

Subscribe for Long Term

Issue Detail

Price Band (Rs)	Rs.1100 - 1101
Face Value (Rs)	4
Issue Size (Rs)	582.69Cr
Issue Type	Book Building
Minimum lot	13
Issue Opens	March 17, 2021
Issue Closes	March 19, 2021
Listing on	BSE, NSE

Indicative Timeline

On or before	
Finalization of Basis of Allotment	March 24, 2021
Unblocking of Funds	March 25, 2021
Credit of shares to Demat Account	March 26, 2021
Listing on exchange	March 30, 2021

Other Detail

Book Running Lead Managers	ICICI Securities Limited, IIFL Securities Limited, Jefferies India Private Limited, Nomura Financial Advisory and Securities
Registrar	Link Intime India Private Limited

Nazara Technologies Limited

Company Background

Incorporated in 1999, Nazara Technologies Ltd is a leading mobile game company in India. The company offers a range of diversified gaming products across the Interactive gaming, eSports, and gamified early learning ecosystem across emerging markets i.e. India, Africa, South East Asia, Middle East, and Latin America. It is one of the leading live eSports streaming and on-demand eSports media content providers in India. The business operates in different segments; Subscription-based business, Freemium Business, eSports, Gamified early learning, and Real money gaming.

Issue Details

The offer comprises Offer for sale of Equity Shares aggregating upto Rs.582.69Cr

Issue Objectives

- To achieve the benefits of listing Equity Shares on the Stock Exchanges.

IPO Share Allotment Pattern

Category	Allocation	Number of Shares at Rs.1100	Number of Shares at Rs.1101	Issue Size* (Rs.Cr)
QIB	75%	3,955,642	3,955,658	435.52
Non-Institutional	15%	7,91,128	7,91,131	87.10
Retail	10%	527,419	5,27,421	58.07
Employee**		20,202	20,181	2
Total		52,94,392	52,94,392	582.69

*Issue Size at Upper price band **Discount of Rs.110 for Employee

Outlook and Valuations

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. The gaming industry in India is currently valued at USD 1.54bn and is expected to grow at a CAGR of 31% to USD 3.53bn by 2023. 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. At the upper price band of Rs.1101, the stock is valued at 6.54x September 2020 Book Value. **We recommend subscribing to the issue from a long-term perspective.**

Business Overview

Nazara is a 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 CarronClash 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.

Nazara's business is split into five key segments

1) Gamified early learning: Gamified early learning comprises income from early learners and their parents subscribing to gamified content on Kiddopia apps. Nazara entered this segment in North America through their flagship gamified early learning app, Kiddopia, which they acquired in FY20. Through Kiddopia, they cater primarily to children aged between two and six years. It delivers an immersive self-directed learning experience

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through gamification, integrating expertise in developing engaging gaming experiences with the education needs of children. The subscriber base of the app, which comprised of 115,220 paying subscribers at the time of acquisition, has grown to 290,508 paying subscribers as of October 2020.

2) eSports: Under this model, Nazara organize live online games which are played by Professionals in the indoor stadium and live streaming is shown on television or the OTT platform. This is the new concept that is picking up with a lot of pace in India. The company like Nazara will organize such games and sell media rights to OTT platforms and earn revenue. Nazara capitalised on their **acquisition of Nodwin Gaming in Financial Year 2018**, which, amongst the few companies that have championed the case for eSports in India, has established itself as a pioneer, owing to its strong relationships with global gaming publishers and platforms including market leaders such as ESL and Valve Corporation, and is currently dominating the Indian eSports market with over 80% of the total market share in India. The key growth drivers for their eSports business are their own event and content IPs, exclusive rights and ownership of live stream and on-demand premium eSports content, monetisation via media rights licensing, and their brand partnerships with global game publishers and youth focus brands.

3) Telco subscription: Company's telco subscription offerings currently comprise of over 1,021 android games. They primarily target mass mobile internet users in emerging markets, comprising largely of first-time mobile gamers, through this segment. Monetisation in telco subscription is undertaken through periodic, daily, weekly or monthly subscriptions by their subscribers, through carrier billing, pursuant to their arrangements with telecom operators. Telco subscription contributed approximately 21.33% and 33.05%, respectively, of their total revenue from operations for the 6 month period ended September 30, 2020 and Financial Year 2020, respectively.

4) Freemium mobile games: Company's freemium offerings in mobile gaming include free-to-play sports simulation games and children's games, such as games designed based on cricket, carrom, table tennis and bowling. World Cricket Championship, their cricket gaming franchise, is the largest mobile-based cricket simulation game and they have launched WCC 3, the 3rd edition of this franchise, in calendar year 2020.

Details of in-game time spent by users across their freemium mobile games in Financial Years 2018, 2019 and 2020 and the 9 month period ended December 31, 2020 is as follows

	FY18	FY19	FY20	9MFY21
Minutes/day/user	26	33	39	41

5) Skill-based, fantasy and real money gaming: Revenue from real money gaming business comes from charging platform fee from the players playing Nazara's skill-based games. With the acquisition of Halaplay, and investments in Sports Unity, the company is participating in sports fantasy gaming and trivia games.

Business Segment	FY18		FY20		FY19		9MFY21	
	Revenue (Cr)	% of Revenue	Revenue(Cr)	% of Revenue	Revenue (Cr)	% of Revenue	Revenue (Cr)	% of Revenue
Gamified early learning	-	-	-	-	19.13	7.73%	78.33	39.25%
eSports	3.64	2.12%	49.17	28.97%	84.16	34%	63.72	31.78%
Telco subscription	153	89.03%	96.10	56.63%	81.80	33.05%	42.76	21.33%
Freemium	15.23	8.85%	24.43	14.4%	19.78	7.99%	9.03	4.50%
Real money gaming	-	-	-	-	42.64	17.23%	6.29	3.14%

Source: Company RHP, ACMIIL Research

Investment Rationale

Leadership position in a diversified and scalable business

Nazara has successfully leveraged their capabilities for in-house content creation, game engine development and proprietary technology stack development, ability to deliver positive LTV/CAC ratios across offerings and relationships with telecom operators, app stores and other participants in gaming ecosystems. Their content is developed in India for the global audience, allowing them to achieve scale. Nazara has an operating leverage in gamified early learning on account of captive development of content being undertaken in India, while it generates revenues from North America. As of September 30, 2020, its user base across offerings spanned 58 countries.

In eSports, it has the largest market share across unique IPs, unique events, unique event days and prize pool with a market share of 78%, 82%, 85% and 73% respectively for CY19. As the eSports market continues to grow in India, its position in live eSports streaming and on-demand eSports media content will continue to deliver high revenue growth and EBITDA margins, and provide huge value creation opportunity by individually developing and unlocking value for different verticals.

Portfolio of premium intellectual property and content across regions and businesses

Nazara owns and has sustained access to premium IP and popular, local brands across eSports and mobile games in India. Ownership of IP as a publisher for mobile games, as an operator for eSports organising leagues and ability for content distribution leveraging Nazara's existing distribution channels, leads to significant value creation, such as the recent Red Bull M.E.O. 2020, a WCC eSports tournament.

Large and engaged community of users, with attractive monetization opportunities

Deep understanding of the behaviour of key demographics and users across businesses enables Nazara to attract and retain users in an optimised manner. Its geographic outreach has increased significantly over the last two years, with the expansion into North America in FY19. It has established diverse revenue models, capitalising on their localised insights across markets.

Successful inorganic growth through strategic acquisitions

In FY18, it acquired Next Wave to further augment their cricket mobile game offerings, and through IP-led cricket games such as WCC, WCC 2, Beach Cricket and Bat Attack Cricket, Nazara now commands the greatest mindshare in the mobile cricket segment. It entered eSports through the acquisition of Nadwin Gaming in FY18, and eSports media through Sportskeeda, by acquiring Absolute Sports in FY20. Some of the recent strategic investments, such as in Paper Boat Apps, has provided it an entry into gamified early learning. Halaplay Technologies acquisition in FY19 marked its entry into skill-based, fantasy gaming. All its acquisitions have historically been funded through internal accruals. Through strategic acquisitions, it has been able to increase access to new users and enter new geographies in a cost-effective manner, achieve a revenue mix and built a network of 54.89mn average Monthly Active Users across all games as at Sep 30, 2020.

Continue to build on leading market position and growth opportunity in India

The gaming industry in India is currently valued at USD 1.54bn and is expected to grow at a CAGR of 31% to USD 3.53bn by 2023. The combined Gen-Z and millennial population, which provides a large user base of mobile gamers, sports and eSports fans, accounted for 65% of the total population mix in India in 2020, compared to 51% in US and 36% in China. With its concentration of Gen-Z and millennials, rapidly rising per capita spends and high internet and smartphone penetration, India as a market for each of Nazara's offerings is still far from saturation, both in terms of the number and engagement of users as well as monetisation opportunities, thereby providing huge potential for growth.

Financial Snapshot

Particulars (Rs. Mn)	FY18	FY19	FY20	H1FY21
Equity share capital	108	110	112	114
Net worth	3518	4071	5071	4957
Net asset value per share	135	151	166	169
Revenue from Operations	1819	1861	2622	2070
EBITDA	586	328	91	127
EBITDA %	32.22%	17.60%	3.48%	6.11%
Net Profit	10.23	67.13	(266.15)	(101.07)
Diluted EPS (Rs)	1.04	6.27	(0.77)	(1.78)
ROE	0.73	4.23	(0.46)	(1.04)*

*not annualised, Source: Company RHP, ACMIIL Research

Comparison With Listed Peers: There are no listed companies in India in the same line of business as that of the Company.

Risk and Concern

- Technology disruption,
- Regulatory Changes
- losing Partners

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Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Stock Basket
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