

NAZARA: Headwinds Ease; Portfolio Reset Anchors Recovery

November 13, 2025 CMP: INR 273 | Target Price: INR 390

Expected Share Price Return: 42.5% | Dividend Yield: 0.0% | Potential Upside: 42.5%

Sector View: Neutral

Change in Estimates	✓
Target Price Change	✓
Recommendation	✗

Company Info	
BB Code	NAZARA IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	362/217
Mkt Cap (Bn)	INR 96.1/ \$1.1
Shares o/s (Mn)	56.3
3M Avg. Daily Volume	6,42,042

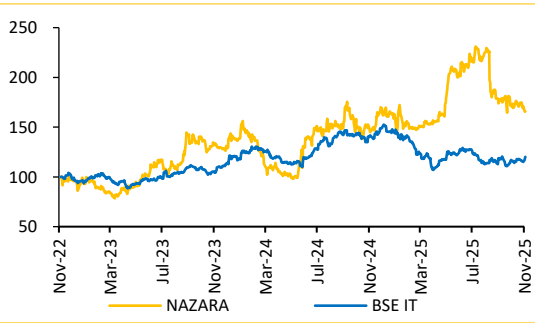
Change in Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenues	21.8	19.7	10.6%	27.1	28.7	-5.4%
GPM (%)	54.4	52.1	234 bps	55.7	53.7	201 bps
EBITDA	2.6	1.5	71.7%	3.7	3.5	6.1%
EBITDAM %	12.0	7.8	420 bps	13.8	12.3	150 bps
EPS	2.2	2.4	-10.3%	4.6	6.2	-25.8%

Actual vs CIE Estimates			
INR Bn	Q2FY26A	CIE Est.	Dev.%
Revenue	5.2	4.1	26.8
EBITDA	0.6	0.4	50.0
EBITDAM %	11.8	11.0	80 bps
PAT	-0.2	0.5	(140.0)

Key Financials					
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	11.4	16.2	21.8	27.1	33.9
YoY (%)	4.3	42.7	34.0	24.6	25.2
EBITDA	1.3	1.5	2.6	3.7	5.1
EBITDAM %	11.2	9.4	12.0	13.8	15.0
Adj PAT	0.7	0.9	0.8	1.7	2.7
EPS (INR)	1.9	2.3	2.2	4.6	7.4
ROE %	3.6	3.0	2.7	5.5	8.1
ROCE %	1.2	0.1	2.3	4.3	6.0
PE(x)	142.1	116.5	127.0	59.4	37.1

Shareholding Pattern (%)			
	Sep-25	Jun-25	Mar-25
Promoters	35.45	8.30	8.78
FIIIs	12.63	12.98	13.04
DIIIs	7.18	9.80	12.44
Public	44.73	68.90	65.74

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE IT	20.0	14.2	(15.1)
NAZARA	65.7	24.1	14.4



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Q2FY26 Technology Result Preview

Nazara Technologies Initiating Coverage

Portfolio Reset Enhances Earnings Visibility and Upside Potential

We remain constructive on NAZARA as the core growth engine strengthens and the portfolio resets to a cleaner base following the de-subsidiarisation of Nodwin and the one-off impairments on Freaks4U and PokerBaazi. The company's renewed brand identity, anchored in deeper interactive entertainment and IP-led experiences, aligns well with its expanding global footprint and enhances long-term franchise positioning. **With improving user acquisition efficiencies, stronger IP monetisation and widening reach across mobile and console ecosystems, the earnings profile is becoming progressively cleaner and more predictable. We value NAZARA on a SOTP basis (Table below), arriving at a TP of INR 390 up from INR 350 and retain our BUY rating.**

Revenue Beat Estimates; Margins Improve, PAT Decline due to One-time Adjustments

- Revenue for Q2FY26 came at INR 5,265 Mn up 5.6% QoQ and 65.1% YoY (vs CIE est. at INR 4,108 Mn).
- EBITDA for Q2FY26 came at INR 620 Mn, up 30.7% QoQ and 146.4% YoY (vs CIE est. at INR 452 Mn). EBITDAM stood at 11.8% vs 9.5% in Q1FY26, up 230bps QoQ (vs CIE est. at 11.0%).
- PAT for Q2FY26 stood at INR -239.5Mn, down 154.9% QoQ and 223.2% YoY (vs CIE est. at INR 518 Mn).

Strong Revenue Traction Despite Partial Nodwin Contribution

NAZARA delivered a robust Q2 with revenue up 65% YoY to INR 526.5Mn, despite only a half-quarter contribution from Nodwin following its de-subsidiarisation. Growth was broad-based, led by strong execution across Mobile Gaming, PC/Console Publishing and Offline Gaming. Mobile Gaming remained the key driver (+81% YoY), supported by improved UA efficiency, deeper LiveOps and continued strength in global franchise IPs. Console/PC titles such as Human Fall Flat and Wobbly Life delivered steady upside, while Offline Gaming scaled meaningfully through centre additions in Funky Monkeys. Ad-tech also outperformed with sharp growth. **With increasing monetisation depth, rising international mix and expanding studio synergies, we see NAZARA entering a more durable growth cycle and expect the platform to sustain mid-20s revenue growth over the medium term.**

EBITDAM Improves, One-time Adjustments Mask Core Profitability

EBITDA Margins for the quarter stood at 11.8% up 230 bps QoQ, with core gaming delivering a 23–24% EBITDA margin supported by improving UA efficiencies, operating leverage across studios and strong profitability in PC/Console and Offline Gaming. Reported earnings were distorted by one-off items (1) De-subsidiarisation of Nodwin, which resulted in a fair-value gain of INR 10,980Mn and (2) Impairments on PokerBaazi (INR 9,147 Mn) and Freaks4U (INR 2,063) following regulatory headwinds in India and structural weakness in European esports. With this clean-up largely behind, we expect earnings quality to improve meaningfully from FY27E, aided by scaling global IPs, a stronger publishing stack, sharper cost discipline and accelerating AI-led productivity. **Our view remains constructive, with the consolidated business now better positioned for consistent 40–45% growth and margin expansion.**

Particulars (INR Mn)	Q2 FY26	Q2 FY25	YoY (%)	Q1 FY26	QoQ (%)
Revenues (INR Mn)	5,265.0	3,189.0	65.1	4,988.0	5.6
EBITDA (INR Mn)	620.0	252.0	146.4	474.0	30.7
EBITDA Margin (%)	11.8	7.9	389 bps	9.5	227 bps
PBT	(417.0)	218.0	(291.8)	306.0	(236.2)
PAT (INR Mn)	(294.0)	238.0	(223.2)	535.0	(154.9)
Basic EPS (INR)	(0.8)	2.7	(131.2)	6.0	(113.9)

Source: NAZARA,Choice Institutional Equities

Management Call – Highlights

Portfolio Progress Overview

• Kiddopia (9% of revenue)

Kiddopia recorded a revenue of INR 470Mn, up 3.5% QoQ but down 3.7% YoY in Q2FY26. The segment after facing prolonged post-IDFA challenges, has strengthened its leadership. Leveraging Nazara's Centers of Excellence, it's showing early recovery with improving ARPU, reduced churn, and expected subscriber growth by Q4 under disciplined investment.

• Animal Jam (5% of revenue)

Animal Jam, a leading mobile gaming IP registered a revenue of INR 240Mn, down 9.1% but remained flat YoY for Q2FY26. The segment continues to grow through new content and IP expansion, including a Roblox launch. Its strong ownership enables AI integration and future metaverse-ready immersive experiences.

• Curve Games - PC/Console Publishing (12% of revenue)

Curve Games reported a revenue of INR 607Mn, up 11.2% QoQ driven by evergreen IPs and new platforms. Titles like Human Fall Flat and Wobbly Life are thriving as management leverages Nazara's ecosystem to expand profitability.

• Sportskeeda (6% of revenue)

Sportskeeda reported revenue of INR 333Mn, down 30.8% QoQ and 27.5% YoY in Q2FY26. Despite Google update challenges for Sportskeeda, strong cost control, recovery expectations, and robust growth from PFN, PrimeTimer and Soap Central drive optimism.

• Fusebox (21% of revenue)

Fusebox posted a revenue of INR 1,110Mn, up 52.1% QoQ and 378.4% YoY for Q2FY26. The segment has rapidly evolved from a single-game to a four-game studio, launching licensed narrative titles like Big Brother Global and Big Boss India. Its multi-season storytelling model builds sustained engagement and efficient user acquisition.

• Funky Monkey (1% of revenue)

Funky Monkey recorded a revenue of INR 54Mn, up 10.2% QoQ for Q2FY26. Funky Monkey is on an active growth path, with 3 new centers launched in Q2FY26. The plan is to scale Funky Monkey from the current 14-15 centers to 100 centers in the next couple of years.

• Smaash (5% of revenue)

The segment has recorded a revenue of INR 242Mn, a robust growth of 198.8% QoQ in Q2FY26. Smaash, acquired from NCLT, management is cleaning up the existing business and progressing the Smaash 2.0 revamp, with a relaunch targeted for FY27.

• Ad Tech (28% of revenue)

The segment recorded revenue of INR 1,451Mn, delivering strong growth of 36.8% QoQ & 502.1% YoY in Q2FY26. The segment is shifting towards higher margin product lines and supports client synergies and broader cross-market solutions.

• Nodwin

Nodwin recorded revenue of INR 1,630Mn a growth of 53.6% QoQ and 20.0% YoY in Q2FY26. With a new global esports strategy focused on emerging markets, it targets billion-dollar valuation ambitions in the next 5-7 years through esports, live content and influencer-driven IPs.

- *Kiddopia shows early recovery post-IDFA with improving ARPU, lower churn, and subscriber growth expected by Q4.*
- *Animal Jam sustains stable YoY performance while expanding through new IPs, Roblox launch, and AI-driven experiences.*
- *Curve Games grows 11.2% QoQ, fueled by evergreen IPs and cross-platform expansion within Nazara's ecosystem.*
- *Sportskeeda faces revenue pressure post-Google update but remains resilient with diversification across PFN and PrimeTimer.*
- *Fusebox delivers explosive growth, evolving into a multi-title studio with global licensed narrative games driving engagement.*
- *Funky Monkey scales steadily with new centers launched and an ambitious plan to expand to 100 centers in coming years.*
- *Smaash posts strong recovery with nearly 200% QoQ growth as management revamps the brand under Smaash 2.0 for FY27.*
- *Ad Tech delivers stellar 36.8% QoQ and 502% YoY growth, shifting towards higher-margin, synergy-driven product lines.*
- *Nodwin surges 53.6% QoQ, advancing a global esports strategy targeting billion-dollar valuation through live and influencer IPs.*

Management Call – Highlights

Financial and Risk Management

- **Moonshine Technologies (PokerBaazi) Impairment:** A significant impairment was taken upfront in Q2FY26 due to new regulations in India's online skill-based real money gaming space. The write-off included everything except for the cash remaining in the company (over INR 100Cr).
- **Freaks 4U Impairment:** Management decided to proactively impair the entire position in Freaks 4U, ceasing further funding due to geopolitical headwinds, massive layoffs in Europe, and the decline of esports in Western markets.
- **High Cash Conversion:** The company demonstrated a high cash conversion to EBITDA, with operating cash flow up 170.8% YoY on a pre-tax basis for H1FY26.

Strategic Focus and Diversification

- *Significant write-offs were made in Moonshine Technologies (PokerBaazi) and Freaks 4U due to regulatory and market challenges.*
- *Strong cash-to-EBITDA conversion was achieved, with a 170.8% YoY rise in operating cash flow in H1FY26.*
- *A diversified portfolio strategy provides stability, with core gaming targeted to grow 20–25% YoY and EBITDAM expanding to 20–25%.*
- *The company shifted focus to emerging markets (Global South) after setbacks in developed markets, with 90% of gaming revenue coming from the US and UK.*
- *Investments in CoEs, gaming IPs, and AI aim to drive development, cost control, and immersive experiences under the new "Enter Magic" brand identity.*
- **Diversified Portfolio Resilience:** The strategy of maintaining a diversified portfolio provides stability to the overall platform, allowing the company to absorb unexpected market surprises or headwinds.
- **Core Gaming Targets:** Management is targeting core gaming business to grow at 20-25% YoY and EBITDAM to expand to 20-25%.
- **Global Market Focus:** Over 90% of gaming revenue originates from international markets, with a strong focus on the US and UK.
- **Emerging Markets Over Developed Markets (Nodwin):** Nodwin's global esports strategy is now extremely focused on emerging markets (the Global South), including India, Latin America, Africa, Southeast Asia and Central Asia, recognizing these areas as having young, growing populations. The strategy of investing in developed markets (like Europe, via Freaks 4U) to funnel revenue to developing markets was deemed unsuccessful.

Operational Excellence and IP Management

- **Centers of Excellence (CoEs):** A significant differentiator is the investment in CoEs focused on User Acquisition, Analytics, AI, and growth. These centers are expected to compound portfolio performance at scale, improve the cost of customer acquisition, expand customer lifetime value and create distance between Nazara and the competition.
- **Focus on Gaming IP Ownership:** Owning well-established gaming IPs is viewed as a key differentiator and competitive edge, especially as AI technology develops. This allows IPs like Animal Jam to be leveraged across new platforms (e.g., Roblox launch) and potentially future metaverses.
- **New Brand Identity and Technology:** The new brand positioning, Enter Magic, is aligned with leveraging emerging technologies like AI and Virtual Reality to scale up and deepen interactive immersive experiences for consumers. This also represents its commitment to delivering magical, interactive gaming experiences to our global player base across platforms, genres and worlds.
- **Building a Consumer Network:** Nazara Publishing aims to build a large direct-to-consumer network by implementing a Nazara ID across all published games. This will enable cross-promotion, better monetization and a loyalty platform, with the vision of reaching 50 to 100Mn gamers.

Leveraging AI in Operations

- **AI for Productivity and Cost Control:** AI is expected to help the company maintain and optimize costs, while generating **more productivity** from existing teams.
- **AI in Game Development:** Nazara is leveraging AI for game development, notably with the upcoming WCC4 (World Cricket Championship) being completely coded in AI using Claude.

SOTP Valuation

Segment	Valuation Method	Target Multiple	Enterprise Value (INR Mn)	Nazara's Share	Value ascribed to Nazara (INR Mn)	Per share value	Contribution to TP
Nodwin	EV/Sales	11.8	91,377	47.7%	43,550	125	32.0%
Sportskeeda	EV/Sales	6.0	9,849	100.0%	9,849	28	7.2%
Gamified Learning (Kiddopia+ Animal Jam)	EV/Sales	11	40,979	100.0%	40,979	117	30.1%
Freemium (Fusebox + Zepto+ Nextwave)	EV/Sales	5.0	46,216	100.0%	46,216	132	33.9%
RMG (Moonshine)	EV/Sales	0	0	47.7%	500	1	0.4%
Curve games	EV/EBITDA	10.0	14,243	100.0%	14,243	41	10.5%
Offline Gaming (Funky Monkey+ Smaaash)	EV/Sales	3.0	971	60% & 100%	5,331	15	3.9%
Datawrkz & S&T	EV/EBITDA	26.0	11,234	55.0%	6,179	18	4.5%
Total			2,14,869		1,66,847	478	
Less: Holdco Discount (at 20%)					33369		
Add: Cash and Cash Equivalent (FY25)					2989		
Less: Minority Interest (FY25)					244		
Equity Value					1,36,222		
Shares O/S (Mn)					349.4		
12-M forward TP (INR)					390		

Note: Given the company's acquisitive nature and multi-vertical structure, we believe a Sum-of-the-Parts approach is most appropriate. We have provided detailed justification for our segment-specific valuation multiples in our Initiation report, drawing on both public comparables and recent private transactions. Find Report here: [Link](#)

View and Valuation

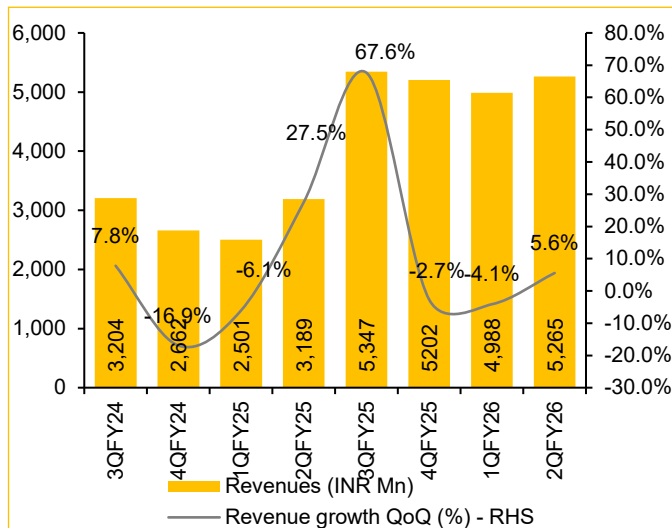
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Sequential Operating Performance

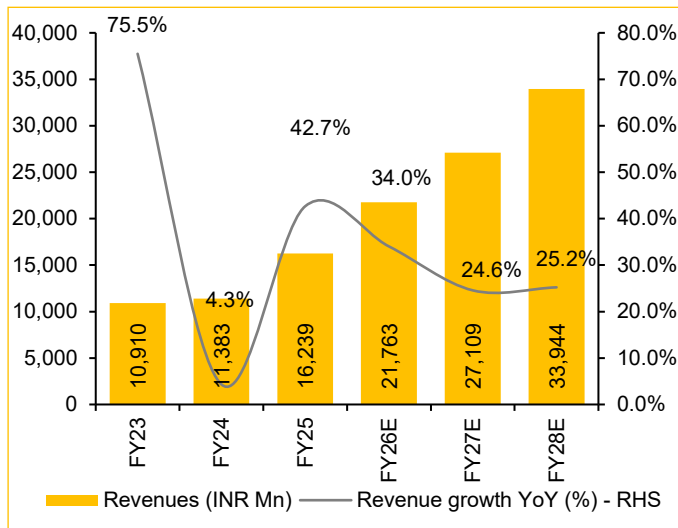
	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Income Statement								
Revenues (INR Mn)	3,204	2,662	2,501	3,189	5,347	5,202	4,988	5,265
Gross Profit (INR Mn)	1,286	1,128	1,138	1,214	2,769	2,758	2,703	2785
Gross Margin (%)	40.1	42.4	45.5	38.1	51.8	53.0	54.2	52.9
EBITDA (INR Mn)	377	292	249	252	524	510	474	620
EBITDA Margin (%)	11.8	11.0	10.0	7.9	9.8	9.8	9.5	11.8
PAT (INR Mn)	253	169	226	238	259	159	535	-294
EPS (INR)	3.47	1.12	2.96	3.11	3.28	0.93	6.04	-0.8
Operating Metrics								
Revenue mix by business verticals (%)								
Gaming	31.6%	34.1%	37.1%	35.6%	28.9%	30.0%	48.3%	56.2%
E sports	60.3%	55.6%	52.7%	56.8%	43.5%	41.6%	30.9%	16.6%
Ad Tech	8.1%	10.3%	10.3%	7.5%	27.6%	28.4%	21.3%	27.3%
Geographic mix (%)								
North America	-	-	44.0	39.0	35.0	39.0	NA	NA
India	-	-	33.0	31.0	46.0	40.0	NA	NA
Rest of world	-	-	23.0	30.0	19.0	21.0	NA	NA
Businesses Growth QoQ (%)								
Kiddopia	-2.8%	-6.9%	-3.7%	-0.4%	-2.5%	-2.7%	-1.9%	3.5%
Animal Jam	22.4%	-10.4%	-1.7%	1.7%	27.1%	-12.1%	-1.5%	-9.1%
Fusebox	NA	NA	NA	NA	NA	33.2%	-7.7%	52.1%
Curve Games	NA	NA	NA	NA	NA	NA	NA	11.2%
Source: NAZARA, Choice Institutional Equities								
Freemium	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	240.0%	28.3%
Nodwin	2.5%	-26.0%	-28.4%	91.4%	21.5%	-8.0%	-30.2%	53.6%
Sportskeeda	44.4%	-18.1%	24.3%	-24.6%	47.3%	-3.6%	-26.2%	-30.8%
Adtech	16.0%	5.4%	-6.5%	-6.2%	513.7%	0.0%	-28.3%	36.8%

Revenue Beats Estimates & Grew by 5.6% QoQ



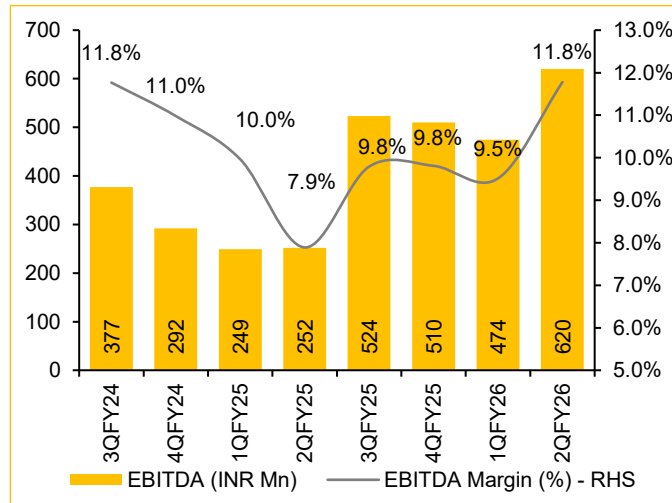
Source: NAZARA, Choice Institutional Equities

Revenue Expected to Expand at 29.4% CAGR over FY25–28E



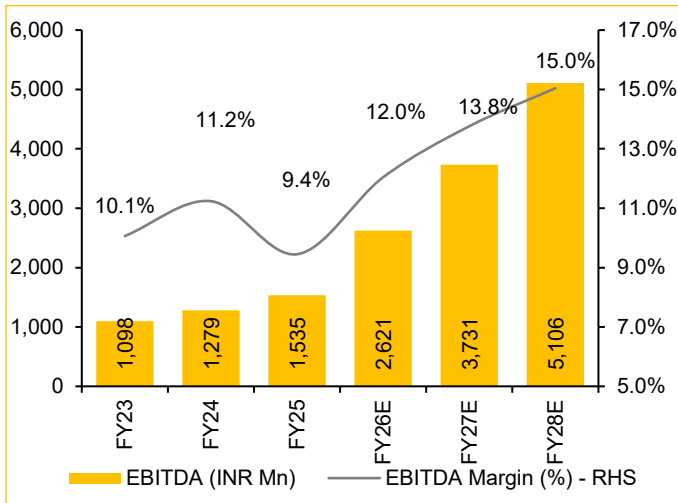
Source: NAZARA, Choice Institutional Equities

EBITDAM Grew to 11.8% QoQ due to NODWIN De-subsidisation



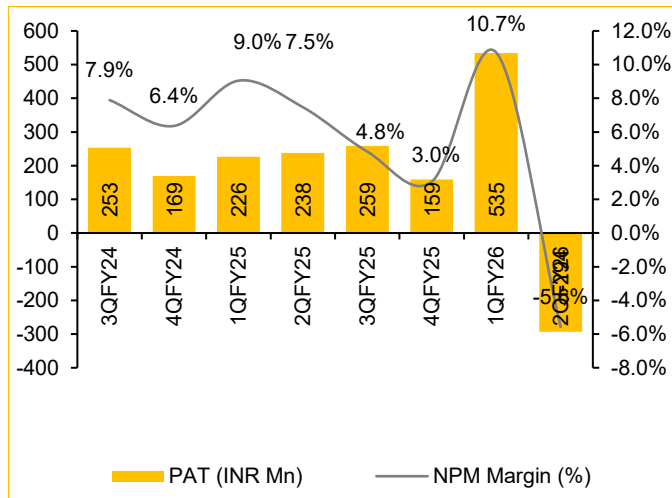
Source: NAZARA, Choice Institutional Equities

EBITDA Anticipated to Expand at 51.1% CAGR over FY25–28E



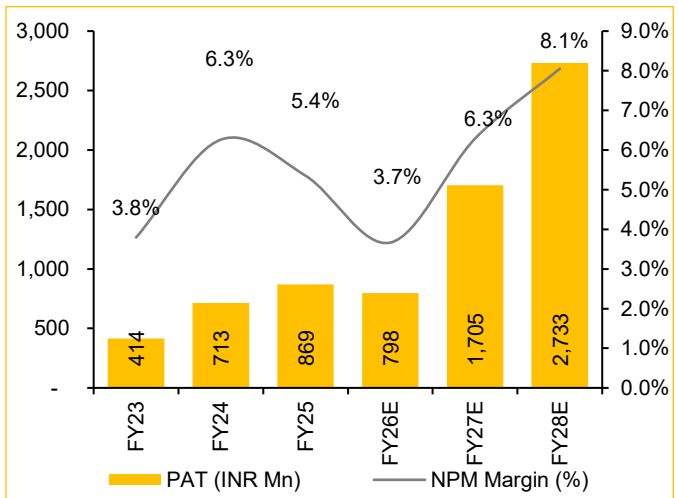
Source: NAZARA, Choice Institutional Equities

Net Profit Declined due to One-off Impairment Adjustments



Source: NAZARA, Choice Institutional Equities

PAT Projected at 48.1% CAGR over FY25–28E



Source: NAZARA, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	11,383	16,239	21,763	27,109	33,944
Gross profit	4,820	7,880	11,849	15,104	18,597
EBITDA	1,279	1,535	2,621	3,731	5,106
Depreciation	953	1,495	1,736	1,627	2,037
EBIT	326	40	885	2,104	3,069
Other income	796	915	12,078	845	1,165
Interest expense	68	99	215	219	219
PAT	713	869	9,945	1,705	2,733
EPS	1.9	2.3	2.2	4.6	7.4

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenues (INR Mn)	4.3	42.7	34.0	24.6	25.2
EBITDA	16.5	20.0	70.8	42.3	36.9
EBIT	-25.9	-87.8	2124.3	137.7	45.9
Margin Ratios (%)					
EBITDA Margin	11.2	9.4	12.0	13.8	15.0
EBIT Margin	2.9	0.2	4.1	7.8	9.0
Profitability (%)					
ROE	3.6	3.0	2.7	5.5	8.1
ROIC	3.2	0.2	2.7	4.9	7.5
ROCE	1.2	0.1	2.3	4.3	6.0
Valuation					
OCF / Net profit (%)	73.7%	69.2%	85.9%	82.7%	396.9%
EV/ EBITDA (x)	10.7	18.9	21.5	18.7	17.9

Source: NAZARA,Choice Institutional Equities

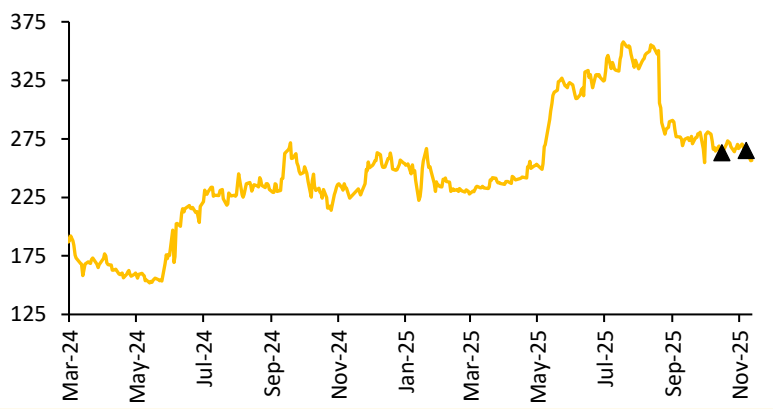
Balance Sheet (Consolidated in INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Tangible Fixed Assets	231	1,230	1,492	1,805	2,070
Goodwill & Intangible assets	5,850	16,219	16,742	17,574	18,111
Investments	2,147	11,174	11,733	12,906	14,196
Cash & Cash equivalents	12,097	4,582	2,180	218	7,614
Other Non-current Assets	410	615	615	615	615
Other current Assets	6,883	10,535	11,172	13,463	7,919
Total Assets	27,618	44,355	43,934	46,580	50,526
Shareholder's funds	19,986	28,631	29,428	31,133	33,866
Minority Interest	3,360	3,743	3,743	3,743	3,743
Borrowings	93	1,413	1,413	1,413	1,413
Other non-current liabilities	450	1,688	1,688	1,688	1,688
Other current liabilities	8,540	8,822	9,122	9,622	9,816
Total Equity & Liabilities	27,618	44,355	43,934	46,580	50,526

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	908	655	2,263	1,525	10,848
Cash Flows From Investing	-6,030	-11,340	-2,899	-2,668	-2,478
Cash Flows From Financing	9,463	8,049	-1,765	-820	-973

DuPont Analysis (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Profit Margin	6.3%	5.4%	3.7%	6.3%	8.1%
Asset Turnover	0.4	0.4	0.5	0.6	0.7
Equity Multiplier	1.4	1.5	1.5	1.5	1.5
ROE	3.6%	3.0%	2.7%	5.5%	8.1%

Historical Price Chart: Nazara Technologies Ltd.



Date	Rating	Target Price
September 02, 2025	BUY	350
November 13, 2025	BUY	390

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000Cr Market Cap

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