Nazara Technologies Limited

(Formerly known as Nazara Technologies Private Limited)

Nazara™

June 18, 2021

To,

Head, Listing Compliance Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001.

Scrip Code: 543280

Head Listing Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1. G Block,
Bandra -Kurla Complex, Bandra (East),
Mumbai- 400051.
Scrip Symbol: NAZARA

Sub: Transcript of the Investor/Analyst Earnings Conference Call held on May 31, 2021

Dear Sir/ Madam,

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Investor/Analyst Earnings Conference Call held on May 31, 2021 at 09.00 AM IST, w.r.t the Audited (Standalone and Consolidated) Financial Results of the Company for the quarter and year ended March 31, 2021.

The same is being made available on the website of the company viz. www.nazara.com.

The above is for your information and record.

Thanking you.

Yours faithfully,

For Nazara Technologies Limited

Mishra

Pratibha Mishra
Company Secretary & Compliance Officer

NAZARA TECHNOLOGIES LTD.
Nazara
MUMBAI

"Nazara Technologies Limited Q4 FY21 Earnings Conference Call"

May 31, 2021

MANAGEMENT: **MR. NITISH MITTERSAIN – JOINT MANAGING DIRECTOR - NAZARA TECHNOLOGIES LIMITED**
MR. MANISH AGARWAL – GROUP CEO– NAZARA TECHNOLOGIES LIMITED
MR. RAKESH SHAH – GROUP CFO - NAZARA TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Nazara Technologies Limited Q4 & FY21 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to **Mr. Nitish Mittersain – Joint Managing Director of Nazara Technologies Limited.** Thank you and over to you, Sir!

Nitish Mittersain: Good morning everyone, this is Nitish Mittersain from Nazara. I would like to start off by wishing everyone good health as that is what is most valuable to all of us in these times.

Nazara was founded two decades ago with a dream that India will one day become a large gaming nation perhaps top three in the world. At that time, the business of the gaming virtually did not even exist in our country. Over the years, Nazara has adopted business model which ensures that the company continues to scale the revenue profitably and as we entered what I would like to call 'The Decade of Gaming in India', we had accelerated our growth through addition of high growth business verticals such as eSports, Sports Simulation and gamified learning within the overall gaming umbrella. These efforts of the last few years have helped us reach an important milestone in our journey where, today we at Nazara are having the privilege of hosting our first earnings call as India's first gaming company to go public.

At Nazara, we continue to relentlessly pursue our original dream and has evolved a DNA that we believe will allow us to endure over a long period of time in a dynamic and fast changing business to attain and sustain market leadership. As this is our first earnings call, I would like to share with you a few aspects of how we operate.

We have a strong focus on cash flow driven profitable operations across our business lines, strong understanding of unit economics instead of chasing vanity metrics and a diversified platform by product and geography that makes us very resilient to disruptions that are often seen in our industry. We intend to continue operating asset light businesses with little or no debt and operated by strong management teams.

In addition, I would also like to talk a little bit about our friends of Nazara ecosystem that we are building as it has been a critical step towards building the best management team in gaming in India comprising of passionate founders and experienced professionals, all coming together to work towards a common goal. The friends of Nazara network are a network of gaming companies where Nazara acquires majority stake in fast growing gaming businesses with growth potential and possible synergies within our network. The management in these companies are also given some equity in Nazara to bring a common alignment of goal, and day to day operations continue to be run by original managements while Nazara helps connect the dots to create significant additional value for all stakeholders.

We have seen multiple success stories emerging out of our friends of Nazara ecosystem in recent years, which includes gaming and sportskeeda in eSports and paper boat apps in gamified early learning. Enthused by our collective success and learning's in last few years, we intend to continue building out the friends of Nazara ecosystem in FY22 and beyond.

Coming to the numbers which is the primary reason we are all on this call today, Nazara has delivered 84% revenue growth year-on-year up from Rs.2475 million to Rs.4542 million, a 508% growth in EBITDA to Rs.596 million and a profit after tax of Rs.136.36 million. As the famous quote goes, 'Revenues are vanity, Profits are sanity but cash flow is King'. I am happy to share with you that Nazara generated a positive operating cash flow of Rs.674.06 million in FY21.

While we are happy with the progress in FY21, the reality is that there is a lot to be done to make our mark on the global gaming map and we will continue to pursue our goals with the support of all our shareholders with conviction, positive thoughts and positive action.

I would like to conclude by saying that today we carry in our hearts the column cane motto of faster, higher, stronger as we see the dream of India becoming a top three gaming nation in the world materialized over the next few years.

Now I will request our CEO, Manish Agarwal to deep dive into our FY21 financials and we look forward to an interactive session where we can answer all your questions thereafter. Thank you very much.

Manish Agarwal: Thanks Nitish. Good morning everyone, this is Manish Agarwal here, I really thank all of you to join on our first earnings call. All of you have been a great support for us during the IPO and I would like this session to be very, very interactive and hence I will keep my opening remarks very short.

I am pleased to share that the foundation made in FY22 has started demonstrating traction in all aspects of financial and operational parameters, and we are very pleased to say that we have built a very strong platform for Nazara to scale its revenues profitably.

I will just pick it up from where Nitish left. We grew 84% in our revenues, we delivered 454 Crores or Rs.4542 million in 2021. Our revenue growth is commendable because it is coming on top of very positive unit economics, predictable growth in gamified learning, and very strong performance of media rights licensing business in eSports. That really kind of sets up a very strong platform for us to really grow from here and that is what has resulted into a strong cash flow generation from operations as Nitish shared that, that is something which we are very, very cognizant of and we keep a very close watch.

We delivered a cash flow of Rs.674 million in FY21 and that is where the strength of the business really kind of reflected and demonstrated through unit economics and the efficient cost management.

Our cash and cash equivalents today are at Rs.4784 million as of 31st March 2021, compared to Rs.2224 million as on 31st March 2020, as you can see the business has generated free cash, has added more cash in balance sheet and we will continue to be debt free. All our subsidiaries have positive cash flows and they have added money in FY21, which is where is a very strong underlining of Nazara and Nazara DNA, which we have been able to work very closely with founders who have joined us in friends of Nazara network.

The efforts have resulted into a 37% increase in our net worth to Rs.7790 million as compared to Rs.5700 million in FY20. That has also come in on account of investments into Nazara of Rs. 100 Crores by Investment Growth Limited an arm of Hornbill Capital and investment by Krafton into Nodwin, both of these investments happened in January of 2021.

This is an high level summary, but what will be of interest is to move into how we see our businesses, as we have interacted with some of you or most of you, we look at our business into five segments and I will take you through the segment wise performance so that you can really get second level of detailing and what is happening and how the business is really shaping up.

Gamified learning which runs Kiddopia as an app. It is a subscription business model. 90% of the revenue is from North America. This business contributes to 39% of total revenues. This business grew by 819% year-on-year and posted Rs.1758 million in FY21. However, just to also baseline on apple-to-apple comparison, in FY20 the consolidation was done only for three months and hence if we were to look at apple-to-apple comparison, Paper Boat apps the company which operates Kiddopia grew by 202% where their FY20 number was 582 million versus 1758 million in FY21 so they have grown 200% in financial year. As a segment the growth is higher because of the three months of consolidation. What is more encouraging is as we had outlined in our IPO road show process that this is a very strong unit economics business, and the marketing cost is the only through variable cost and the long-term retention is creating a very strong annuity business and a profitable business. This is demonstrated in our EBITDA numbers of FY21 where the overall margin is 7.1% which was -18% in FY20.

The segment delivered Rs.125.7 million of EBITDA versus negative of 34.6 million in FY20 so not only it has grown, but it has also grown very strongly on EBITDA and on top of unit economics numbers. Now what is really kind of leading it as I mentioned it is a good annuity business because you have subscriber base, paying subscriber base which you can predict how they are looking at it, how they are growing and how are they being retained on the network, Kiddopia had 3,40,000 paying subscribers, which is a growth of 72% year-on-year compared to March 2020 numbers.

The strong unit economics which I have mentioned earlier is reflected in our cost of trial in spite of scaling has been range bound between $22 to $26. Our monthly churn has been range bound around 4% to 6% and our ARPUs are in the range of \$6.3 to \$6.4 per month. So the unit economics have not regressed in spite of a 200% growth in revenues or 72% growth in paying subscribers. So that is the gamified learning segment which operates Kiddopia and it contributes 39%.

I will move to the next segment, which is the eSports segment, which is a fantastic intersection of sports and gaming, and it is really going to create a very fast-paced sports entertainment and that is what our excitement around eSports is that is going to really be disrupting how sports entertainment happens in years to come. This segment grew by 102% year-on-year and posted Rs.1700.6 million in FY21. The segment contributes to 37.5% of total revenues. The segment not only grew by 102%, but also grew margins from 8.9% in FY20 to 17.9% in FY21. It is a very strong growth and in terms of absolute EBITDA numbers it grew from Rs.304.8 million from Rs.74.8 million in FY20. So our kind of belief and conviction around eSports continuous to be very strong and we believe that this is a segment as the underlying market grows this segment will continue to grow and engage with the young milliners in years to come.

This segment has two key properties, one is Nodwin gaming which contributed to Rs. 1357 million out of Rs. 1700 million in this segment. Nodwin gaming grew 75% year-on-year and also grew its EBITDA from Rs.87 million to Rs.132 million in FY21. The core contributor to growth in Nodwin has been the growth of the media right licensing and thus as we have always communicated and explained that this is the business of creating premium content and working with OTT platforms and TV broadcastings to ensure that they get content which is engaging for the millennials and they pay us for that premium content, exclusive content. So 55% of our business is coming from there, we have also expanded into South Asia in FY21 with our partnership with Tencent and we continue to be a dominant player in eSports in India through our IPs like India Premiership, Dew Arena, etc.

The second property which we have is Sportskeeda which is the largest eSports news destination for its eSports fan and also has other sports and it is the India's largest multisports destination and second largest in cricket destination here. It has been a fantastic performance for Sportskeeda in FY21 where its revenues grew 142% from Rs.142 million to Rs.343 million. However more notable is the growth in the EBITDA which grew from Rs. 13 million in FY20 to Rs. 167 million in FY21. How had they really delivered that growth? Well, they have delivered growth in revenue because of 487% increase in their monthly active users in one year and they have really looked at how to leverage the ad inventory maximization through a small shift in the value volume equation between India and US and also have very strongly optimized their interactions and their integrations for the programmatic revenues. So, this has been a very, very notable performance by the Sportskeeda team.

The third segment which we look at is a freemium segment where it is a free to play a mobile game from which consumers can download from app store or google play and the monetization happens through advertisement or people buying virtual items. We have world cricket championship as our IP which is a cricket mobile game which stimulates how you play cricket in real life it stimulates exactly on your virtual screens. This is the world's largest cricket stimulation mobile game and the company continues to really be the market leaders in the cricket stimulation mobile game, the revenues have been flat, the notable thing here is the mix of the revenue has changed from advertising to in app purchase which is where our conviction is that this property will break the orbit once the in app purchases really starts kicking in, into the consumer habit in India as well as within the game, and that is the very, very early green shoots is what we are seeing of in app purchase increasing and we are constantly working to make that happen.

The EBITDA margins in this segment declined from 33% to 21% on account of much lesser capitalization of manpower as our games, which were in development like WCC3 were launched in June, July last year and hence the capitalization blocks have really reduced and that is the only reason for reduction in the EBITDA margins.

I will move to the fourth segment which is the Telco subscription business, Telco subscription business contributed to 16.5% in FY21. The contribution has come down from 33% in FY20 to 16.5% in FY21 and as we have mentioned before, the contribution of this segment will continue to come down as the growth in gamified learning, eSports and premium happens. This business has declined by 8% in FY21, the EBITDA margins in this business declined from 25.2% to 18.3% however if you were to relook at make a distinction between operational EBITDA margins and the actual EBITDA margins you will see that entire corporate cost is allocated to this segment, it is not allocated across and increase in the corporate cost has led to the decline in EBITDA while at the operational level the EBITDA margins continue to be strong.

In this segment, we have acquired Disney contract for exclusive distribution of their games of Star Wars IPs and Disney IPs on Telco platforms across 101 countries and we are looking at how to really leverage premium content in these countries to explore if we can derive the growth of this segment by very strong relationship with the Telcos which are looking for engagement drivers. We would come to know in subsequent quarters wherever this attempt is yielding fruits. Currently we continue to maintain a flat growth guidance in this segment.

The last segment is the Sports Fantasy segment where we run an IP called HalaPlay, all of you are aware, sports fantasy is a very large segment, however there have been lot of issues at the state level in terms of statutory risk which had led to closure of businesses in states like Andhra, Telengana and Tamil Nadu and we have taken a call end September 2019 to kind of not get into this binary risk nature of this business and our aim was to bring this company into profitable numbers, but reduce the scale of revenues considerably and that is what we have kind of resulted. In FY20 the company delivered a loss of Rs.308 million versus a 24 million profit in FY21. So, our endeavor is that till the binary risk in this segment is not covered, we will continue to look at a breakeven kind of numbers and not go for scaling of the revenue, which may lead to lot of investment in this business because the binary in nature does not allow us to become over aggressive and we will continue to be strategically cautious in this segment.

So that was my summary for the consolidated financials. I will quickly cover the Q4FY21 vs Q4FY20. Our consolidated operating revenues for Q4FY21 stood at Rs.1234 million which is a 42% increase over 870.75 million in Q4FY20.

The growth is driven by gamified learning and eSports these are the two segments which contributed to 80% of the overall revenue and the summary is the same as I had explained to you in the year-on-year, these two continues to be our main drivers.

Our EBITDA margins in Q4FY21grew from 7.4% to 11.1% and that also delivered a PAT of 42.28 million in Q4FY21 compared to loss of 70.18 million in Q4FY20. So the business has not only grown in the overall year, but also quarter-on-quarter it has been a very strong performance. I also want to kind of call out that our PAT performance is higher in Q4FY21 versus Q4FY20 in spite of some of the incubation bids which we had taken earlier we have taken impairment losses of 23.48 million and because of the paper boat acquisition, our depreciation and amortization block has increased by 9.6 million in Q4FY21compared to Q4FY20.

That was the quarter summary. As you can clearly see Nazara is operating in high growth business segments such as gaming, gamified learning, eSports, our endeavor is to continue to grow them and grow them profitably and we would like to not really maximize EBITDA as we have maintained in past we will be very prudent to have a balance between revenue growth and EBITDA margins and margin expansion. We are very, very committed to maintain our market leadership in the segments which we are operating, and prudent financial management is in our DNA which is reflected in the Rs.4784 million cash reserves including liquid investments we have on our balance sheet and we do not have any debt.

To conclude, we will effectively utilize our cash balance to fund in any inorganic growth opportunities, our opportunities can be in terms of geographical and demographic expansion to building execution capabilities in our domain of operations. We are in a very good position to continue executing our strategy and maintaining our market leadership position in the years to come. I would also like to acknowledge our investors, our customers, our Nazara board and my team for their continued trust in Nitish and myself. We are very excited about the new fiscal year because of the growth momentum, strong unit economics and profitability, which enables us to continue executing our strategy and maintain our marketing leadership positions in years to come.

With that I would like to thank everyone for listening to both of us and the floor is open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudheer Guntupalli from ICICI Securities. Please go ahead.

Sudheer Guntupalli: If you can talk a little bit about the calendar of events that Nodwin is planning for FY22 and how do we see this segment shaping up in terms of our growth and margins going ahead.

Manish Agarwal: If you look at from a Nodwin's business event is one component of it, but the larger part of the revenue comes from the media rights and the licensing of media rights which is our key business and that is what we have been really working on it for last three, four years to increase the contribution and what are the advantages of that. The advantages of that has been underlying the marketing viewership on number of users increase your ability to talk to more partners and your ability to increase the contract value keeps increasing and that is where our focus is on media rights business events is a new end and a very small end because our content has four components. It has live events of local, it has live events of global, it has live from our own studio and it has on- demand content. So from that perspective the way you need to look at Nodwin business is a content business, premium content provider to OTT and TV platforms.

As far as our events are concerned, our events our own properties like India premiership which has Three Seasons, Dew Arena and then we have Northeast Cup, and we are working on other properties, newer properties launching which we did not do last year because of COVID. As the COVID situation improves we will also explore which our new IPs which we want launch that is one thing.

Second, we work with game publishers for white labeled IPs of theirs and there we are working very closely with Tencent outside India, and we are hoping that the PUBG coming back, we will be working with Craftsman in India as and when they launch again besides that we are working with all other publishers to activate the grass root communities. So that is the broad summary of Nodwin.

In terms of what is the growth and margins, our margins are purely dependent on how much of investment we want to do in new IPs and because our new IP gets break even in three, four years and the second thing is how soon does the COVID really allow us to have more and more offline events because of venue cost, these two factors are an input to our margins, and at this juncture it will be difficult for us to give any idea about what kind of margins are we going to look at. If you look at Nodwin business they delivered roughly around 11.5%, 12% margins last year versus 4%, 5% earlier year so that margin increase happened because of no new IPs launched and no offline events and that really shot up their margin however 4%, 5%, 6% is the right way to look at that business.

Sudheer Guntupalli: And my second question given the phase at which unlock is happening in US we may see daycare, pre-schools and schools also opening up soon so how we expect this to impact Kiddopia user base and net user addition metrics.

Manish Agarwal: So if you look at from the Kiddopia point of view we are talking to two to seven year old kids and these kids are in your home schools or play schools but after that they really are at home and they are enjoying on their screens and our average timeframe per day is around 17 to 22 minutes, it is not that it consumes to your whole of the day and it is not an education class, tuition class kind of a model it is an entertainment model where the kids are really having fun and subconsciously they are learning so I do not see any impact in correlation between schools, home schools opening up versus time being spent on such entertaining apps for the kids.

Moderator: The next question is from the line of Depesh from Equirus. Please go ahead.

Depesh: I have two on Nodwin. Firstly, it will be really helpful if you can give a further breakup of Nodwin's FY21 revenues that is how much revenue you will make from different revenue streams like media, data services and various IPs etc., in FY21 and secondly you have highlighted that Nodwin has 80% market share in eSports in India. So just wanted to understand what exactly that means because when we see some reports they say the eSports market is currently $100 in India but when Nodwin with 80% market shares revenue of only 136 Crores. So what exactly what is the right way to look at it. Thanks.

Manish Agarwal: I will take the second one because it is more conceptual in nature. If you look at the way we look at eSports it is about the marquee tournaments and the professional content so that is the space which we operate and that is the definition emanating from the global definition of that any professional tournaments which are free to participate where the game of scale and the physical strength and the mental strength of the players is being tested like an Olympic sports that is what is called eSports and that is how we are kind of really defining the eSports and in terms of 80% is arrived by the price pool of different tournaments which run in India because that is a lead indicator of the popularity of the particular IP and we contribute to 80% of the total prize pool in this country today and that is how we are a 80% market share.

In terms of premium content which you see on Hotstar, on VOOT, on Viacom, MTV and other platforms almost 100% the viewership of premium content comes from us so these are the two KPI that which you can look at it and the definition of 100 million which you are looking at is all in comparison with which you look at the casual games, tournament space also which is not the space we are operating. So that is one, second part is in terms of Nodwin's breakup 55% comes from media rights, 35% comes from the white label the IPs which we work with game publishers which also subdues your data services which team involved so you have Tencents team involved all of these types and roughly around 15% comes from brands which will come as sponsors on our marquee IPs. So that is the three breakups.

Depesh: Sir recently Krafton also took a stake in Nodwin right so if you can highlight apart from money how does it help Nodwin going forward and Krafton is also trying to launch mobile game on June 18 so how is Nodwin involved in that.

Manish Agarwal: So, three things which we really like to really see that, Krafton as you know is the world's largest game publisher and a company investing into eSports company is a very strong endorsement and signaling to the rest of the global publisher that this is a partner whom they can trust on high quality experiences being created in offline and online. Second thing is Krafton as you rightly mentioned with their PUBG relaunch we hope that at a fair process, but with our quality we would be able to work very closely with them to the eSports as we were working pre ban of PUBG in India and build a very strong IPs and community for Tencents earlier. So we have that community, we understand how what kind of that community really likes and we know the team also so that is the second thing. Third thing is this really gives us in a strategic advantage to build IPs around the games of Krafton because you are not worried about balance of power between publisher and the sports company because they are your strategic investor and hence with them, you can launch leagues, franchises, cups in India and other South Asia and other countries where they are interested and that is also a very, very strong IP building capability or strategic value which can get created.

Depesh: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Amit Shah from Ace Securities. Please go ahead.

Amit Shah: Sir I have one question, despite a very strong revenue growth in FY21 on consolidated basis, the revenue for standalone basis has declined. Can you highlight what has led to this decline despite a very strong performance in consolidated basis.

Manish Agarwal: I thank you for asking this actually I wanted to highlight that our standalone numbers are insignificant, and we should not look at them as they contribute to 2% of the overall revenues. The Nazara Technologies Limited the standalone P&L is quite a diminishing returns of time for anyone who wishes to analyze it and they should look at consolidated because as I mentioned earlier 39% of our revenue comes from gamified learning, 37.5% from eSports and within 16.5% of telco subscription which is our own everything comes from our foreign subsidiaries so if you were to kind of analyze Nazara, please do not look at standalone and that is my humble request because you would be spending your time monitoring trial activity.

Moderator: Thank you. The next question is from the line of Aparna Shanker from SBI Mutual Fund. Please go ahead.

Aparna Shanker: Congratulations on good set of numbers. I have three questions, what are the kind of metrics here you look at for the value chain performance of the largest two segments gamified learning and the eSports. Second question is that what are the pattern we look at when you are deciding to enter new markets or may be creating new IP and if I can stick in a third what the kind of viewership is your eSports segment has apart from Sportskeeda.

Manish Agarwal: So on the KPI, Aparnaji as I mentioned in my opening remarks, so gamified learning it is a unit economics KPI besides the growth of monthly paying subscribers which is important because the KPIs like churn, cost per trial and your ARPU give you a confidence in a lead indicator that your health of the consumer engagement attention is all good and you can continue to spend money and scale business without regressing on unit economics which means that your future profitability is all intact you are just ensuring that users are acquired now. So that is a very, very important three KPIs - I will just repeat cost per trial, monthly ARPU and churn and these are my lead indicators then the lead indicator minus 1 is my pay in subscribers which eventually is a combination of these two which defines and makes a very strong predictability on revenue and EBITDA margins. So that is on gamified learning.

On eSports it is important as the number of content, hours of content produced, number of hours of content broadcasted that is the two elements because we are a media rights business the second one is how many IPs are we launching our own and white labeled because that becomes an input to the content piece as well as the revenues and third is what is the cost of the content created per hour so these are the three KPIs which we look at internally to know what is the thing on the revenue side it is a number of partners which we are working with, partners include publishers, broadcasters, brands and as we are a B2B to B2C business it is important that we are increasing depth and breadth of the partners so that is on the revenue side. So combination of these four metrics clearly give you a very strong handle on the P&L of Nodwin.

On Sportskeeda it is very simple how many visitor's growth is happening, how much of time spend is happening and what is your distribution range of time spent that is on the user side and on the revenue side is what is the revenue which you are generating from every inventory which we called ECPM and how is that really moving and changing so combination of these three metrics really help us in Sportskeeda

In the Freemium segment it is about daily active users and how many people are converting from playing to paying and what is your ECPMs of your inventory these are the three matrices which are important there besides the day 30 or day 90 retention. So that is how we see our businesses in three growth segments.

To answer your second question what do we see when you look at new markets which is a function of different segments, example when we are looking at going into new market in eSports, we look at what is the kind of games, what is the relationship which we have, what is the size of that market and can this market eventually help us in building either a large eyeballs or building a dominant share so that we can flanker it for anyone not coming into our territory for example expansion into Sri Lanka, expansion into Bangladesh, in Middle East and then in future in Africa is from that perspective that need of the markets which are going to very big and we need to replicate our playbook of India.

For the Kiddopia expansion it is all about the size of market and LTV - CAC, and which is the same case for our cricket championship. To just answer your third question on viewership, our viewership is directly causality to the broadcasting platforms whether OTT or TV and we are dependent on them to generate viewership and our viewership data also gets collated through them whether it is Bark on MTV or whether it is the YouTube or Hotstar data which we get. So, the viewership is it is not an item which is completely actionable in our hands which is why the four KPIs which I have mentioned does not have a viewership because it is a derived outcome.

Aparna Shanker: So then what could be the deliverables for the OTT platform. So it is not real shape so what are the deliverables when you have contract with the OTT platforms like Hotstar, Amazon.

Manish Agarwal: Content that is what I said, numbers of hours content which you create and engagement of that content because as a content creator you can only be measured for the engagement which you create. The distribution is the platform's play not mine.

Aparna Shanker: Thanks a lot all the best.

Moderator: Thank you. The next question is from the line of Sougat Chatterjee from BNP Paribas Mutual Fund. Please go ahead.

Sougat Chatterjee: Just two questions, quickly firstly on the business update with regards to Kiddopia expansion we had mentioned that like Nazara was doing some work in the European Union, in the country of Spain and Germany firstly question on that, and secondly that just to see a financials on a quarter-on-quarter basis eSports have seen a slightly muted response with regards to the revenue side so revenue I think declined from 57 Crores to 48.5 Crores so just wanted to know is there any specific reason or just the one off.

Manish Agarwal: So let me answer both, on the gamified learning side, in Europe we have launched in German language around two months back and we have seen that we are still not able to find a product market fit in terms of LTV - CAC. So the experiment on iterating what needs to be done both on on-boarding funnel, and the consumer engagement is still on and it is not a foregone conclusion either way and our expansion into Spanish and French is something we will pick it up after we have really kind of taken a conclusive call on German then only we will get into it.

On the Nodwin piece, Q4 traditionally has been a quarter where we do not organize even because of its exam time for 14 to 21 in India, January, February, March, is usually the quarter where we abstain from the activities and hence Q3 will always be much bigger than Q4 and that is what you are kind of really seeing here. If you look at from a Nodwin's perspective what they delivered was roughly around Rs. 432 million in Q3 versus 406 million in Q4. So that is a decline of 6% quarter-on-quarter, but that is a seasonality, and you will see that seasonality in the past years and coming years also. The second difference in the eSports segment which you would see is on Sportskeeda, our Q3FY21 in Sportskeeda was very big because of the IPL being shifted from April, May, the cricket event which is there. We got a one-off bump up in October, November, December in the number of users, otherwise you would not see a seasonality of that extent in Q3, Q4 is Sportskeeda barring little seasonality which comes on account of more advertisers coming in Q3 because of festival season than Q4. So these are the two reasons, but Nodwin which is the larger component of eSports segment you will always see a seasonality between Q3, Q4.

Sougat Chatterjee: Thanks a lot.

Moderator: Thank you. The next question is from the line of Rishit Parikh from Nomura. Please go ahead.

Rishit Parikh: Congratulations on a decent year and congratulations for the first call. Just a couple of key points to underwrite on Kidopia. (i) if you look at the paying subscribers of 340k, it looks like a touch lighter than what we might have earlier projected, any reasons essentially that you can point out for the same.

(ii) How is the traction in the last two months from US perspective and (iii) Any guidance that you can provide on the marketing spends that you are planning to do in Kiddopia for FY22. I will come back for eSports question.

Manish Agarwal: Well, the US market if you would know that there have been some changes from 26th April onwards in the Apple policy. Those things are very new so, how much will be spending on marketing is a function of recalibration of the market overall in terms of how to really target those users, how to attribute it and that is what we are really trying to figure out, keeping our range of cost per trial and everything in mind. so our marketing spend going forward will be purely a function of the new normal being established in coming months. In order to answer the first question, the growth of the monthly paying subscribers is direct causality to the marketing spends which you do. Our Q3 marketing spend was much lesser than the Q1 marketing spend last year or the Q4 marketing spent. And as I mentioned earlier, we have been experimenting to see the impact of reduction in marketing cost on your net new subscribers and now after playing on all characters we have really understood what the sweet spot of marketing spend is, which one can really look at. Hence, your margins have been higher than expectation. So it is a playoff between the subscriber addition and the margins.

Rishit Parikh: So, in marketing spend you are the one which decides and nothing to do with churn out and profits. On eSports, it looks like at the fag end white label drove the part of the business, so could we talk about the split that we plan to do in the coming years, post normalcy we might have time to get some into some of these IP's, so what will be the split, whether it will be 55:35 or it will be more near towards the IP led businesses. My second question is on fundraise, is any of these subsidiaries planned to raise funds given our cash balance sheet right at roughly about 400 - 500 Crores because it might be a little difficult for us to sort of provide those funds and participate in those rounds. So, any reason we might just end up getting diluted below 50% in any of these subsidiaries in the next year. Thank you.

Manish Agarwal: On the fundraise, all our companies are really generating cash and at this juncture if you look at our largest business segment – paper boat apps, it has a positive working capital and it is adding cash every month. So, for them to really require funds or funding to grow, it will be a function of M&A, which we can jointly plan, and we can fund and create structures that can help them. So, I do not see a dilution really happening until unless we wish to, and we do not wish to do so right now. So, from that perspective I do not see any kind of dilution being envisaged in downstream and other subsidiaries. We have enough cash on our balance sheet to support their growth plans, which we understand could be value accretive, EBITDA accretive and not just kind of burning cash.

On your another question for the eSports, as we stand today, our split is not going to change, that is 55% comes from media rights, 35% comes from the white label the IPs and roughly around 10-15% comes from brands. However, we are currently, just at the beginning of the year and a lot of opportunities may come in from the upcoming white label properties and Ips, as this market is really growing including the PUBG battleground relaunch. Hence, how the mix is really going to pan out is what we will keep working towards it, but today what we see a baseline of the mix will be the same as of FY21.

Rishit Parikh: I will come back in the queue for follow-up. Thank you.

Moderator: Thank you. The next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Manish, two questions from my side, first a follow-up on the previous one. On Kiddopia it now clearly seems that the customer addition is a direct function of the marketing spend. So should we expect investments to exceed the revenues at least for the near-term and margins to remain under pressure after we add more customers while we understand the long-term it can be a very good EBITDA margin business, but if you can just help us through that metric how the margin will play out and I was not able to understand clearly the change in privacy policy impact on our investments how is that something which will impact our ability to spend on new user acquisition. The second question was on Nodwin. Yes, sorry go ahead.

Manish Agarwal: So on the Kiddopia the user acquisition and efficacy of user acquisition happens through your ability to understand the users, understand their affinity or potential affinity for them to become a paying subscribers and for that you leverage the platforms like Facebook, Google who depend upon the device IDs and all that stuff. Apple has recently after 26th April said that if the user has not opted in you cannot use a device IDs and that really impacts these networks in the short-term ability to attribute and make the right conclusion about who is this user and that is where I mentioned that in absence of a right attribution you cannot create a funding and we are really looking at how then we measure our cost per trial effectively and how do we have a lever of controlling it and optimizing it that is what is the work which is on and that is the impact. The question on the Kiddopia, we believe that as I mentioned before we are not really looking at growing it at the cost of getting into negative EBITDA, we have done our experiments on very high spends, very low spends and we understand a sweet spot of the marketing spends and our view is that it has to be a balance between the net new subscriber growth and the EBITDA margins. So, we do not see it going into a negative territory at all.

Mukul Garg: And on the Nodwin side, Nodwin has done extremely well in FY21 despite there were no physical events in the country what is your view on the direction of the eSports market development in India is it more an online gaming and OTT content market or do you think physical event can pick up rapidly once lockdown is over and how will this impact your cost structure and ability to increase the share of advertisers over the medium-term.

Manish Agarwal: So Mukul eSports business is a business of viewership, event is news to that end and the larger the life the event is the more premium you can charge for a media right licensing that is a very simple core loop. So as the consumer base in this country keeps growing and which is a market building activity which a mobile game, more mobile game publishers, global publishers coming to India they are seeing a potential of large enough purchases happening in India as a market the more such gamers will come the larger the community will form and eSports will have a compounding effect because it is a symbiotic relationship to mobile game publishing and it is an extension or a marketing arm for a game publisher to build communities and aspirations which leads for more people to buy in app purchase. So keeping that in mind the market building activity will be in conjunction with mobile game publishers and eSports. For Nodwin because it is the market leader in that space, and that is what we will continue to grow, and hence when I answered in terms of KPI number of partners number of publishers is a very important thing because it is an ecosystem development which can happen through partners. In terms of events, events as I mentioned is a very effective tool to build memories and experiences and especially when you have offline events happening you have hardcore fans really coming and doing it. We all miss it as eSports fans, we believe that is very important for the growth in having such physical events in top 50 cities of this country as and when COVID goes and situation normalizes, we would be very keen to restart that because that is going to be very important key aspect to build foundation of eSports, yes, there is a cost, there is a margin which is why I mentioned earlier that 11%, 12%, 13% margins are not the margins which we would like to aim for in this business we would like to have in more building in new IPs and building more offline plus online experiences. So that we can create more viewership which ultimately has a positive effect on our revenues.

Mukul Garg: Nitish I had a conceptual question on the M&A side, are you seeing any change in the funding environment in the Indian gaming space any VC money which is coming in now or earlier obviously you benefited from being the founder of the last resort, so is this something which you are seeing off late.

Nitish Mittersain: I think even in the last couple of years you see or last two, three years while we have done the acquisitions there has been an inflow of investments into gaming in India and I think that will continue so I would not say that while we did these last transactions there was no competition in terms of VCs, but I think the original premise of how can we bring to whether these companies to create one plus one is equal to more than two and create a significant value three years back or four years back. I think last three, four years we have been kind of being able to walk the talk and show ample evidence of how this not only benefits Nazara, but also the company that joins this network and the founders and the managements. So I believe these strong case studies will actually come to a lot of our advantage as we go forward on this strategy.

Mukul Garg: Understood great thanks a lot for answering my question and best of luck for next few years as you guys grow.

Moderator: Thank you. The next question is from the line of Abhijeet Purohit from Phillip Capital. Please go ahead.

Abhijeet Purohit: I just have one broader question that is on our eSports segment. So now given the number of gamers and viewers that are kicking in and the kind of streaming we see on YouTube and other platforms, do you think that we are about to witness the beginning of something very big in future given this demographic shift and our current dominating position in eSports segment.

Manish Agarwal: Abhijeet it is like music to my ears because I have been really wanting to hear that somebody is really saying that this is very big. I have always mentioned that in the sports entertainment pie, eSports will become the second largest after cricket in five years, seven years, ten years, three years, I do not know, but that is going to happen, the question is when, and our simple case is that the premium content will become really, really important or there will be multiple series of these forms who will ponder premium content there will be TV guys who will be bidding for it because this will be a 200, 300 million audiences who are going to look at this. The nature of eSports is a very fast-paced because we saw a test match to one day to three hours this is 20 minutes and you are getting the same, the thrill and edge of the seat plus passion and following a fan or a team all of that concoction is there and getting done in 20 minutes and again starts which gives you amazing kind of ride of emotions and the conversations for you to keep doing it. So that is what our belief is and that is why we are very positive about the eSports entertainment media kind of business and for that building larger than life eSports IPs is one of the very strong mode which we have created besides the network effect of being the preferred partner of game publishers, brands and OTT platform which creates a very strong entry barrier.

Abhijeet Purohit: Right, thank you so much for answering my question, all the best for the future endeavors.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: I also have a very broad question to like with the current set of businesses like going at x phase so what is the kind of growth we are looking at like in FY20 and could there be any material acquisition which can also like sort of booster FY22 revenue and that will be taken with.

Manish Agarwal: Two things, a) the growth momentum is really what we have created, and we can, the segments have a large addressable market and these are micro consumer trends which are not really going anywhere they will continue to accelerate. So we would like to ride on those trends and continue to increase that addressable opportunity how much of that growth is going to happen is also a function of the growth of the market and the propensity and proclivity of users to pay. I think both of these factors is kind of a very, very strong input to our growth and that is why it is very difficult for us to kind of give a guidance and predict a particular number. The second thing is as Nitish mentioned friends of Nazara network is not just a moniker for us it is a strategy if you see since 2017 we have consistently been doing a strategic acquisition every year 2017 Next Wave, 2018 Nodwin, 2019 Sportskeeda, 2020 Paper Boat, and that is how we will continue to really acquire companies, grow them, scale them and that is something which we will be very, very working actively towards in the coming year and not just in coming year, but in the years to come.

Prateek Kumar: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: I have two questions, firstly on capital allocation, I mean, you touched upon in the previous answer but what are the focus areas for the company which are the areas where there are good opportunities and good growth prospect, second question is on the freemium side if I look at the growth is sort of weak I mean despite being the number one cricket platform the DAU is sort of trending down and we are not really seeing a strong growth there so I mean and this is one segment which I believe should drive growth enough purchases should increase the engagement should increase but there is hardly any growth so what exactly is happening there. Thank you.

Nitish Mittersain: So let me answer the second question. First on the freemium side, we have own world cricket championship which is probably the most popular cricket game in the world with over 15 million active monthly users. Now the reason we are not seeing immediate growth in terms of revenues or scale ups in users is because our very strong focus is on achieving a positive lifetime value versus cost of customer acquisition equation in this model like you rightly said the biggest revenue drivers for the premium business or also for world cricket championship will come through in-app purchase and not advertising which is where the team is working on getting the in-app purchase conversions scaled up they released WCC3 which was a new version of the game after WCC2 about six months back and in the last six months we have seen the in-app purchase conversion increase from 0.01% of daily active users to now almost 0.10% of daily active users it is almost 10x increase however to get a positive LTV - CAC, we still need to further increase this and the team is actively working on iterations to achieve the goal, but if you get nearly 100,000 free downloads of WCC from the app stores and therefore we have sufficient scale to be able to simulate and deploy our iterations to achieve our objective for positive LTV. Once we have achieved that goal you will find that like in the case of Kiddopia that we did, we will significantly accelerate the spends to acquire the user base and scale the user base significantly so I think that is what we are working on because this is true for our DNA that I spoke earlier that we do not like to chase vanity metrics and burning money, we like to first put our unit metrics in control and then only scale so that is what is happening on the freemium side. So in terms of your question on capital allocation and which are the directions. I think we found the gamified learning space to be very exciting. We have seen great success in the 2 to 7 year old segment and I think it is natural for us to actively expand that beyond that to perhaps the next segment which is the 8 to 12 year old kids and we will be actively looking at that space. We are also actively looking at the freemium space again because we believe that the talent in India from the end development studios has significantly improved over the last several years and the ability for Indian gaming company to deliver world-class gaming content for India or the global markets has now become a reality and you will see this as a very large opportunity coming up in the next few years. So we are going to definitely double down that space as well.

Pranav Kshatriya: Just small follow-up on that, I mean, are we going to see more investment of Nazara as a global platform which where you actually cater to the requirements of the global audience, or it will be more India platform where basically are tapping for the growth in India.

Nitish Mittersain: So as we see our revenue mix today, 40% is from India, 40% from US and 20% from rest of the world. We believe India will continue to be a very high group market for us and we will obviously double down our focus in this market but at the same time we are going to continue with global expansion as well.

Pranav Kshatriya: Okay great thank you so much.

Moderator: Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: All my questions have been answered sir only one part only on the telco subscription business. So it is around 17%, 18% of our revenues have come down so what is our strategy here and also the outlook for FY22 on this segment and also on the EBITDA margins which have actually come down in FY20 from this segment.

Manish Agarwal: So Amit this is Manish here, if you look at the telco subscription segment, I mentioned in my remarks that entire corporate cost is being allocated to this segment and that is why you see the EBITDA margins have come down because your revenues base has declined and there is a big increase in the manpower cost at the corporate, however if you were to kind of segregated independently the operation in EBITDA margins for this business have not come down they have stayed where they were. In order to answer your question of what is the outlook, as I mentioned before that here the strategic asset which we have is the relationship with 58 telcos in 52 countries and that is the pipelines which are there and now we are really looking at how to leverage that asset by putting premium content like Disney and Star Wars or eSports content to see if we can really monetize that distribution channels which we have created and that is the endeavor for this year and we are looking at if we can convert that into revenues however it is very early for us to say and predict that whether that will lead to a growth in this segment and hence we are maintaining that this would be a flat segment for us and not be the growth driver.

Amit Chandra: Okay Sir thanks and all the best.

Moderator: Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL. Please go ahead.

Rishi Jhunjhunwala: I have three questions. (i) We have taken some impairment charges in this quarter so if you can just elaborate on that. (ii) Can you talk about what kind of fund infusion we have done on the Halaplay side if at all and how do we think that is playing out given that we have been a bit skeptical on scaling up that business due to the regulatory risk and (iii) You elaborated on the risk around Apple's privacy policy changes in April, so how do you think that could potentially play out given that a lot of the user acquisition at least on the trial basis is driven by targeted performance marketing and as a result what are the other ways in which you could potentially offset some of the impact that could happen. Thank you.

Manish Agarwal: Rishi on the impairment side, as you would have read in our DRHP, we had done few startup investments which were a very, very early-stage incubation kind of start- up investments. Wherein, a) we had invested a

Crore of rupee in some virtual reality company, b) we had looked at some aggregation of tier two women gamers and had done invested ~Rs. 75 lakhs there, c) we had looked at a quizzing company and tired to see how that pans out. Some of these which were pre product market set kind of investments, which have not panned out and we took a conservative call and said that let us kind of impair it while we continue to work with the founders on trying to see if we can establish zero to one but from an accounting point of view we wanted to clean and move on and that is where you see that impairment in FY21 of roughly Rs.41 million you would notice in our accounts.

The infusion in Halaplay was to really kind of take a dominant shareholding in Halaplay in line with the thought process that this is not an area where we would like to burn money, we will not like to invest massive amount of money in brand building, consumer acquisition and the founders wanted to really look at a new kind of a segment and not really look at a wait and watch kind of a strategy, so we gave them exit and we invested into Halaplay and took the 75% majority which you see in a controlling stake changing.

The third one on the apple piece, I think that is fundamentally the question there is how do you attribute a new user. And in the attribution problem statement there are very, very large companies like Aspire, ron Source, Unity, Facebook, Google, they are all working on it and our view is that it is a level playing field for all game publishers and not just us and hence whatever opportunities will emerge it will emerge for everyone, it is not a localized problem statement, it is an industry problem statement. Given that, copious amount of tech grades are working hard to really create new attribution and apple also coming out with its own solutions, I think it is a few weeks, few months time period where the new attribution ways will emerge and how to do that respecting the privacy of the user. Secondly this also gives us an opportunity to broad base our marketing spends beyond Apple, Google and Facebook, platforms into other platforms and which is where we are really tapping and experimenting as we speak.

Rishi Jhunjhunwala: So, does that change your budget estimate for marketing for FY22 versus what you could have earlier anticipated and as a result you are into LTV- CAC.

Manish Agarwal: So, there are two ways to look at it. One is you can say that I will be very flexible on your LTV - CAC and I will go ahead and spend a lot of money. However, our approach is slightly different, wherein we will keep the same yardsticks and keep working and optimizing the various ad networks platforms to find where is that sweet spot rather than kind of regressing on the KPIs. Now, there could be impact on the quantum of spends which we may be able to do in the near term and that is something which we are working and figuring out how to find alternates while working with Google and Facebook for working on their platform.

Rishi Jhunjhunwala: Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Sonal Minhas from Prescient Capital. Please go ahead.

Sonal Minhas: I just had two questions one was from a investor perspective trying to figure out if you could basically attribute and forecast what percentage of topline would advertising cost be on a regular normative basis for the business and is there a benchmark that the company follows for the overall DNA, I am asking this just to understand if there is some linearity in add cost as a percentage of sales which we as investors can see and forecast that is one and I think secondly you did speak about the margins of the sport business a little bit higher so it is linked to the sustainability of margins of the five buckets that we are in of businesses and not asking any numbers there but do you see these margins holding through or becoming better maybe from an FY22 or an FY23 perspective. So these are two questions.

Manish Agarwal: So, if you see advertising today is 55% broadly of our revenue and the bulk the largest component of our advertising comes from the Kiddopia as an expense and as we have discussed on this call, it is a very linear equation between how many how much of marketing spend you are doing and how much is your net new subscriber growth is happening because there is a churn which is constant and the number of new users which you added to the system will directly be proportional to that new subscribers and that again is proportionate to your revenue however as I mentioned earlier, you account for that marketing spend in the same month while revenues get referred because your annual revenues are 30% and they get accounted in accounts for over 12 months rather than the same month. So unit economics is the right way of looking at the business. We have a very strong focus on the marketing spend which is the only answer to your question and is a linear attribution to what could be on net new subscribers rather than having a linkage to the revenue in that same month.

Rishi Jhunjhunwala: So if we were to look at it just the advertising cost and the absolute basis which is 226, 227 Crores this year, I am assuming 35% of top line is the Kiddopia business is the marketing to attributable to Kiddopia also 35%, 40% of the overall advertising cost is that a way to understand that or we are spending disproportionately right now and the sales will catch up in the next year.

Manish Agarwal: So if as I mentioned on the Kiddopia business your EBITDA margins for the full year was 7% and for the last year it was -18% when the EBITDA is minus you understand that marketing is being spent in order to upfront acquire users and that revenue will come later what we have really looked at is that we will not have an EBITDA negative margin at all in this business because at steady state it is a very 20%, 22% EBITDA margin. So marketing viewer we will use in a judicious student manner to drive revenue growth as well as the EBITDA margins and do not go into negative.

Second one on the eSports bit which you spoke about that what could be the margins, I think see fundamentally eSports is a very nascent business in India itself, and we are the market leader so there the opportunity is very big and not just in India but in South Asia, Middle East, Africa we would like to invest in building new IPs and we would like to invest in making our current IPs more larger than life because the larger-than-life IPs and the larger share of IPs are both very strong inputs for you to continue to have strong modes for your leadership as the market grows and that is a very, very high causality on your ability to charge revenues later on we do not capitalize them we fully Opex them which is where your margins are where I am again saying that building new IPs is a three to four year break-even phenomenon and that is where your margins would be lesser here again given the DNA which we have we will not have a negative EBITDA margin business but we do not want to maximize EBITDA margins here right now for the investing into strategic IP creation or capability creation.

Sonal Minhas: So if I were to just understand this that we are basically trying to create some EBITDA positive margin buffer is it fair to and we are not going to invest any further in luck based games where I think we are where the EBITDA is negative is it fair to say that we would be in like 5%, 6%, 7% EBITDA margin for FY22, FY23 since we are in the investment phase for both these leading businesses.

Manish Agarwal: Difficult to predict that as I mentioned earlier on the call, the quantum of investment into new IPs and the offline events in and not are directly functional to the awareness of COVID around us and if we do not do that our EBITDA margins will be higher. Similarly in the gamified learning business, which is a large one as we were discussing with Rishi, the quantum of investment into marketing is also a function of how soon can we hit a new normal of attribution so that we can really optimize the on-boarding funnel so these two factors are unknown factors as of now for me to tell you that what could be the right number to look at EBITDA margins going forward.

Sonal Minhas: Thanks a lot this is from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference over to Mr. Nitish Mittersain for closing comments. Over to you sir.

Nitish Mittersain: Thank you very much for that. Thank you everyone for participating like I said earlier when I introduced that we believe this decade is a ticket of gaming in India and at Nazara we contribute 20 years pursuing this dream that India will one day be big in gaming, and we find that it is a lot more tangible today. We are on the right path and at Nazara we will continue to pursue this dream with maximum conviction and efforts as we can. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Nazara Technologies Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.