Nazara Technologies Limited

(Formerly known as Nazara Technologies Private Limited)

November 10, 2021

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 IndiaLimited
Exchange Plaza, Plot No. C/1. G Block,
Bandra -Kurla Complex, Bandra (East),
Mumbai- 400051.
Scrip Symbol: NAZARA

Dear Sirs/Madam,

Sub: Transcript of the Investor/Analyst Earnings Conference Call held on November 01, 2021

We refer to our letter dated October 26, 2021 regarding the intimation of Analyst/Investors conference call on the Unaudited (Consolidated and Standalone) Financial Results of the Company for the quarter and half year ended September 30, 2021, which was scheduled on **Monday, November 01, 2021 at 9:00 AM IST.**

In this regard we herewith enclose the transcript of the Investor/Analyst Earnings Conference Call held on Monday, November 01, 2021 at 9:00 AM IST, pursuant to the Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015.

Pursuant to Regulation 46, the aforesaid intimation and Transcript of the Investor Call is also available in the Company's website i.e. www.nazara.com.

Please take the same on record.

Thanking You,

Yours Faithfully

For **Nazara Technologies Limited**

Kjoshi

Kiran Joshi
Interim Compliance Officer

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Nazara™
MUMBAI

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"Nazara Technologies Limited
Q2 FY22 Earnings Conference Call"

November 01, 2021

ANALYST: **MR. SUNDAR - SPARK CAPITAL ADVISORS INDIA PRIVATE LIMITED**

MANAGEMENT: **MR. NITISH MITTERSAIN - JOINT MANAGING DIRECTOR - NAZARA TECHNOLOGIES LIMITED**
MR. MANISH AGARWAL - GROUP CHIEF EXECUTIVE OFFICER - NAZARA TECHNOLOGIES LIMITED
MR. RAKESH SHAH- GROUP CHIEF FINANCIAL OFFICER - NAZARA TECHNOLOGIES LIMITED

Moderator: Good morning, ladies and gentlemen, welcome to Nazara Technologies Limited Q2 FY22 Earnings Conference Call hosted by Spark Capital Advisors India Private Limited. 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. Sundar from Spark Capital Advisors India Private Limited. Thank you and over to you Sir!

Sundar: Thanks Lizann, good morning. First of all I would like to wish festive greetings to one and all present in this call on behalf of Spark Capital. We are pleased to invite you all to Q2 FY22 conference call of Nazara Technologies Limited. The company is represented today by Mr. Nitish Mittersain, Joint Managing Director, Mr. Manish Agarwal, Group CEO and Mr. Rakesh Shah, Group CFO. Over to Mr. Nitish for opening comments, thank you.

Nitish Mittersain: Good morning and a very warm welcome to all of you to Nazara Technologies Q2 and H1 FY22 earnings call. I hope you and your families are keeping safe and healthy. I have with me, Manish Agarwal our Group CEO and Mr. Rakesh Shah our Group CFO and Strategic Growth Advisers our IR.

We have uploaded our results presentation on the exchanges and in our website and I hope everyone has had an opportunity to go through the same.

The results of the first half of FY22 demonstrate our company's strong operating performance on the back of our ability to transform and realize synergies from our acquired companies.

Having already attained a leadership position in Indian gaming industry, Nazara is now strategically placed to take advantage of that encouraging trend that India is demonstrating in our core business and the opportunity of gaming for a billion plus users. Our growth prospects are fueled by macroeconomic factors including smart phone penetration, low cost and fast data access and the rapidly evolving digital payment infrastructure in our country. Thus, we believe that our businesses are poised for sustainable growth into the foreseeable future.

With a view to building our network of skilled gaming destination operating on one common tech platform, I am very pleased to welcome the OpenPlay team to the 'Friends of Nazara' network. Our endeavor is to build India's largest vernacular social gaming and entertainment platform and further strengthen our position in the large opportunity presented in the skilled gaming space.

Today's youth demand an increasingly diverse and engaging experience aligns between gaming, e-sports, comedy, and music become blurred and gaming becomes more mainstream. With eSports continuing to be a key segment for us, we have acquired the gaming and adjacent IP businesses of OML entertainment. This acquisition will help us massify gaming and eSports by tapping into emerging synergies and gaming entertainment thus approaching to 20 year old is looking for today.

With these two acquisitions in the past quarter as well as the Publishme acquisition we announced in the earlier quarter, we believe that we are well placed to capitalize on exciting opportunities in the vertical we operate.

Also, important key point as we are in the mid point of the year, we have visibility for our FY22 revenues to grow in the range of 35% to 40% over FY21 and we expect our EBITDA margins for the entire year to come in at 13% to 15%.

We will continue to pursue strategic investment and acquisition opportunities to expand our business offerings, leverage existing strategic partnerships to enhance capabilities and market positions, grow our user base, deep in market penetration and expand products that we are offering into complimentary categories and new markets as well as increase stakes that we hold in existing investments and subsidiaries.

I would like to thank all our customers, colleagues and business partners and our shareholders for the continued support that has allowed us to focus on long-term strategy and interest in our company. We are on a great journey to build a substantial business and I am looking forward to our most exciting years ever ahead of us.

I would like to conclude by wishing all of you a very happy Deepavali and a festive week ahead to enjoy with your family, friends and colleagues. Now, I will hand over the call to Manish to walk you through the quarterly highlights. Manish, over to you!

Manish Agarwal: Thanks, Nitish. Good morning, everyone and welcome to Nazara's earnings call for the first half and what Nitish has had an outstanding platform for me to just give you some exciting news about our first half results.

We delivered Rs. 260 Crores of revenue, which is 30% growth year-on-year; we grew 700% year-on-year on EBITDA margins, EBITDA delivering Rs. 49.6 Crores of EBITDA. It is very heartening to see companies when they grow, but also continue to improve their margins and our margins had improved from 3% last year first half to 19% this year first half. That has translated into a very strong PAT, which has grown from 8.3 Crores last year to 28 Crores this year and last year if you remember lot of you had looked at our DRHP and said it is a loss making company as we made a loss of 8.3 Crores of PAT, which was in our DRHP, we had mentioned to you that we are a unit economics driven company and a very strong visibility of our EBITDA margins impact.

I am happy to share that 28 Crore of PAT is what we delivered in first half. These are the very salient notes, one of the important thing which we are always be the kind of track is the cash flow generated and we have generated close to 50 Crores of net cash from the business operation in the first half, which kind of really shows that we are not just growing, but we are a solid business, which is a cash making business and have ability to continue to drive consumer tailwinds, which we are seeing in this market and convert them into Revenue, EBITDA, PAT and then cash flow is very visible in our business and that is what we really look for.

I will very quickly run to segmental performance and having done two earnings call I understand that the Q&A is the best way to clarify lot of questions, I will not take much time.

Gamified learning segment led by IP Kiddopia which is a catering to 2 to 7 years old, it is subscription predominantly in North America 90% of that business. It contributes to 41% of our revenues in first half. Our paid subscribers stand at 324,699. Some of you who had attended Q1 call was kind of worried about quarter-on-quarter decline in net new subscribers and I am pleased to say that the decline has stopped, which was caused because of issues of Apple IDFA and we have grown in quarter two or quarter one in net new subscriber and that is a positive trend and a movement which we are seeing, barring the minor glitch which we had seen in quarter one, we have always been a growing path in net new subscribers. Revenue stood at 105.9 Crores versus 78.7 Crores over the same time period of first half to first half, which translates into a growth of 35%. EBITDA for this segment was 35.4 Crores versus a loss of 4 Crores last year.

This segment has a direct causality to our marketing spends and growth. There was a decline in marketing spend in quarter one, if you would have noticed compared to quarter four and quarter two we have again found more marketing channels to really grow our marketing spend and if you look at in quarter two we have spent 2.6 million on marketing spend which is 46% more than the quarter one spends, however, our first half spend is still lesser than the first half spend of last year by 35% and which is where we are really working towards to continue to find more cost optimal unit economic driven marketing channels to drive net new subscriber growth rate.

Our cost per trial because of experimentation in quarter two increased to $ 33 from a usual range of $26 to $28 and we have been very conscious of about it and we believe that in quarter three we will be back to $28 to $29. Our other operating parameters, I am very happy to inform that trial to activation ratios or the monthly churn or the ARPU they are all same, so the consumer engagement, consumer detention, consumer monetization continues to be very, very strong, which is the core of this app, which helps us to create a scalable, profitable business.

I move to the second segment **eSports**, which contributes roughly 40% of the first half revenues and if you look at the segment, this segment has a very strong growth path of 62% year-on-year and it is posted 103 Crores of revenue. EBITDA grew from this segment from Rs.7 Crores to 14 Crores, which is doubling of EBITDA. Please note that at first half this year FY22 numbers include 3.1 Crores of revenue from Publishme acquisition, which was consolidated for September month and then to that extent the 3.1 Crores is additional, and it is not an apple to apple comparison. With Publishme acquisition, we established capability and capacity to expand eSports into Middle East and that is what we are very excited about and we are working between Publishme and Nodwin teams together how do you really capitalize this opportunity which is opened up, so a belief and conviction in eSports continues to be very strong and we believe that this segment with very strong tailwinds will continue to grow and engage with millennies and that 14 to 30 audience with the acquisition of live business and adjacent IP business of OML we are very truly committed to massifying eSports and bringing it to the main stage of the entertainment in this country.

Within eSports as you always know there are two companies and now Publishme is the third one, but I will kind of take it from **Nodwin**. Nodwin has grown 30% in first half to first half reporting a revenue of 69 Crores, EBITDA is up by 85% to 3.8 Crores and if you look at our media rights business, it continues to be the driver of the revenue segment 61% of the revenue of Nodwin came from media rights. Some notable things in this quarter, we have expanded our partnership and deepened our partnership with Tencents in South Asian Championships as well as we have launched Tencents on PUBG-Mobile Pro League, Pubg Mobile Club Open and these are the IPs in which we are really working with Tencents very closely and has really become normality of partnership. Our global expansion in amplification of international IP is working on very well. Umzanzi in Africa and Valorent in South Asia are doing very well. I am pleased to say that Umzanzi has break even after two years and that is what we have maintained it takes two, three years for our own IPs to really break even in investment.

I am also pleased to inform that our consumer business in Nodwin, which we are calling now under retail where we are selling e-pin and we also see an opportunity in future as more and more app stores allow third party purchases, we see that mobile based businesses can also become important and we are nearly doubling down on a retail side of our business because we already have an existing community and we are increasing our distribution channels in this quarter. We have increased our phone pay for pins business and we are looking at more opportunities to kind of grow the retail business on the back of very strong access to communities which we have in Nodwin.

Our second business **Sportskeeda** has really kind of been on a growth, it grew by 187% in revenue in first half to first half, having 30.8 Crores of revenues. Its EBITDA is also up 134% delivering 10.2 Crores of EBITDA and these are the kind of new age media businesses where when you have a non-linear growth in users that really translates into EBITDA and that is the beauty of new age media business is built on top of tech and very strong consumer affinity. H1 EBITDA margin of 33% we have invested heavily on content, we are investing heavily on building teams and that is all investment into future and in spite of that we have 33% EBITDA. Our MAUs has grown 36% and we delivered 56 million of MAUs as on September. There was a marginal decline quarter-on-quarter only because of the IPL being there in April versus no big sporting event being there in July, August and September and in spite of that growth has been fantastic and the growth is purely fueled by addition of new sports. Our adjacency to WWE sports is really working out. Our new addition of MMA is doing very well on the content.

The third segment which I would like to kind of take you through is **Freemium**. Freemium business the commentary is unchanged. It is still in the same orbit business where the revenues grew by 10% in first half over last year first half. In app revenues grew by 8%. If you look at quarter-on-quarter, there was a marginal decline in DAU and revenue because there was an IPL in April versus no IPL in Q2. Our percentage conversion of users from playing to paying, which is the key metrics which we have always maintained, is still range bound. There is no scale velocity we attained on that and the team is working, however, if you compare it to WCC 2, which was the game expands the 1% versus WCC 3 where it hovers around 0.08% to 0.15%. When there is a large sporting event it shoots to 0.12% to 0.15% when there is no large sporting event it comes down to 0.08% to 0.10%. That is the trajectory which we have seen here and hence we have still not found an LTV – CAC equation to kind of really attain the velocity and the work continues on that front.

On the **teleco business**, which is the other segment which we have, we have declined by 19% first half to first half. There is a slight decline in EBITDA margin, this continues to be a cash cow for us and as you would see and we have maintained the contribution from the segment will keep coming down, it was 16.5% last year, now it is 13% and we continue to see a decline of contribution from telco business going forward as well.

The last segment is a **skill based real money** gaming segment we welcome the OOpenPlay team. We are really looking at building the segment in a very structured manner, in a very pragmatic manner and as I have interacted with many of you when we had acquired OpenPlay, our view is that this segment has very strong network effects and for you to succeed and becoming big, you need to have concurrency of users, liquidity of money as well as a trusted brand and OpenPlay really is one step into it. We are going to really work out and create one common platform, which will first of all integrate HalaPlay and OpenPlay into one common tech platform and then going forward we continue to look at building the segment through consolidation. As you would see we really have an amazing fly wheel which is going here there is a momentum in our current portfolio that is M&A happening in the subsidiaries as well as M&A happening at the top. So what you could see is that the things are working very fast at the group level as well as subsidiary level and we intend to really create a compounding effect of value creation at both levels and we are relentlessly pursuing our original range and we believe that to endure over a long period of time in this fast and dynamic business we need to be agile, we need to be really always looking at outside in and that is where this complete 'Friends of Nazara' network structure allows us to be able to do that.

With that, I like to thank you for this opportunity will like to open the floor for Q&A. Before that wishing you all very happy Deepavali and stay safe and enjoy with your family and friends. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer sessions. The first question is from the line of Nitin Jain from Fairview Investment Advisory. Please go ahead.

Nitin Jain: Good morning and thank you for the opportunity. First of all wish you all a happy Diwali. I have three or two questions. Firstly on the Kiddopia business, Google has recently decreased its service fee for all subscription based apps. So 30% to 15% starting 1st of November so what kind of positive impact should it have on our Kiddopia business and related question on Kiddopia is where are we on the Europe expansion plan?

My next question is on freemium so we have seen like there was a new report some time back when so there was integration of Axe Deodorant with WCC3 app. So where do we see this going like, should we see more aggression here going forward?

Manish Agarwal: On the Google play reducing its commission from 30 to 15 it is indeed a positive move for all publishers including Kiddopia because it is really kind of save that 15% of the commission which you pay on subscription. However, our Google contribution is much smaller because Kiddopia is predominantly North America dominated by iOS and our revenues are very, very dominated by app store. So, there would be some effect but it will be very, very small given the Google is 10% of the overall portfolio or 15% that is the max portfolio so yes it is a positive thing but the macro is more important here with the large app destination going for reduction in the commission for the publishers/developers is a very very welcome move and this will kind of set precedence for others to follow.

Nitin Jain: Okay on the Europe expansion plan?

Manish Agarwal: On the Europe expansion which we have looked at, our view is that US is the primary market given that we need to really double down on finding optimal channels for marketing growth. We are really focusing on US and US growth rather than we are looking at fragmented Europe market where we have to do lot of hard work on multiple languages both in terms of content on app as well as in marketing so we have not really double down on increasing our languages beyond Germany into French or Spanish or any other language and we are solidly focused on how to get the exhilarated net new subscriber growth in this.

Nitin Jain: So shall read this as the company has shelved the plan for Europe or is it just stopping.

Manish Agarwal: Deprioritize will be better.

Nitin Jain: On the freemium?

Manish Agarwal: On the premium thing these are brand partnerships I would not read much into it. These brand partnerships are a constant endeavor from our side to keep bringing and gazing mainstream of advertising and partnership with large FMCG company then other consumer facing companies but I would not read in much into because for this to become a meaningful large revenue and a very strong tangibility and credibility kind of a business, I still do not see this.

Nitin Jain: Okay. Thank you. I will join the queue for followup.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher Pvt. Ltd. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. Sir in this quarter our cost per trial was $ 33 and we expect it to revert back to $26 to $29 so does this imply a roll back in the Apple's policy or is a marketing cost in other channels expected to fall and if it is latter, can you highlight any specific reason behind it?

Manish Agarwal: Absolutely. I think the answer is very simple here. Earlier if you remember in our interaction, I said that we spend 60% in Google, then 30% in Apple and 10% in Facebook, those were the three standard channels fully be optimized and where we were able to see from click to trial to activation ratio completed. However when we were looking at new channels whether it is Unity or whether it is programmatic, whether its ironSource and any other network, initial days you always would appreciate that you will need to experiment to figure out how is the cost of bidding contract keyword, how does the advertising channel really works and that's the experimentation which we were doing in this quarter to expand and reach from those three channels to more channels so that we can spend and attract more users to trial while the attribution issue of google is getting sorted. To that extent cost per trial has increased and is on account of experimentation in other channels. Now as we can find some steady state, we are looking forward to bringing the cost down to $29 to $30 max, not more than that cost per trial.

Jinesh Joshi: Okay sir and sir similar to this reduction in the Google play store commission I think one news also came out in the US that Apple can no longer force the iOS users to keep paying through their own payment gateway and considering that majority of the subscribers for Kiddopia are in North America. Do we expect a reduction in the commission cost to come down from about 28 or 30% to significantly lower level.

Manish Agarwal: Two parts for that answer, one is to experiment on the friction that when you have a third party payment really being received how will the users friction will be there and that we can only see once we implement and when can we implement once Apple has really rolled it out the court the ruling which you referred to had given them 90 days and I think that is subsequent more matter has gone into some of these. So, Apple has still not rolled out and since it is not rolled out, we have not really experimented on how much of the benefit will actually accrue to us and given that situation, at this juncture it will be difficult to say how much of positive it will be but in a directional sense it should be positive for Kiddopia as well as for every other publishers.

Jinesh Joshi: Sir one last question I think OpenPlay fair share of the revenue comes from South India and with Karnataka banning online games do you think that we will be able to sustain this 80 Crores kind of annualized run rate going ahead.

Manish Agarwal: So in this scale based real money gaming business there have been fair share of positive and negative and more positive than negative like Tamil Nadu opened up, Kerala opened up and Karnataka got closed so that's the short summary that you have got two states and Tamil Nadu is a large state from a contribution point of view compared to Karnataka so you will see a much larger ability to spend money to attract more users would be there and hence Karnataka is definitely 12 to 13% contribution which we will lose, but Tamil Nadu was closed then it got open I think towards the fag end of the quarter and that will really come into play in the second half. So I think this is the kind of the portfolio where you have to look at net sum rather than individually.

Jinesh Joshi: Sure sir. Thank you so much.

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

Depesh: Good morning and thanks for taking my question. Sir just wanted some clarity on 35 to 40% the revenue guidance that you have given so can you just break it up what is your revenue expectation in the OML and OpenPlay acquisition and what is the organic growth estimate for the year.

Manish Agarwal: So OML acquisition if you look at it is purely on the IPs which we have acquired and some of the other adjacent businesses. I would not at this juncture give you a very specific OML number do not want to kind of get into that, but if you look at from, if you want to understand the revenue numbers minus OML is that what you are really trying to understand Depesh?

Depesh: Yes sir.

Manish Agarwal: I think that kind of a second level of guidance in detailing we need to look at it. We are not open to giving that.

Depesh: But OML I think FY20 was 91 Crores and FY21 was like very low at 48 Crores, so in FY22 do you think it is growing or it is at same level as the FY21?

Manish Agarwal: Okay look at the business impact came from the offline businesses predominantly at 8 crs versus 91 crs and that COVID offline event has still not happened and not happening this year so I do not see that revenue build up and bump up to come in this financial year and they would be in the same vicinity for this year also what they did last year. Our consolidation will only be for the six months.

Depesh: Got it sir. Secondly, in the Gamified learning segment can you please share the gross addition that you have seen in the first half and also the cost per trial have increased right from $33 you are saying it will come down to $26 - $29 it is still higher than 22 which you were seeing last year so any plans or have you already taken a price hike for your customer?

Manish Agarwal: We took a price hike in June if you remember right from $7 to $8. I think that is the price hike we will stick to it for the time being and we are not looking at any other price hike, $22 cost per trial I do not think those days are going to come back. The new norm will be anywhere between $26 to $29 is what it will continue to be in terms of cost per trial.

Depesh: Sir the gross new subscriber addition that numbers can you tell?

Manish Agarwal: Gross subscriber additions Depesh I do not have handy because we look at the net gross minus churn because that is the real number to track.

Depesh: Got it. Lastly sir any reason why the Nodwin number is actually declining quarter-on-quarter is there any seasonality?

Manish Agarwal: Nodwin numbers if you look at it, it is purely function of your events and seasonality and which is where the Nodwin or broadly any kind of e-sports which is driven by your marquee events of IPL and the Nodwin is very dependent on when the large championships are happening, white label championships are happening so that is the reason why you would look at it quarter-on-quarter but if you look at it from a yearly basis it will be very high growth plus if you see the first half itself it is 30% growth.

Depesh: Got it sir. That's all from my side. Happy Diwali for you and everybody.

Manish Agarwal: Thank you same to you.

Moderator: Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: Good morning. Thanks for taking my question. Sir my question is again on Nodwin just continuing from the prior question sir. Sir you did say that there is a seasonality depending on when events happen, you mean to say when there are other high profile events like IPL, Nodwin, the events that happened or that will sort of on a muted note and therefore when there are no such high profile events it will be revert to a high growth sales?

Manish Agarwal: No Shyam let me just clarify, eSports segment has two pass, I might have not been very clear because Depesh was very familiar with the business. So one is the seasonality of the Nodwin even for its own which they do as their own IP or they are white labeled by the publishers that shifting from one quarter to another quarter is something which could happen but that is where you need to look at year-on-year what kind of growth they are looking at. The comment regarding marquee sporting events like IPL was more in consumption with sports leader rather than Nodwin.

Shyam Sundar Sriram: Sir when we think of Nodwin should we think steady growth rate of 25 to 30% on an annual basis. Is that something still possible or are there any headwinds there?

Manish Agarwal: So Shyam if you look at it they grew 30% over first half and we are saying that if we look from a Nodwin perspective their first half is roughly around 35% to 39% of the overall year end if you look historically. The second half is far more stronger because of more event's, better climate, better weather in India and non-exam, festivities, , brands, all of those factors. So, second half is always stronger than the first half. So to answer your question having a growth of 30% is absolutely able when the first half itself is 30% and second half being more stronger than the first half.

Shyam Sundar Sriram: Understood sir. Thank you very much. Sir just one question on the OpenPlay is it comment about an 80 Crores kind of a run rate there how to think of growth in this segments because this is slightly newer segments so relative to say for example Nodwin while these are different segments per se but this we have to compare this with Nodwin, how will the growth be here related to Nodwin for example how much higher growth segment than Nodwin or if you can share your thoughts on the growth in the segment.

Manish Agarwal: So if you look at the segment in which OpenPlay is operating it is a very large market already established and OpenPlay is a small player who is trying to gain share in a fairly mature market versus Nodwin which is the market leader in a very recent category. I think that that is the fundamental difference between the nature of the segments which they are operating both in terms of evolution of that segment as well as the relative position of the respective company. Now for Nodwin the task is to build the market and continue to grow. For OpenPlay the task is to gain share and gain share at a unit economics level where they go kind of a mindless spends. So from an OpenPlay perspective, we would like to really have a growth number of 30% year on year which we can deliver keeping the unit economics in mind, it is something we should be very happy about and anything more than that would be a pleasant surprise for us. For Nodwin as we said that we have continuously keep building the market and growing the market, our endeavor is to find new partnerships whether the publishers, brands, platforms, and keep growing this because we believe the tailwinds are very strong and the market is very small today and we can shape it.

Shyam Sundar Sriram: Understood. Thank you..

Moderator: Thank you. We will move on to the next question that is from the line of Saugat Chatterjee from BNP Paribas Mutual Fund. Please go ahead.

Saugat Chatterjee: Hi team, just one question from my end. In terms of this content cost seem that the content cost has fallen on a quarter-on-quarter basis so like any reason for that with regards to the content, event and the web server cost?

Manish Agarwal: You are looking at Q1 versus Q2 is that what you are looking at?

Saugat Chatterjee: Right.

Manish Agarwal: So if you look at the content cost it is predominately again related to your events and event in Nodwin because the biggest delta of approximately 8 Crores is coming from Nodwin. In Q1 versus Q2 so 21 Crores for Q1 spend versus 16.5 overall in which if you would see 8.1 Crores reduction is coming from Nodwin itself which is what this in continuation with the previous answer why Nodwin has declined quarter-on-quarter it is just when you have big events happening you have a revenue and associated cost along with that.

Saugat Chatterjee: Right okay and just one more question on the ad side so in terms of Kiddopia like or earliest stated metric was that close to $1 to $1.2 million per month of marketing spends we used to do in the Kiddopia business so now with the change in Apple policy could you give us like number in terms of what kind of number we will be looking to spend per month?

Manish Agarwal: Saugat number remains the same. Number has not changed the goal post is not moving. Our ability to spend back keeping the guardrails of unit economics is what we are working. So we understand from mathematically that we need to spend $1.2 million in month ensuring that the growth say 3-5% of net new subscriber month on month. Now our ability to spend that keeping the cost per trials and monthly, number of months break even those two elements in place is what we need to figure out how to spend it so that's why if you see on an average we spend 0.85 million per month in this quarter versus last quarter which was even lesser so we are trying to figure out how to spend money but that number has not changed.

Saugat Chatterjee: Okay. That's all from my end. Thank you and wish you and team a happy Diwali.

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

Sonal Minhas: I have two questions. First was I think two quarters back when you started the earning call the growth guidance is always given in conjunction with the margins that you are targeting because the two levers actually work in tandem. So given the tapered growth considering last year versus a year before I just wanted to understand that if 30% Y-o-Y guidance we are giving are we planning to hold on to the current EBITDA margin because the marketing has gone down that's one and underlying is there an insight we should look at in terms of EBITDA margin guidance going further that is first one Manish.

Manish Agarwal: Sonal if you look at Nitish's opening commentary he has given a 13 to 15% overall EBITDA margin guidance for this financial year which is much higher than the numbers which we have always maintained at 6 to 8% is what we like to do and plow that back into revenue growth. Now if you would kind of unpeel that margin it is predominately coming from your Kiddopia, Gamified Learning high increase in margins and those margins are increasing because what Saugat was also asking that does the monthly spend number change? No, the desire to spend more does not change, it is the ability to spent is what is not happening and hence it is translating into higher EBITDA margins which is where our overall EBITDA margin guidance is 13 to 15% and that's what you should look at for this year because we are looking at keeping within the unit economics how to spend more money and which will really kind of couple of quarters you see that 1 million, 1.2 million numbers we will like to come back to per month.

Sonal Minhas: I understand that and on Kiddopia in particular the underlying operating metrics which you track fundamentally the number of hours is depending on the app or the retention metrics they look as is what they were year back?

Manish Agarwal: Absolutely, so ultimately this is from trial to activation, number of time spend per day, and number of days in a month, your retention cohort, your engagement numbers nothing has changed, your churn numbers, your ARPU. All the consumer matrices are exactly the same its the key thing is how do we get more people to trial at the $26 - $28 range of cost per trial.

Sonal Minhas: Got it. As we enter the real money giving business the acquisition Manish just wanted to understand that it is again in the high burn category because you are establishing, consolidating, so just like Kiddopia what could be the ideology that you maybe for one year we are not focusing on it being net of marketing positive or there is a different ideology we are following for ramping up this vertical.

Manish Agarwal: Sonal our ideology is that in this skill based real money gaining business we are not really going to burn money on the EBITDA level because if you go on that path you will go down to invest substantial money in building player concurrency and liquidity. We do not wish to do that through a maximum amount of marketing spends whether on brand or performance. For Classic and OpenPlay it is a 20% EBITDA margin company will continue to grow it is a very strong return on advertising spend in terms of months and we will figure out how to continue to grow that, however our largest strategy as I mentioned during OpenPlay is to build that concurrency and liquidity through consolidation in the market so that you are really playing from the position of strength rather than look at investing substantial amount of money into business and looking at over two years achieving that which means that a cost of opportunity is very high and we are not intending to do that.

Sonal Minhas: So there is no loss.

Manish Agarwal: Right.

Sonal Minhas: Got it. If I could just squeeze in one question Manish. Just wanted to understand maybe from a six months to one year perspective maybe one or two challenges in the portfolio which areyour top priority which you are like spending inordinate time in the company, in the portfolio just wanted to munch upon that if you can?

Manish Agarwal: There are two things which we need to do is, one at operating level, let us say the key thing is how do we really go back to the growth of net new subscribers of Kiddopia through more standards of marketing and optimize that is the operating team is really spending considerable levels of time on that. At the group level, we are looking at how do we fill in the wide spaces which we have enough portfolio in terms of across segments whether Gamified or Freemium or eSports or Real money and how do we ensure that each one of them is very strong growth as a segment we can report in terms of scaling growth and right unit economics. So that's what we are really focused on driving at the corporate level while in the operating team that's one thing, second thing is the freemium where we have to find way to find this velocity because it has a huge opportunity for us to grow but will be right unit economics simply.

Sonal Minhas: Are you willing to drop one of these juggling balls because there are too many here or this is not the time to ask that?

Manish Agarwal: Can you repeat the question?

Sonal Minhas: There are four to five verticals that are growing and has their own challenges at a point in time there is only so much that is the management can juggle with so are you at a stage where you say look this business is not working out or its unit economics is not what it is and you are going to focus on three at a point in time and that is enough to keep ourselves engaged with.

Manish Agarwal: Sonal the beauty of our structure is that there are amazing set of founders and leaders which are working on solving the operating problems so let us say and I am not personally going and sitting and designing the game to improve in-app purchase there is a very strong team, capable team which is working at it. Similarly, in Kiddopia there is a team which is working on how to track that. You are absolutely right focus is what is needed to solve one particular problem if you have done it and that's where the friends of Nazara structure really comes in handy because it creates kind of bandwidth in the growth to achieve focus as well as continue to expand.

Sonal Minhas: I get it. Thanks.

Moderator: Thank you. The next question is from the line of Mohan Kumar from Emkay Global Financial. Please go ahead.

Mohan Kumar: Congrats on decent set of numbers. My first question is with respect to the revenue guidance your guide is for 35 to 40% growth for this fiscal year which implies sequential growth of 50% for the next quarter on an average for the next two quarters. Am I thinking on the right line given that the last two quarters, they were also really strong I just want to understand if there is such strong seasonality involved in the business for the second half to be significantly much stronger than the first half?

Manish Agarwal: Mohan mathematically you are right because if you are kind of giving a 35 to 40% growth guidance, first half numbers in front of us yes the math is correct. Now really understanding where the math is coming from, the math is coming from the seasonality in our business Nodwin which is as I mentioned to you it is almost 35 to 39% first half balance being second half plus you have very strong cricket in Q3 which will have a positive causality to freemium as well as sports so that's your current portfolio and the Kiddopia you have holiday season, October, November and December is coming in. So there is always that seasonality which is there and on top of it you will have a consolidation really kind of playing out of Publishme, OpenPlay and the businesses of OML which we acquired. Combination of the current portfolio, tailwinds which are always there and the consolidation which will play out you will see that number.

Mohan Kumar: Got. Thank you. Could you throw some light on the expected growth rate in the e-sports category in the coming two quarters. I do understand that the fourth quarter is not as strong for e-sports given to related to exams and things in those lines in the fourth quarter is most of the growth in eSports will come in the next quarter.

Manish Agarwal: Not really, not really. If you look at the obviously the third quarter is going to much bigger than the fourth quarter but if you would see the business it is not that the fourth quarter is going to be significantly smaller.

Moderator: Thank you. The next question is from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah: Thanks for the opportunity. One question from my side. Sir given the importance of strategic acquisitions can you elaborate on the process we take in zero in on investing. How do you decide which company invest in one and what is the typical process around it?

Manish Agarwal: Happy to answer that. I think it is very simple for us. We have identified the demographics. We have identified the segments and we have identified the white spaces given that these three things are absolutely a part of our strategy then we kind of really go out and look at for the right set of founders because that is really where our key process starts. We are always looking for we don't just call it friends of Nazara network for the sake of it. We are really looking at people with whom we can be friends with, we can work together and who share the common DNA, common value system and want to build to last. This is exactly where we are looking at the three aspects, founders, the company's scale of revenue, we are not looking at risk capital investment we are looking in growth capital investment and in the third piece is what is the underlying business drivers, growth drivers, margin drivers which we can identify we can work and we can really see tangibility of that in the next six to nine months, 12 months, be it in the future so that's how we really go about this whole process, process has three or four steps, discovering of it and then a primary analysis of business data, financial data, spending considerable amount of time with founders and team that takes the longest time and once we are then clear then it is the execution that is the process which we do.

Deep Shah: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Ishpreet from Motilal Oswal AMC. Please go ahead.

Ishpreet: Just wanted to check on the Sportskeeda part of it our margins have been quite soft on that so going forward what is the issue and the reason for the low margin.

Manish Agarwal: Ishpreet our investment on content will keep increasing in Sportskeeda because that was the predominately nature of that business if you remember I mentioned to you that having 45 to 48% EBITDA margin is not something which we desire or sustainable as we add more sports categories, we build more sports content and experimental video content, we will continue to invest because that is a very strong growth which we have seen manifesting into MAUs, manifesting into time spent, getting more loyal users as well as helping us to drive more revenues so we will continue to really do that. There is obviously a lag effect when included new sports it takes time to build that scale it takes time to build that kind of critical mass for advertisers to come in and which is where it is a stated strategy and we will continue to do that.

Ishpreet: And on the Kiddopia side of it we are still lower than the March 2021 numbers right so on exit basis any internal assumptions as to could we see kind of a double digit growth which is a possibility?

Manish Agarwal: I think I would not be able to answer that question today because how do we really look at our marketing spend growing as I mentioned to other people who had asked it is something we are still looking at it and with certainty if I am able to tell you that as we used to spend $1 to $1.2 million a month then I would have been able to answer that question with complete certainty.

Ishpreet: Okay, sure thank you.

Moderator: Thank you. The next question is from the line of Karan Uppal from PhillipCapital. Please go ahead.

Karan Uppal: Thanks for the opportunity. First question is on Kiddopia. So you mentioned that you are still experimenting with the marketing channels so has it settled and for H2 can we expect better subscriber addition over H1, any color would be helpful and secondly on Nodwin can you give us the pipeline of the e-sports events you are planning for H2, events like Mountain Dew arena are back or we are still not planned?

Manish Agarwal: Karan on Kiddopia piece, if you look at marketing spends in H2 versus H1 they will definitely be higher because our quarter one spends were lower, quarter 2 is 46% more than Q1 and we are constantly working on adding more channels as well as we hope that large platforms like Google would be able to really comeback and starts firing for us. We are early stage partners for Google in their ability to go back to the normal of pre IDFA and we hope that should get solved. So H2 will definitely be more marketing spends than H1. So there is no doubt about that and that should lead to more net new subscriber growth happening there. How much of that is a question mark would be able to kind of really go back to 5% month on month growth which is what we have desired and we had looked at as sweet spot of spends and margins that is something which I cannot tell you with certainty today?

On the Nodwin piece, if you look at it, we have a full Tencent, Pubg championships and other more championships lined I would request IR firm to kind of put that on site so everybody can look at the second half of calendar so that you can get more details from that and we will add something else.

Karan Uppal: I was asking about Mountain Dew Arena, offline exercises are also there in the pipeline?

Manish Agarwal: Offline it is still no in offline I do not think we are at least in quarter 3 we have not planned any offline, we are in wait and watch phase on quarter 4.

Karan Uppal: My last question is on mix between Sportskeeda and Nodwin, Sportskeeda revenue contribution is increasing right now it is at 32% and obviously it is at high margin than the Nodwin so any target mix you have in mind for the overall eSports business for the full year or maybe next year?

Manish Agarwal: No we are not looking at it like that, we believe that both these businesses are very very strong growth opportunity and they will continue to grow very fast. As I mentioned, \35% to 39% is first half contribution of Nodwin versus Sportskeeda and you would see that growth both in Sportskeeda and Nodwin happening at a fast level.

Karan Uppal: Thanks a lot and wish you a very happy Diwali.

Manish Agarwal: Thanks Karan, wish you the same.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Thanks for the opportunity. I have couple of questions. Firstly, have our growth assumption for Kiddopia revised down for FY22 or anything near term basis versus what we used to think earlier and also I guess you have shared your view, but if you could tell us a little bit more in terms of your strategy in the RMG segment, do we stick to cash neutral priority basis growth or is there is some incremental thoughts on that.

Manish Agarwal: Rahul when you spoke on RMG piece, and I will take that very quickly. Our view is that we are not going to making EBITDA losses and we will grow within that thing the OpenPlay, Classic Rummy business. For the larger segment as I mentioned to you before and on this call also how do we really play out the whole consolidation in this space and continue to acquire scale of users for concurrency and liquidity that is something which we will work up on but as far as the Classic, OpenPlay or Halaplay is concerned we will merge them into one network and we will drive them EBITDA positive.

Rahul Jain: On Kiddopia?

Manish Agarwal: Kiddopia, the guidance for the year as you could see that the first half is in front of you, second half we are still kind of we are looking at, how do we increase the marketing spends so from our perspective if you look at the growth number it is something we are still not able to predict with certainty on what number is going to really pan out because our ability to spend is a positive cash flow business there is cash in the business our ability to exhilarate the marketing spends we have seen in the past that we can do it very fast once we find that sweet spot. So the things can change and evolve and that is why I am bit reluctant to kind of give you a guidance on that.

Rahul Jain: Thank you

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

Prateek Kumar: My first question is on Nodwin segment so the proportion of media rights for that 61% this quarter in terms of revenue from 50% quarter-on-quarter and I think 70 to 80% last year how should this span out like for the remaining part of the year and next year?

Manish Agarwal: So Prateek again looking at Nodwin business from quarter will give you the wrong conclusion because a big IP gets shifted from one quarter to another quarter it will change the relative mix of revenue coming from the media versus white label versus own IP and if you see that somebody had asked the quarter-on-quarter of Nodwin you would see that your revenues are going to be second half versus this quarter and which is where in absence of a large event you will have the media rights a contribution being shown as 61% versus 50% I think broadly safe territories anywhere between 45 to 55% safe territory for your assumption, for your modeling purposes for the media right contribution for this year as we continue to build more IPs, larger events, more white label things, we will continue to see that contribution how it shapes going forward we will figure it up.

Prateek Kumar: One question now we have like eight months of listing and two quarter of earnings reporting on con calls so is there any specific things that have changed like prior to how do you see benefit of listing generally coming across if at all in your business.

Manish Agarwal: I think the biggest thing which for us the if you kind of take a setback why did you wanted to go IPO was we wanted to really create liquid stock to drive our M&A strategy of both in terms of increasing equity stake in current portfolio as well as attracting new founders/their investors on to our friends of Nazara network and that is the key thing for us to do it because if you remember we did not raise primary, we were cash positive and all of that and that is something is we are looking at and that is playing out. If you look at our OpenPlay acquisition we financed it through liquid stock and we are happy to always demonstrate that any one which really comes enjoying Nazara friends has always been benefitted from the money which they thought they are going to make versus they have actually made in terms of stock lives and that really is very strong case study for us to continue to go and talk to more founders and more investors and I think that is some that directionally is becoming better and easier for us to have those conversations.

Prateek Kumar: Thank you I will get back to the queue.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the Mr. Sundar for his closing comments.

Sundar: Thank you all for participating. Handing over to Nitish Mittersain for any closing comments. Thank you.

Nitish Mittersain: Thank you everyone for all your questions and for your time today. We look forward to being in touch and wish you again a very happy Diwali. Thank you very much.

Moderator: Ladies and gentleman, on behalf of Spark Capital Advisors that concludes this conference call. We thank you for joining us. You may now disconnect your lines.