
Instasportz Consultancy (8.6% Stake at Rs. 10mn)	Instasportz Consultancy, founded by Bigith Nambiar and KR Rahul in 2016, is an offline VR lounge company which does the business of running sports and virtual reality entertainment zones across India (started in Bangalore). Nazara seed funded Instasports for Rs. 10mn for a stake 8.67% stake in July-18.
Khichadi Technologies (16.7% Stake at Rs. 8mn)	Khichadi Technologies, founded in 2018, is a Social Gaming App- called 'Bakbuck' (with Real Money Prizes) which focuses on traditional Indian games like 'Antakshari', 'Saap Seedhi' and 'Tol mol ke Bol' in Hindi. Khichadi Technologies was founded by Abhinay Jain, Shashank Kakrecha and Rohit Naidu to provide a safe platform for women to connect with each other
Sports Unity (63.6% Stake at Rs. 56mn)	Sports Unity, founded in 2016, is the owner of Qunami which was one of the top real money quizzing apps in India. Qunami had estimated 0.6mn users (40K MAUs). Sports Unity was founded by Seemant Shankar. In Feb-19, Nazara invested Rs. 56mn in Sports Unity for 63.6% stake
Publishme (69.8% Stake at Rs. 200mn)	Publishme, founded in 2018, is a Turkey based full-service games marketing and publishing agency. MENA is one of the fastest growing gaming markets, with an estimated market size of \$4.8bn and has over 160mn gamers in the region (of which 100mn are mobile gamers). This business is led by CEO Mr. Özgür Özalp, the former publishing head for emerging markets with EPIC Games, the company has a strong clientele including Garena, My.Games, Lokum Games and also works with several brands in Turkey and MENA region

Exhibit 48: Peer Group

Gamified early Learning	Age of Learning:	Age of Learning, founded in Feb-17, is the owner of the 2nd highest grossing kids section App - ABCMouse.com. It also has 2 other apps for targeting the 2-6 aged kids. The subscription price for ABCMouse is \$9.99 per month.
	iHuman:	iHuman is a leading childhood edutainment company in China with a product portfolio of online learning apps, products for educational organizations and learning devices (targets kids and schools). It is Ranked as #1 the bestselling education apps in China (for Apple iPad).
eSports	ESL Gaming:	ESL Gaming is the world's largest eSports Company. The company operates high-profile, branded international leagues and tournaments under the ESL Pro Tour, including Intel® Extreme Masters, ESL Pro League, Dream hack and other preeminent, stadium-size tournaments such as ESL One (Also does grass root events).
	Modern Times Group:	MTG is a pure-play eSports and gaming entertainment company. MTG has also had a story similar to Nazara (moved from traditional media to digital entertainment). It acquired 100% stake in Dreamhack and 74% stake in ESL in 2015 and further built its portfolio in gaming (InnoGames & Kongregate) and eSports (ESL, Dreamhack & ESEA) by investments (Fund has 20 more investments) and acquisitions.
Freemium Business	Octro	Octro is an Indian mobile game developer. It owns several popular games IP in India such as PlayRummy, Teen Patti, Indian Rummy, Tambola, etc. Teen Patti by Octro's games have already been played by over 200M players. Sequoia Capital had invested \$15mn in 2014 in this company.
	Gametion:	Gametion is an Indian mobile gaming developer. It owns Ludo King which has crossed 500mn downloads mark globally. It has DAUs of 51mn and MAUs of 142mn. Gametion has a revenue of \$20mn in CY20
Telco Subscription buisness	BeMobi:	BeMobi, founded in 2009, is a listed mobile games subscription company in LATAM. It offers premium mobile games to users via the Telco platform on a subscription model. It has 32.2mn paid users and 29.6mn carrier paid users (where this subscription is bundled under the carrier plan) across 76 carriers and 39 countries.
	Google's Play Pass	Google Play Pass is Google's Game and App subscription service for \$4.99 monthly and \$30 annually (Prices again varies based on regions). It offers 800+ Apps and Games as part of the Games collection package.
Real Money games	Dream11:	Dream11 is the largest fantasy sports app in India. Dream11 has the highest number of users in Fantasy Sports: 100mn users (had 75mn users Pre-COVID). Dream11 was the title sponsor for IPL 2020 and also various tournaments and leagues around the world have collaborated and have Dream11 as their sponsor. In a recent interview, the founder highlighted that Dream11 has turned profitable.
	MPL:	MPL is a fantasy gaming app which offers traditional fantasy Sports and real money gaming opportunities by competing with players on different gaming apps (50+ games). MPL has 60mn users on its platform in India and 3.5mn in Indonesia.

MANAGEMENT TEAM

VIKASH MITTERSAIN, Chairman and MD

He is the Chairman and MD of Nazara Technologies. He has been associated as Director of the Company since its incorporation. He holds a diploma in industrial electronics from Walchand College of Engineering. He is also the Founder and President of the India Business Group, a non-profit organisation focused on furthering Indian businesses' interests.

NITISH MITTERSAIN, Joint Managing Director

He is the Joint Managing Director and Founder. He is the son of Chairman and MD. He holds a bachelor of commerce degree from the University of Mumbai. He is also a trustee of the Dr. B. K. Goyal Heart Foundation and India Business Group (Chamber of Commerce). Nitish has also served as the Chairman of the Mobile Value Added Services Committee of the Indian Merchants Chambers. He also holds investments in Briyani By Kilo, goStops, myHQ.

MANISH AGARWAL, Chief Executive Officer

He has approximately 20 years of experience in various fields including the gaming space and marketing. He was associated with Zapak Mobile Games for more than four years as CEO and as COO of Zapak Digital Entertainment. He was also associated with UTV Software Communications as CEO, Rediff.com India as VP-Marketing, Hindustan Lever Limited.

RAKESH SHAH, Chief Financial officer

He is a qualified Cost Accountant and an associate member of the Institute of Chartered Accountants of India. He has more than 24 years of experience in financial, administration and management accounting. He has been associated with Yahoo India, ANZ International, Electronic Data Systems, Vinmar International India, Mazda Colors Limited.

ANUPAM DHANUKA, Cofounder and CEO, Paperboats

He holds a master's degree in information networking from Carnegie Mellon University. he is responsible for the general management and operations of the company and also leads the engineering team. Earlier, he was associated with Walnut Labs which was involved in the business of developing solutions for computer software and hardware.

PORUSH JAIN, CEO of Absolute Sports

He holds a master's degree in information networking from Carnegie Mellon University. he is responsible for the general management and operations of the company and also leads the engineering team. Earlier, he was associated with Walnut Labs which was involved in the business of developing solutions for computer software and hardware.

AKSHAT RATHEE, Co-founder and Executive Director of Nodwin Gaming

He holds a MBA degree from Global Business School, New Delhi. He was also associated with at PGM Entertainment and Ernst & Young prior to co-founding Nodwin Gaming Private Limited.

RAJENDRAN POOCHI RAMASAMY, Co-founder and CEO of Next Wave Multimedia

He holds a bachelor's degree in arts from Osmania University. Rajendran started Next Wave Multimedia Private Limited which provides digital marketing and communication solutions to top companies in India and Europe and has created many digital campaigns for Fortune 100 companies in Europe covering web and mobile applications. He has created nearly 200 games for brands and OEM app stores.

FINANCIALS

Exhibit 49: Balance Sheet

Y/e March 31 (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share capital	108	110	112	122	122	122	122
Reserves & surplus	3,454	4,024	4,899	6,460	6,838	7,760	9,272
Shareholders' funds	3,562	4,134	5,011	6,582	6,960	7,881	9,394
Minority Interests and others	420	355	690	1,208	1,244	1,282	1,320
Non-current liabilities	331	240	359	302	326	352	380
Other non-current liabilities	331	240	359	302	326	352	380
Current liabilities	432	485	1,485	2,136	2,230	2,330	2,437
ST borrowings, Curr maturity	0	0	0	0	0	0	0
Other current liabilities	432	485	1,485	2,136	2,230	2,330	2,437
Total (Equity and Liabilities)	4,746	5,214	7,544	10,227	10,760	11,845	13,531
Non-current assets	1,792	2,026	3,747	3,415	3,124	3,280	3,917
Fixed assets (Net block)	695	620	1,643	1,302	1,331	1,362	1,394
Non-current Investments	138	435	216	122	183	274	411
Long-term loans and advances	16	16	14	0	0	0	0
Other non-current assets	943	955	1,873	1,991	1,609	1,644	2,111
Current assets	2,954	3,187	3,797	6,812	7,636	8,565	9,614
Cash & current investment	2,042	2,172	2,234	4,784	5,431	6,169	7,010
Other current assets	911	1,015	1,563	2,029	2,205	2,396	2,604
Total (Assets)	4,746	5,214	7,544	10,227	10,760	11,845	13,531
Total debt	0	0	0	0	0	0	0
Capital employed	4,314	4,729	6,059	8,091	8,529	9,515	11,094

Exhibit 50: Income Statement

Y/e March 31 (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net sales	1,705	1,672	2,475	4,542	6,269	8,596	11,432
Operating expenses	(1,260)	(1,589)	(2,532)	(4,131)	(5,391)	(7,027)	(8,974)
EBITDA	446	83	(57)	411	878	1,569	2,458
Depreciation	(42)	(135)	(263)	(355)	(407)	(559)	(743)
EBIT	404	(52)	(320)	57	470	1,010	1,715
Other income	98	163	155	143	188	258	343
Profit before tax	135	102	(178)	191	649	1,259	2,049
Tax (current + deferred)	(122)	(49)	(72)	(31)	(164)	(317)	(516)
Reported Profit / (Loss)	28	108	(21)	92	378	922	1,533
Adjusted net profit	28	108	(21)	92	378	922	1,533

Exhibit 51: Cash Flow Statement (Rs mn)

Y/e March 31 (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Profit before tax	135	102	(178)	191	649	1,259	2,049
Depreciation	42	135	263	355	407	559	743
Change in working capital	(274)	(34)	446	126	(87)	(98)	(109)
Total tax paid	57	(95)	136	(34)	(135)	(286)	(482)
Others	(89)	(154)	(142)	(134)	(179)	(249)	(334)
Cash flow from oper. (a)	(128)	(46)	525	504	655	1,185	1,866
Capital expenditure	(719)	(60)	(1,285)	1	(437)	(589)	(775)
Change in investments	(239)	(269)	692	(599)	(220)	(274)	(347)
Others	(159)	150	314	41	604	259	(89)
Cash flow from inv. (b)	(1,116)	(179)	(279)	(557)	(53)	(605)	(1,211)
Free cash flow (a+b)	(1,244)	(225)	247	(54)	602	580	655
Equity raised/(repaid)	88	2	2	10	0	0	0
Debt raised/(repaid)	0	(0)	0	0	0	0	0
Dividend (incl. tax)	0	0	0	0	0	0	0
Others	1,192	381	286	1,900	(114)	(25)	(25)
Cash flow from fin. (c)	1,281	382	288	1,910	(114)	(25)	(25)
Net chg in cash (a+b+c)	37	158	534	1,856	489	555	630

Exhibit 52: Ratio Analysis

Y/e March 31	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Growth (%)							
Revenue Growth	(10.3)	(2.0)	48.0	83.5	38.0	37.1	33.0
EBITDA Growth	(27.1)	(81.3)	(168.1)	NM	113.3	78.8	56.7
EBIT Growth	(32.7)	(112.9)	NM	NM	730.5	114.8	69.8
Net Profit Growth	(95.5)	290.6	(119.7)	NM	308.9	144.0	66.3
Profitability Ratios (%)							
EBITDA Margin	26.1	5.0	(2.3)	9.1	14.0	18.3	21.5
EBIT margin	23.7	(3.1)	(12.9)	1.2	7.5	11.8	15.0
Net Profit margin	1.6	6.5	(0.9)	2.0	6.0	10.7	13.4
RoA	10.9	(1.0)	(5.0)	0.6	4.5	8.9	13.5
RoE	1.0	2.8	(0.5)	1.6	5.6	12.4	17.7
RoCE	12.3	(1.2)	(5.9)	0.8	5.7	11.2	16.6
Liquidity Ratios							
	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net debt/Equity (x)	(0.5)	(0.5)	(0.4)	(0.6)	(0.7)	(0.7)	(0.7)
Current ratio (x)	6.8	6.6	2.6	3.2	3.4	3.7	3.9
Quick ratio (x)	6.8	6.6	2.6	3.2	3.4	3.7	3.9
Valuation Ratios							
	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
PER(x)	NA	NA	NA	591.6	144.7	59.3	35.7
PCE(x)	NA	NA	NA	122.2	69.6	36.9	24.0
Price/Book(x)	NA	NA	NA	8.3	7.9	6.9	5.8
EV/EBITDA(x)	NA	NA	NA	121.2	56.1	30.9	19.4
Dupont Analysis							
	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net margin (%)	1.6	6.5	(0.9)	2.0	6.0	10.7	13.4
Asset turnover (x)	0.5	0.3	0.4	0.5	0.6	0.8	0.9
Leverage factor (x)	1.3	1.3	1.4	1.5	1.5	1.5	1.5
Return on Equity (%)	1.0	2.8	(0.5)	1.6	5.6	12.4	17.7

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