

Presents

Nazara Tech(Gaming Company) Research Report



About Company

- Nazara Technologies Limited (Nazara or the Company) is one of the leading ‘Interactive Gaming and new age Sports Media’ company headquartered in Mumbai and having operations in 64 countries spread across India, Asia, Africa and the Middle East.
- Nazara has diversified business models and comprise of Subscription, Freemium, eSports, Skill Based Gaming in India and Chance based Gaming business in Kenya, Africa.
 - a) **Subscription:** Under this model, they depend upon telecom companies in India. Telecom companies offer gaming subscription to their subscriber base , which focussed on offering easy to play games. To address the low propensity to pay, the subscription services were offered through sachet pricing, with daily, weekly and monthly subscriptions and payment was collected by the Telecom carriers and they shared on average 50% revenue to the service providers like Nazara.

- b) **Freemium:** Under this model, the company develops popular games and upload them on play and app store, from where it can be easily downloaded for free by mobile users. Users while using these games come across ads. These ads are the revenue source for Nazara Tech. So more popular the game, more will be the revenue.
- c) **Play and Win:** These are skill based games where players compete against other players and win cash. The subscribers pay for playing games. This is how Nazara Tech earn revenue. For ex: sports fantasy
- d) **E-Sports or Competitive gaming:** Under this model, amateur players watch live stream of the match being played by the professional players on OTT platforms & listen to live commentary.

This is the very new concept . Let us understand this in detail.

We all watch live cricket match on TV or OTT platform like Hotstar. The company like Star Sports buy live streaming rights of cricket match from the company/board who is organizing cricket. This is how, the company/board who is organizing cricket earn revenue. The Star Sports then earn from ads etc.

Now imagine, a game like PUBG, played by professionals in the indoor stadium and live streaming is shown on television or OTT platform. Imagine you are sitting at home watching live games. This is the new concept which is picking up with a lot of pace in India. The company like Nazara will organize such games and sell media rights to players like Star Sports and earn revenue.

Nazara Tech is aiming to make battery of these games which can be played by professionals. eSports is the fastest growing sports entertainment format among competitive gamers and Nazara has over 80% share of the Indian market through its majority stake in Nodwin.

Let us see how much Nazara Tech is earning from the above models.

The segment wise revenue breakup is mentioned herein below:

(Rs. in Millions)

Biz Vertical View	Segment	For the financial year ended March 31,2019	For the financial year ended March 31,2018
Mature	Subscription	939.85	1517.01
Emerging	Freemium	240.38	152.06
	eSports/ media	491.66	36.40
Total		1671.89	1705.47

- The Subscription business is down due to slowdown of revenue growth on account of maturing of telecom players subscription business & JIO consolidating the telecom market. The user preference is shifting from paying to free to download games from the App store which is creating more downside in the revenue.
- Freemium & eSports business is growing due to the proliferation of smartphones ,drastic reduction in data prices, up gradation of cellular infrastructure, digital Payment Penetration, and casual players have moved to Skill Based Gaming and competitive gaming on PC/Mobile.
- The company is focussing more on Freemium, Skill based games and E-sports games going forward and is trying to move its conventional business model of telco subscription.

Presence of Nazara Tech

The company has a presence in 64 countries spread across India, Asia, Africa and the Middle East. Let us see break up of revenue from these sub-continent.

(Rs. in Millions)

Region	For the financial year ended March 31,2019	For the financial year ended March 31,2018
India	183.09	556.39
Middle East	216.19	325.38
Africa	325.51	404.38
Rest of the world	215.05	230.86
Total	939.85	1517.01

Gaming Industry

- The online gaming market in India has seen tremendous growth of late, driven, in part, by the surge in digital usage.
- Online gaming revenues grew by 59% year-on-year to reach Rs.4900 Crores in 2018, and are estimated to reach Rs.12000 Crores by 2021, at a CAGR of 35%.
- **Casual gaming revenues** grew by 40% year-on-year to reach Rs.2300 Crores in 2018, and are estimated to reach Rs.4900 Crores by 2021, at a CAGR of 30%.
- **Real money gaming revenues** grew by 82% year-on-year to reach Rs.2600 Crores in 2018, and are estimated to reach Rs.7100 Crores by 2021, at a CAGR of 40%.
- The number of online players in India grew by 52% year-on year to 27 Crores players in 2018, with the number of users projected to reach 34 Crores by 2021.

Outlook of Nazara Tech

- Skill Based Games played for real money + Competitive multiplayer + eSports will drive the overall gaming market and form the pillar of Nazara's growth strategy going forward.
- Nazara has laid-strong foundation to continue to gain market share in fast growing gaming market by transforming Nazara from a telco driven subscription services company to a pure play Interactive Gaming & sports media platform which has leadership in multiple fast growing verticals with large opportunity size.

Management of Nazara Tech

1. **Mr. Vikash Mittersain** is the Chairman and Managing Director of our Company. He has been associated as a Director of the Company since its incorporation. He holds a diploma in industrial electronics from Walchand College of Engineering, Sangli. He has 38 years of experience in multiple business sectors. He is a member of the Advisory Board on Dr. APJ Abdul Kalam Centre, Lucknow. He is also the founder and president of India Business Group. He has been part of various panel discussions and conferences including the sessions at VESIM Literati and Innovators Pitching Session at Maker Mela 2018.

2. **Mr. Nitish Mittersain** is the Joint Managing Director of the company. He holds a bachelor of commerce degree from the University of Mumbai. He founded the Company in 1999 and has been associated in the promotion of the Company for the last 18 years. He was selected as a member of the Young Presidents' Organization in 2014 and he has been the recipient of many awards including the Visionary Award from the Vision Foundation in 2012, the Young Achievers Award from the Indo American Society in 2000 and the Outstanding Young Person Award from Junior Chamber International, Marine Lines in 2017. He is also a member of the MEF Asia Board.

Investors in Nazara Tech

<u>Name of the Shareholder</u>	<u>No. of Shares</u>	<u>% of Holding</u>
Westbridge Venture II Investments Holding	6,121,210	22.69
Rakesh Jhunjunwala	3,294,310	12.21
IIFL Special Opportunity Fund	1,748,185	6.48
Emerging Investments Limited	5,50,810	2.04

Turtle Entertainment GmbH	485,018	1.76%
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Financials of Nazara Tech.

(Fig. in Crores)

Year	Revenue	Expense	Share of net (loss)	OPM	PAT	NPM	Shares	EPS
2017	202	130.4	0	36%	61	30%	0.1989	24
2018	180	131.1	35.7	30%	1.2	1%	2.6972	1.08
2019	183	173	0	13.4%	4.2	2.20%	2.7472	1.53

Review of Financials of FY18-19

1. On a consolidated basis, the revenue from operations stood at Rs. 167 Crores for FY 2018-2019 as against Rs. 170 Crores for FY 2017- 2018, reflecting a decline of 2%. The revenue from subscription/ download of games and other contents decreased by 62.98% from Rs. 151 Crores for FY 2017-18 to Rs. 95 Crores for FY 2018-19.

The company has registered profit after tax of Rs. 4.4 Crores in the financial year ended March 31, 2019, on a consolidated level as against Rs. 1.211 in the previous financial year ended March 31, 2018.

2. The EBITDA margins have declined on account of change in revenue mix with a contribution of esports and freemium increasing from 11.04% in the financial year ended March 2018 to 43.77% in the financial year 2019.

3. EBITDA margins will increase in the coming year as esports and freemium businesses see a sharp improvement in EBITDA margins over the years because of high player retention in mobile games and organic downloads increasing with word of mouth publicity. Likewise, media rights kick in for esports once an IP has been established and the scale of brand sponsorships increases with the maturing of the IP.

4. The Company has made the following allotments on the preferential basis:

a) 34,959 Equity Shares of Rs.4/- each at a price of Rs. 728/- for cash aggregating to Rs. 25.40 million on private placement Basis to Azimuth Investments Limited on 18th July 2019.

b) 4,71,740 Equity Shares of Rs. 4/- each at the price of Rs. 728/- aggregating to Rs. 343.40 million to the shareholders of Absolute Sports Private Limited on private placement basis for consideration other than cash (i.e. by way of swap of 1,07,450 Equity shares of Absolute Sports Private Limited with the Equity shares of the Company) on 16th September 2019.

[Nazara Technology Annual Report 2018-19](#)

[Nazara Technology Annual Report 2017-18](#)

If anybody is interested in buying shares of Nazara Technology may please drop us an email at sales@unlistedzone.com or Whatsapp to Mr. Dinesh Gupta at 08010009625.

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