

14 November 2025

India | Equity Research | Results Update

Nazara Technologies

Internet

One-offs mar an already arduous quarter

In Q2FY26, Nazara recognised an impairment of INR 9.2bn on its investment in Moonshine Technologies due to the regulatory ban on RMG. Nodwin was de-consolidated in Q2FY26. Nodwin impaired its investment in Freaks4U. The impact on Nazara was INR 2bn. Sportskeeda was impacted negatively due to change in Google's SEO algorithm. On the positive side, Fusebox acquisition has fared better than expected. There are also early signs of improvement in the early learning segment (Kiddopia and Animal Jam). Management has guided for ~25% EBITDA margin in the gaming business in the medium term. This, in our view, should drive consolidated EBITDA margin of ~20%. We think execution on this parameter shall be key to watch. Upgrade to **HOLD**; INR 275 target price unchanged.

Q2FY26 performance review

In Q2FY26, consol. revenue was INR 5.3bn, up 5.6% QoQ/65.1% YoY, and 7.2% below I-Sec's estimate. Consol. EBITDA was ~INR 620mn, up 146% YoY, with a margin of 11.8%. The company reported a loss of INR 339mn due to an INR 9.2bn impairment of Moonshine Technologies, partly offset by a one-time MTM gain of INR 11bn from the de-subsidiarisation of Nodwin.

Gaming

Gaming business grew 23% QoQ/159% YoY to INR 3bn. EBITDA margin improved to 21.9% in Q2FY26, from 18.9% in Q2FY25. Growth was driven by the full-base effect of Fusebox, which grew 378% YoY with an EBITDA margin of 21.6%, and by Curve Games, which reported revenue of INR 607mn and an EBITDA margin of 31%. Animal Jam revenue was flattish YoY at INR 240mn, while Kiddopia's revenue declined 4% YoY to INR 470mn. Its subscriber base declined 7% YoY while ARPU improved 6% YoY.

Other business

In eSports, Absolute sports revenue declined 27.5% YoY due to dip in organic traffic of Sportskeeda, following Google's Mar'25 core update. Adtech revenue was INR 1.4bn due to consolidation of space and time, while its EBITDA margin was 4.8%.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	16,239	23,521	28,309	33,639
EBITDA	1,535	3,160	3,737	4,485
EBITDA Margin (%)	9.4	13.4	13.2	13.3
Net Profit	869	2,065	2,490	3,176
EPS (INR)	2.7	6.5	7.8	9.9
EPS % Chg YoY	5.6	137.6	20.6	27.6
P/E (x)	100.5	42.3	35.1	27.5
EV/EBITDA (x)	53.6	25.4	20.6	16.2
RoCE (%)	5.3	7.7	8.5	9.4
RoE (%)	3.6	7.0	7.8	9.1

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Market Data

Market Cap (INR)	101bn
Market Cap (USD)	1,140mn
Bloomberg Code	NAZARA IN
Reuters Code	NAZA.BO
52-week Range (INR)	363 /217
Free Float (%)	53.0
ADTV-3M (mn) (USD)	16.7

Price Performance (%)	3m	6m	12m
Absolute	(22.8)	(8.7)	23.0
Relative to Sensex	(27.7)	(12.8)	14.2

ESG Score	2023	2024	Change
ESG score	67.9	65.6	(2.3)
Environment	41.4	44.7	3.3
Social	70.3	66.5	(3.8)
Governance	78.3	77.2	(1.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

21-08-2025: [Company Update](#)

13-08-2025: [Q1FY26 results review](#)

Management commentary

Management is targeting 20–25% revenue growth in core gaming and an EBITDA margin of 22–25%. Currently, ~90% of gaming revenue is generated from international markets. The strategic focus within gaming remains on acquiring or building gaming IPs.

Management highlighted the establishment of a Centre of Excellence (CoE) for user acquisition, data analytics, and portfolio-wide optimisation, with dedicated professionals hired for these functions. The CoE is improving LTV/CAC, automating retention, and driving operating leverage across the portfolio. The team is specifically working on Kiddopia to improve metrics such as ARPU, with management expecting subscriber improvement in Q4.

Poker Baazi is exploring global opportunities to monetise its Indian user base. This initiative is still in progress, and management expects to provide a detailed update next quarter.

Management also acknowledged an impairment on Freaks4U due to headwinds in the European market. Management clarified that it would not allocate further capital to Freaks4U. For eSports, the focus shall shift to Saudi Arabia and other emerging markets given their favourable youth demographics.

During the quarter, Nazara's stake in Nodwin fell to 47.7%, resulting in de-subsidiarisation under IND-AS 110. Nazara assessed its retained stake at fair value, leading to a one-time gain of INR 1.1bn. Nodwin raised USD 30mn from existing investors, including Krafton and Sony, at a valuation of USD 349mn.

Management reiterated that Sportskeeda's organic traffic decline is linked to Google's algorithm changes, but profitability measures are already in place.

The Fusebox engine, which is well-suited for narrative games, has expanded from one IP to four IPs, with Big Boss India recently launched. In Smaaash, management has made new hires and is working toward the rollout of SMAAASH 2.0.

In Animal Jam, the company is progressing on advanced IP expansion initiatives, including an upcoming Roblox launch. New content releases have contributed to revenue uplift.

Valuation

We upgrade our rating on the stock from *Reduce* to **HOLD**, with an unchanged target price of INR 275 (earlier INR 1,100 stock split 1:4) valuing Nazara Technologies using the SoTP framework.

Upside risks: 1) Faster growth in eSports following formal recognition; and 2) any potential dilution of the RMG ban.

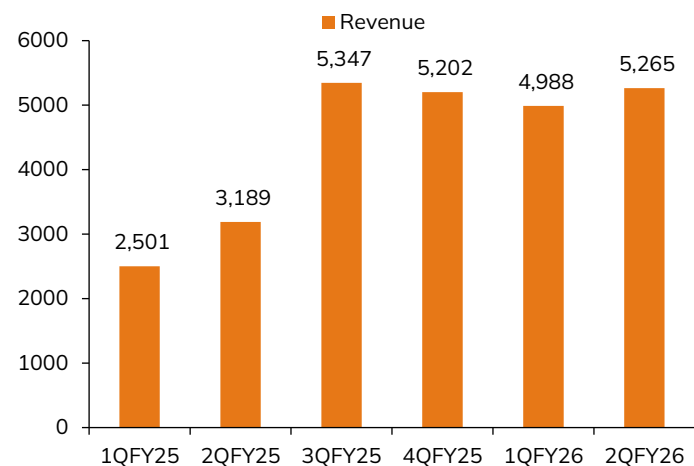
Downside risks: 1) Increased competition/slowdown in US markets; and 2) inability to identify and integrate acquisitions

Exhibit 1: Q2FY26 review

(in INR mn)	Q2FY26	Q1FY26	Q2FY25	QoQ(%)	YoY(%)	I-Sec Est.	Diff
Net Sales	5,265	4,988	3,189	5.6	65.1	5,671	(7.2)
Total Expenses	4,645	4,513	2,938	2.9	58.1	5,025	(7.6)
EBITDA	620	474	252	30.7	146.4	645	(3.9)
EBITDA%	11.8	9.5	7.9	226 bps	388 bps	11.4	39 bps
Depreciation and impairment	630	645	257	(2.4)	144.8	600	5.0
EBIT	-10	-171	-6	(94.1)	72.4	45	(122.1)
Finance Cost	68	52	18	31.5	286.9	48	41.0
Other Income	11045	771	253	1,332.5	4,263.7	700	1,477.8
Pre-Tax Income	10967	549	230	1,898.7	4,672.4	697	1,472.9
Exceptional item	-9147	0	0			0	
Share of profit/loss of an associate and JV	-2237	-243	-12	822.4	18,085.4	-55	0
Tax	-78	-58	37			174	
Net Income	-339	364	181	(193.1)	(287.3)	468	(172.5)
Non-controlling interest	-46	-170	-57	(73.1)	(20.1)	-21	NA
Net income post non-controlling interest	-293	535	238	(154.9)	(223.1)	489	(160.0)

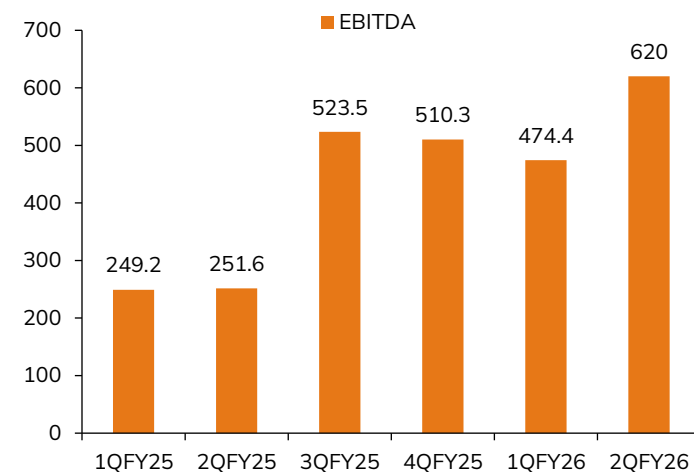
Source: I-Sec research, Company data

Exhibit 2: Revenue (INR mn)



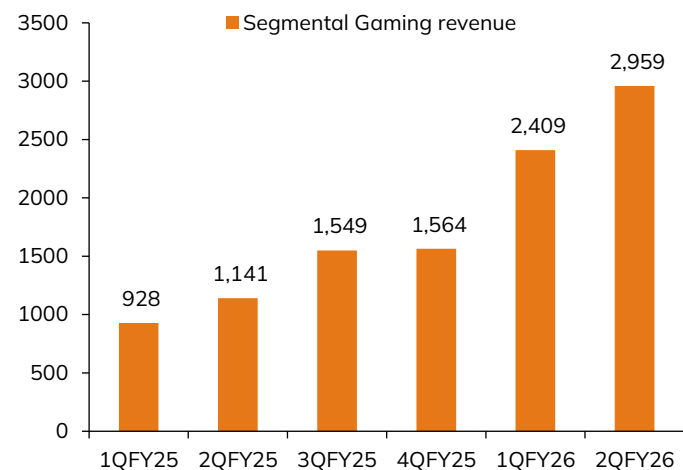
Source: I-Sec research, Company data

Exhibit 3: EBITDA (INR mn)



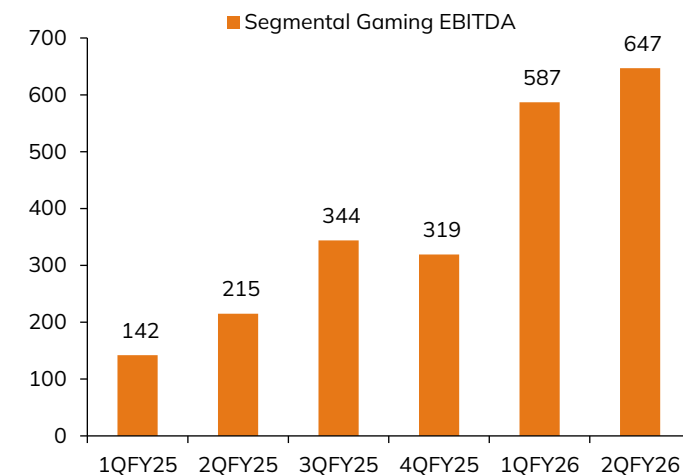
Source: I-Sec research, Company data

Exhibit 4: Segmental gaming revenue (INR mn)



Source: I-Sec research, Company data

Exhibit 5: Segmental EBITDA (INR mn)



Source: I-Sec research, Company data

Exhibit 6: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	8.8	8.3	35.5
Institutional investors	24.6	23.3	19.8
MFs and other	9.6	8.9	6.7
FIs/ Banks	2.0	0.9	0.5
FIIIs	13.0	13.5	12.6
Others	66.6	68.4	44.7

Source: Bloomberg, I-Sec research

Exhibit 7: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	16,239	23,521	28,309	33,639
Operating Expenses	14,705	20,362	24,572	29,154
EBITDA	1,535	3,160	3,737	4,485
EBITDA Margin (%)	9.4	13.4	13.2	13.3
Depreciation & Amortization	1,177	1,047	1,148	1,190
EBIT	358	2,113	2,589	3,295
Interest expenditure	99	101	101	105
Other Non-operating Income	915	417	506	720
Recurring PBT	856	2,429	2,995	3,910
Profit / (Loss) from Associates	(77)	-	-	-
Less: Taxes	153	607	749	977
PAT	702	1,821	2,246	2,932
Less: Minority Interest	(244)	(244)	(244)	(244)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	779	1,821	2,246	2,932
Net Income (Adjusted)	869	2,065	2,490	3,176

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	12,133	16,930	22,453	28,987
of which cash & cash eqv.	4,582	5,990	9,342	13,479
Total Current Liabilities & Provisions	8,497	9,891	11,915	14,168
Net Current Assets	3,636	7,040	10,539	14,819
Investments	13,311	13,330	13,352	13,375
Net Fixed Assets	495	458	403	289
ROU Assets	735	754	690	592
Capital Work-in-Progress	139	-	-	-
Total Intangible Assets	16,080	15,458	14,697	13,936
Other assets	192	211	232	255
Deferred Tax Assets	423	423	423	423
Total Assets	35,743	37,462	40,102	43,433
Liabilities				
Borrowings	1,413	919	919	919
Deferred Tax Liability	1,088	1,088	1,088	1,088
provisions	71	78	86	95
other Liabilities	22	24	26	29
Equity Share Capital	351	351	351	351
Reserves & Surplus	28,280	30,345	32,835	36,012
Total Net Worth	28,631	30,696	33,186	36,362
Minority Interest	3,743	3,743	3,743	3,743
Total Liabilities	35,743	37,462	40,102	43,434

Source Company data, I-Sec research

Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sep-25
Net Sales	5,347	5,202	4,988	5,265
% growth (YOY)	67.6	(2.7)	(4.1)	65.1
EBITDA	523	510	474	620
Margin %	9.8	9.8	9.5	11.8
Other Income	219	189	771	11,045
Net profit	258	158	535	(293)

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	655	791	3,074	3,595
Working Capital Changes	(477)	(2,005)	(158)	(156)
Capital Commitments	(1,477)	(100)	(100)	(50)
Free Cashflow	(822)	691	2,974	3,545
Other investing cashflow	(9,862)	417	506	720
Cashflow from Investing Activities	(11,340)	317	406	670
Issue of Share Capital	8,651	-	-	-
Interest Cost	(59)	(101)	(101)	(105)
Inc (Dec) in Borrowings	(369)	(493)	-	-
Dividend paid	-	-	-	-
Others	(18)	925	-	-
Cash flow from Financing Activities	8,049	301	(129)	(129)
Chg. in Cash & Bank balance	(2,682)	1,409	3,352	4,137
Closing cash & balance	2,988	4,397	7,749	11,885

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	2.7	6.5	7.8	9.9
Adjusted EPS (Diluted)	2.7	6.5	7.8	9.9
Cash EPS	(2.6)	2.2	9.3	11.1
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	89.4	95.9	103.7	113.6
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	42.7	44.8	20.4	18.8
EBITDA	20.0	105.9	18.3	20.0
EPS (INR)	5.6	137.6	20.6	27.6
Valuation Ratios (x)				
P/E	100.5	42.3	35.1	27.5
P/CEPS	(106.2)	116.3	25.9	20.6
P/BV	3.1	2.8	2.6	2.4
EV / EBITDA	53.6	25.4	20.6	16.2
P / Sales	5.4	3.7	3.1	2.6
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	-	-	-	-
EBITDA Margins (%)	9.4	13.4	13.2	13.3
Effective Tax Rate (%)	17.9	25.0	25.0	25.0
Net Profit Margins (%)	4.3	7.7	7.9	8.7
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	-	-	-	-
Net Debt / EBITDA (x)	-	-	-	-
Profitability Ratios				
RoCE (%)	5.3	7.7	8.5	9.4
RoE (%)	3.6	7.0	7.8	9.1
RoC (%)	2.4	9.0	11.1	14.7
Fixed Asset Turnover (x)	46.6	43.1	65.8	97.3
Inventory Turnover Days	129	128	127	126
Receivables Days	121	110	132	159
Payables Days	79	79	73	73

Source Company data, I-Sec research

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