

February 17, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,117		1,201	
Sales (Rs. m)	21,394	24,381	19,050	21,823
% Chng.	12.3	11.7		
EBITDA (Rs. m)	2,674	3,350	2,765	3,431
% Chng.	(3.3)	(2.4)		
EPS (Rs.)	17.2	21.0	20.8	23.4
% Chng.	(17.4)	(10.1)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	11,383	16,190	21,394	24,381
EBITDA (Rs. m)	1,279	1,628	2,674	3,350
Margin (%)	11.2	10.1	12.5	13.7
PAT (Rs. m)	713	1,081	1,588	1,942
EPS (Rs.)	9.3	11.7	17.2	21.0
Gr. (%)	48.9	25.5	47.0	22.3
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	4.6	3.8	4.3	5.0
RoCE (%)	2.1	1.6	4.0	5.2
EV/Sales (x)	4.9	4.5	3.4	2.9
EV/EBITDA (x)	44.0	44.9	27.1	21.2
PE (x)	99.0	78.8	53.6	43.9
P/BV (x)	3.5	2.3	2.2	2.1

Key Data NAZA.BO | NAZARA IN

52-W High / Low	Rs.1,124 / Rs.591
Sensex / Nifty	75,939 / 22,929
Market Cap	Rs.79bn/ \$ 907m
Shares Outstanding	86m
3M Avg. Daily Value	Rs.416.81m

Shareholding Pattern (%)

Promoter's	9.00
Foreign	11.59
Domestic Institution	13.51
Public & Others	65.90
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.4	-	9.0
Relative	3.1	4.2	3.1

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Well poised for strong growth ahead

Quick Pointers:

- Reports best ever EBITDA of Rs524mn.

We increase our top-line estimates by ~12% over next 2 years to accommodate the change in revenue recognition policy of Space & Time (Ad-Tech subsidiary). However, our PAT estimates have been revised downwards by 15%/7% in FY26E/FY27E as we re-align our growth & profitability assumptions for Nodwin. Nazara reported a revenue beat of 32% as the new policy of Space & Time recognized revenues on either gross or net basis depending on client agreements. However, operational performance was lower than our estimate with EBITDA margin of 9.8% due to losses in Nodwin and weak show in Ad-Tech business. In order to drive organic growth, Nazara has signed partnerships to integrate popular IP's like Little Angel, Barbie, Slinky and Big Boss under its umbrella. Further, there are plans to expand on physical entertainment side as evident with the acquisition of Funky Monkeys and SMAASH being next on the cards. Inorganic boost will come from the recent fund raise of Rs4,950mn. We have incorporated the ensuing dilution impact into our estimates and expect sales CAGR of 23% over the next 2 years with EBITDA margin of 10.1%/12.5%/13.7% in FY25E/FY26E/FY27E. We maintain our BUY rating on the stock with an SoTP-based TP of Rs1,117 (refer Exhibit 6 for more details).

Revenue increased 66.9% YoY: Top line grew 66.9% YoY to Rs5,347mn (PLe Rs4,066mn, CE Rs4,104mn), driven by change in Space and Time's (Ad-Tech subsidiary) revenue recognition policy. E-sports revenue rose 20.1% YoY to Rs2,327mn (PLe Rs2,430mn) while gaming revenue increased by 52.7% to Rs1,549mn (PLe Rs1,310mn). Ad-Tech revenues surged 466.6% YoY to Rs1,479mn (PLe Rs326mn) due to a change Space & Time's revenue recognition policy. The new policy accounts for gross or net revenue depending on client agreements. Revenue is recognized on a gross basis when Space and Time acts as a principal, and on a net basis when it acts as an agent.

EBITDA/Adjusted PAT margin at 9.8%/8.6%: EBITDA grew 38.9% YoY to Rs524mn (PLe Rs481mn) with a margin of 9.8% (PLe of 11.8%). EBITDA margin for Gamified Early Learning/Freemium stood at 27.1%/20.5% in 3QFY25. Adjusted PAT after MI rose 72.4% YoY to Rs460mn (PLe Rs371mn) with a margin of 8.6% (PLe of 9.1%). PAT has been adjusted for impairment charge of Rs153mn in Brandscale Innovations.

Con-call highlights: 1) Nodwin reported 58% revenue growth in 9MFY25 (ex-Wings). Organic growth was ~20% while balance was fueled by acquisition. However, this time around the NH7 Weekender event was cancelled and if that revenue is excluded from base; organic growth was higher at ~25-26%. **2)** Animal Jam recorded a one-time income of \$300,000 in 3QFY25. **3)** IP licensing partnerships involve revenue-sharing and minimum guarantee payments to the license holder **4)** Nazara recorded an impairment charge of Rs153mn on investment in Brandscale (Wings) during 3QFY25. Additionally, charge/provision

of Rs350mn is expected in future. **5)** Aims to achieve an EBITDA of Rs 3bn in FY27E. **6)** Nazara has emerged as successful bidder for SMASH and may take control of the company in 4QFY25E. **7)** There was an Rs80mn+ EBITDA loss for Nodwin in 3QFY25 as NH7 Weekender was cancelled in Pune due to challenges in getting permission. The event may get rescheduled in Mar-25. **8)** Kiddopia has signed IP partnerships with popular brands like Little Angel and Barbie to boost organic growth.

Exhibit 1: Q3FY25 Result Overview (Rs mn)

Consolidated financial table	Q3FY25	Q3FY24	YoY gr.	Q2FY25	QoQ gr.	Q3FY25E	% Var.	9MFY25	9MFY24	YoY gr.
Net sales	5,347	3,204	66.9%	3,189	67.6%	4,066	31.5%	11,037	8,721	26.6%
Content, event & web server	1,692	1,443	17.2%	1,299	30.2%	1,834	-7.8%	3,840	3,611	6.3%
<i>As a % of sales</i>	<i>31.6%</i>	<i>45.0%</i>		<i>40.7%</i>		<i>45.1%</i>		<i>34.8%</i>	<i>41.4%</i>	
Advertisement Expenses	1,454	411	253.5%	396	267.4%	488	197.9%	2,258	1,342	68.2%
<i>As a % of sales</i>	<i>27.2%</i>	<i>12.8%</i>		<i>12.4%</i>		<i>12.0%</i>		<i>20.5%</i>	<i>15.4%</i>	
Commission	152	178	-14.8%	181	-16.2%	218	-30.4%	495	523	-5.3%
<i>As a % of sales</i>	<i>2.8%</i>	<i>5.6%</i>		<i>5.7%</i>		<i>5.4%</i>		<i>4.5%</i>	<i>6.0%</i>	
Employee Cost	886	475	86.6%	676	31.0%	691	28.2%	2,075	1,418	46.4%
<i>As a % of sales</i>	<i>16.6%</i>	<i>14.8%</i>		<i>21.2%</i>		<i>17.0%</i>		<i>18.8%</i>	<i>16.3%</i>	
Other Expenses	641	320	100.4%	386	65.8%	354	81.1%	1,344	840	60.0%
<i>As a % of sales</i>	<i>12.0%</i>	<i>10.0%</i>		<i>12.1%</i>		<i>8.7%</i>		<i>12.2%</i>	<i>9.6%</i>	
EBITDA	524	377	38.9%	252	108.1%	481	8.7%	1,024	987	3.8%
<i>EBITDA margin</i>	<i>9.8%</i>	<i>11.8%</i>		<i>7.9%</i>		<i>11.8%</i>		<i>9.3%</i>	<i>11.3%</i>	
Depreciation	305	152	100.8%	257	18.6%	154	98.1%	715	455	57.1%
EBIT	218	225	-3.0%	(6)	NM	327	-33.3%	310	532	-41.8%
<i>EBIT margin</i>	<i>4.1%</i>	<i>7.0%</i>		<i>NM</i>		<i>8.0%</i>		<i>2.8%</i>	<i>6.1%</i>	
Interest cost	28	20	37.7%	18	60.6%	20	38.2%	51	60	-14.2%
Other income	219	179	22.6%	253	-13.3%	248	-11.5%	728	419	73.6%
Impairment	153	14	1016.1%	-	NM	-	NM	153	26	479.9%
Share of P/L of investments accounted using equity method	(4)	-	NM	(12)	NM	-	NM	(23)	-	NM
Exceptional items	-	-	NM	-	NM	-	NM	-	-	NM
PBT	253	370	-31.5%	218	16.4%	555	-54.4%	811	865	-6.2%
Tax expenses	116	80	46.4%	37	218.9%	139	-16.1%	257	141	82.3%
<i>Tax rate</i>	<i>46.0%</i>	<i>21.5%</i>		<i>16.8%</i>		<i>25.0%</i>		<i>31.7%</i>	<i>16.3%</i>	
PAT	137	290	-52.9%	181	-24.4%	416	-67.1%	554	724	-23.5%
PAT margin	2.6%	9.1%		5.7%		10.2%		5.0%	8.3%	
Minority Interest	(170)	38	NM	(57)	NM	45	-478.2%	(217)	95	NM
PAT after MI	307	253	21.3%	238	28.7%	371	-17.4%	771	629	22.6%
EPS (Rs)	3.8	3.5	10.7%	3.1	23.5%	4.2	-8.3%	9.9	9.2	7.9%
Adjusted PAT before MI	290	304	-4.7%	181	60.1%	416	-30.4%	707	750	-5.8%

Source: Company, PL

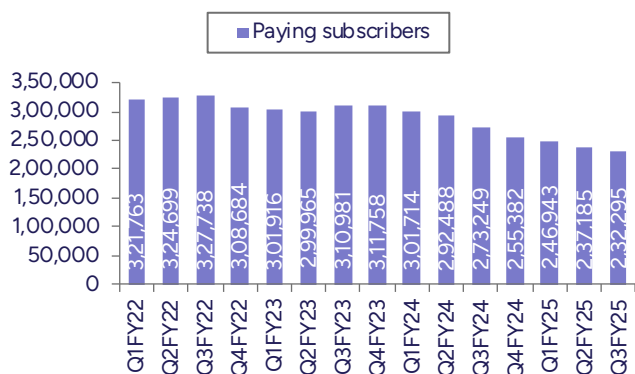
Exhibit 2: Segmental revenue & EBITDA breakdown (Rs mn)

Y/e March	Q3FY25	Q3FY24	YoY gr.	Q2FY25	QoQ gr.
Gamified Early Learning	781	815	-4.2%	728	7.3%
As a % of sales	14.6%	25.4%		22.7%	
EBITDA	212	214	-0.9%	158	34.2%
EBITDA margin	27.1%	26.3%		21.7%	
E-Sports	2,327	1,937	20.1%	1,818	28.0%
As a % of sales	43.5%	60.3%		56.8%	
EBITDA	196	245	-20.0%	89	120.2%
EBITDA margin	8.4%	12.7%		4.9%	
Ad Tech - Datawrkz	1,479	261	466.6%	241	512.8%
As a % of sales	27.7%	8.1%		7.5%	
EBITDA	70	34	105.9%	18	288.9%
EBITDA margin	4.7%	13.0%		7.5%	
Telco Subscription	66	70	-6.4%	71	-7.7%
As a % of sales	1.2%	2.2%		2.2%	
EBITDA	NA*	(29)	NM	18	NM
EBITDA margin	NM	NM		25.4%	
Freemium	644	54	1092.6%	285	126.0%
As a % of sales	12.0%	1.7%		8.9%	
EBITDA	132	7	1785.7%	33	300.0%
EBITDA margin	20.5%	13.0%		11.6%	
Real Money Gaming	51	76	-32.9%	58	-12.1%
As a % of sales	1.0%	2.4%		1.8%	
EBITDA	-	(25)	NM	(6)	NM
EBITDA margin	NM	NM		NM	
Total revenues	5,347	3,213	66.4%	3,201	67.0%

Source: Company, PL

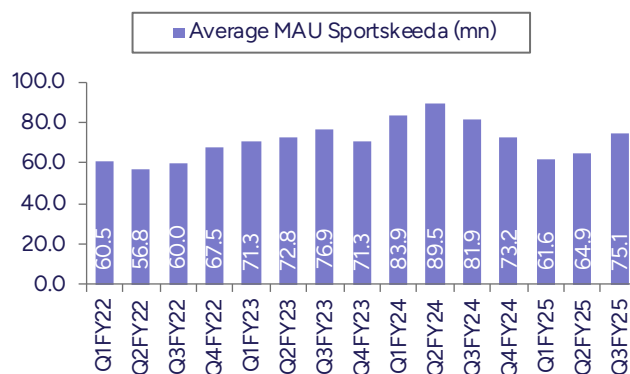
Note: EBITDA of Telco was not disclosed. Revenue is the balancing figure

Exhibit 3: Kiddopia's subs stood at 232,295 for 3QFY25



Source: Company, PL

Exhibit 4: SportsKeeda MAUs stood at 75.1mn in 3QFY25



Source: Company, PL

Exhibit 5: CPT of Kiddopia stood at US\$43.6 in 3QFY25

Key Metrics	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
CPT (\$)	\$40.9	\$39.0	\$38.6	\$40.9	\$43.6
Marketing Spend (Mn)	\$2.3	\$2.4	\$2.4	\$2.3	\$2.3
Avg. Activation Rate	67%	66%	67%	67%	66%
Avg. ARPU	\$6.82	\$6.89	\$6.92	\$6.95	\$6.97
Avg. Churn	6.7%	7.3%	6.6%	6.5%	5.7%
Subscribers	2,73,249	2,55,382	2,46,943	2,37,185	2,32,295
Subs. Growth (QoQ)	-6.6%	-6.5%	-3.3%	-4.0%	-2.1%

Source: Company, PL

Exhibit 6: SOTP

Particulars (Rs mn)	Sales (FY24)	Sales (FY27E)	EV/Sales multiple	EV	Nazara's current stake	Minority Interest	EV attributable to Nazara
Kiddopia	2,194	2,306	3.0	6,918	100.0%	0.0%	6,918
Nodwin	4,271	7,993	7.5	59,948	52.1%	47.9%	31,233
SportsKeeda	1,960	3,192	5.5	17,557	100.0%	0.0%	17,557
Telco subscription	327	296	2.0	592	100.0%	0.0%	592
Freemium (WCC + FuseBox)	219	2,578	2.5	6,446	100.0%	0.0%	6,446
OpenPlay	374	263	2.0	525	94.9%	5.1%	498
AdTech (DataWrkz + Space & Time)	1,038	6,480	1.0	6,480	33.0%	67.0%	2,139
WildWorks	947	1,273	1.5	1,909	100.0%	0.0%	1,909
PokerBaazi	4,149	9,115	5.0	45,577	47.7%	52.3%	21,740
Target EV							89,032
Less: Debt (FY27)							-
Add: Cash (FY27)							14,255
No of shares							92.5
Market cap							1,03,287
Target (Rs)							1,117

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	11,383	16,190	21,394	24,381
YoY gr. (%)	4.3	42.2	32.1	14.0
Cost of Goods Sold	803	18	24	27
Gross Profit	10,580	16,173	21,370	24,355
Margin (%)	92.9	99.9	99.9	99.9
Employee Cost	1,860	2,866	3,530	4,023
Other Expenses	1,079	1,943	2,139	2,438
EBITDA	1,279	1,628	2,674	3,350
YoY gr. (%)	16.5	27.3	64.3	25.3
Margin (%)	11.2	10.1	12.5	13.7
Depreciation and Amortization	670	1,031	1,203	1,330
EBIT	326	444	1,471	2,020
Margin (%)	2.9	2.7	6.9	8.3
Net Interest	68	72	76	77
Other Income	796	939	1,134	1,219
Profit Before Tax	907	1,311	2,530	3,162
Margin (%)	8.0	8.1	11.8	13.0
Total Tax	140	380	632	790
Effective tax rate (%)	15.4	29.0	25.0	25.0
Profit after tax	768	931	1,897	2,371
Minority interest	182	(150)	309	429
Share Profit from Associate	(20)	-	-	-
Adjusted PAT	713	1,081	1,588	1,942
YoY gr. (%)	72.2	51.6	47.0	22.3
Margin (%)	6.3	6.7	7.4	8.0
Extra Ord. Income / (Exp)	(147)	-	-	-
Reported PAT	566	1,081	1,588	1,942
YoY gr. (%)	43.6	91.0	47.0	22.3
Margin (%)	5.0	6.7	7.4	8.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	566	1,081	1,588	1,942
Equity Shares O/s (m)	77	92	92	92
EPS (Rs)	9.3	11.7	17.2	21.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	4,458	5,289	6,266	7,388
Tangibles	534	715	942	1,214
Intangibles	3,924	4,574	5,324	6,174
Acc: Dep / Amortization	2,319	3,350	4,553	5,883
Tangibles	303	454	631	827
Intangibles	2,016	2,896	3,922	5,057
Net fixed assets	2,139	1,939	1,713	1,505
Tangibles	231	261	311	387
Intangibles	1,908	1,678	1,402	1,118
Capital Work In Progress	-	-	-	-
Goodwill	3,942	3,942	3,942	3,942
Non-Current Investments	2,416	20,017	20,105	20,140
Net Deferred tax assets	(187)	(324)	(471)	(561)
Other Non-Current Assets	58	405	535	610
Current Assets				
Investments	2,242	2,242	2,242	2,242
Inventories	21	21	21	21
Trade receivables	2,749	3,770	4,865	5,477
Cash & Bank Balance	12,097	9,912	10,593	12,014
Other Current Assets	839	1,052	1,284	1,341
Total Assets	27,617	44,720	47,385	49,911
Equity				
Equity Share Capital	306	370	370	370
Other Equity	19,680	36,045	37,634	39,576
Total Networkth	19,986	36,415	38,004	39,946
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	53	81	107	122
Other non current liabilities	127	127	127	127
Current Liabilities				
ST Debt / Current of LT Debt	93	-	-	-
Trade payables	2,401	2,883	3,634	4,008
Other current liabilities	1,328	1,450	1,576	1,666
Total Equity & Liabilities	27,617	44,720	47,385	49,911

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	887	1,081	1,588	1,942
Add. Depreciation	670	1,031	1,203	1,330
Add. Interest	68	72	76	77
Less Financial Other Income	796	939	1,134	1,219
Add. Other	(324)	(936)	(780)	(485)
Op. profit before WC changes	1,302	1,248	2,087	2,865
Net Changes-WC	99	(539)	(344)	(239)
Direct tax	(406)	-	-	-
Net cash from Op. activities	995	709	1,743	2,626
Capital expenditures	(689)	(831)	(977)	(1,122)
Interest / Dividend Income	242	-	-	-
Others	(4,822)	(17,247)	(10)	(6)
Net Cash from Invt. activities	(5,268)	(18,078)	(987)	(1,128)
Issue of share cap. / premium	9,220	15,349	-	-
Debt changes	(34)	(93)	-	-
Dividend paid	-	-	-	-
Interest paid	(68)	(72)	(76)	(77)
Others	(38)	-	-	-
Net cash from Fin. activities	9,080	15,184	(76)	(77)
Net change in cash	4,807	(2,184)	680	1,421
Free Cash Flow	727	(122)	766	1,504

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	9.3	11.7	17.2	21.0
CEPS	18.1	22.8	30.2	35.4
BVPS	261.1	393.9	411.1	432.1
FCF	9.5	(1.3)	8.3	16.3
DPS	-	-	-	-
Return Ratio(%)				
RoCE	2.1	1.6	4.0	5.2
ROIC	20.0	2.0	4.5	6.1
RoE	4.6	3.8	4.3	5.0
Balance Sheet				
Net Debt : Equity (x)	(0.7)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	12	20	21	22
Valuation(x)				
PER	99.0	78.8	53.6	43.9
P/B	3.5	2.3	2.2	2.1
P/CEPS	51.0	40.3	30.5	26.0
EV/EBITDA	44.0	44.9	27.1	21.2
EV/Sales	4.9	4.5	3.4	2.9
Dividend Yield (%)	-	-	-	-

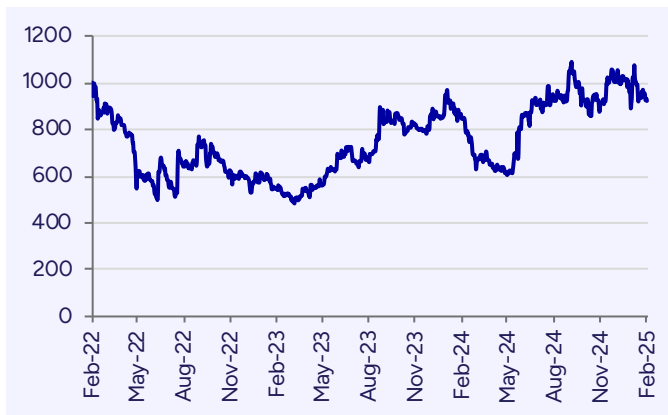
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	2,662	2,501	3,189	5,347
YoY gr. (%)	(8.0)	(1.7)	7.3	66.9
Raw Material Expenses	34	3	4	4
Gross Profit	2,628	2,498	3,186	5,343
Margin (%)	98.7	99.9	99.9	99.9
EBITDA	292	249	252	523
YoY gr. (%)	5.1	(24.7)	(9.8)	38.9
Margin (%)	11.0	10.0	7.9	9.8
Depreciation / Depletion	215	152	257	305
EBIT	(179)	97	(6)	65
Margin (%)	(6.7)	3.9	(0.2)	1.2
Net Interest	8	6	18	28
Other Income	377	256	253	219
Profit before Tax	23	347	230	257
Margin (%)	0.9	13.9	7.2	4.8
Total Tax	(1)	104	37	116
Effective tax rate (%)	(5.3)	30.0	15.9	45.3
Profit after Tax	24	243	193	140
Minority interest	87	10	(57)	(170)
Share Profit from Associates	(20)	(7)	(12)	(4)
Adjusted PAT	86	226	238	307
YoY gr. (%)	61.6	16.1	31.4	20.8
Margin (%)	3.2	9.0	7.5	5.7
Extra Ord. Income / (Exp)	(169)	-	-	-
Reported PAT	(83)	226	238	307
YoY gr. (%)	(400.4)	16.1	31.4	20.8
Margin (%)	(3.1)	9.0	7.5	5.7
Other Comprehensive Income	1	2	3	4
Total Comprehensive Income	(82)	228	241	311
Avg. Shares O/s (m)	77	77	77	86
EPS (Rs)	1.1	3.0	3.1	3.6

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	1,201	985
2	18-Nov-24	BUY	1,182	98
3	08-Oct-24	BUY	1,185	953
4	30-Sep-24	BUY	1,185	982
5	14-Aug-24	Hold	923	922
6	08-Jul-24	Hold	878	919
7	04-Jul-24	Hold	878	913
8	29-May-24	BUY	806	698
9	09-Apr-24	BUY	826	671

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	1,064	767
2	Delhivery	Hold	340	315
3	DOMS Industries	BUY	3,370	2,637
4	Imagicaaworld Entertainment	BUY	97	71
5	Indian Railway Catering and Tourism Corporation	Hold	809	751
6	InterGlobe Aviation	BUY	5,246	4,162
7	Lemon Tree Hotels	BUY	175	145
8	Mahindra Logistics	Hold	399	354
9	Navneet Education	Hold	150	140
10	Nazara Technologies	BUY	1,201	985
11	PVR Inox	Hold	1,215	1,090
12	S Chand and Company	BUY	305	189
13	Safari Industries (India)	BUY	2,783	2,383
14	TCI Express	BUY	1,021	791
15	V.I.P. Industries	BUY	463	374
16	Zee Entertainment Enterprises	Hold	137	121

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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