Nazara Technologies Limited

November 15, 2023

To,

Listing Compliance Department	**Listing Compliance Department**
BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers	Exchange Plaza, Plot No. C/1. G Block,
Dalal Street,	Bandra -Kurla Complex, Bandra (East),
Mumbai - 400 001.	Mumbai- 400051.
Scrip Code: 543280	**Scrip Symbol: NAZARA**

Subject:Transcript of the Investor/Analyst Earnings Call held on

Dear Sir/Madam,

In furtherance to our letter dated November 09, 2023 regarding the audio recording of the investors earnings call for the quarter ended September 30, 2023, please find enclosed herewith the transcript of the said call. The Transcript is also available on the Company's website i.e. www.nazara.com.

We request you to take the same on record.

Thanking You,

Yours faithfully,

For **Nazara Technologies Limited**

VARSHA VALLABH VYAS

Digitally signed by VARSHA VALLABH VYAS
Date: 2023.11.15 23:13:58 +05'30'

Varsha Vyas
Company Secretary and Compliance officer

Encl: A/a

Regd.Office: 51-54, Maker Chamber III, Nariman Point Mumbai - 400021. Tel. : +91-22-40330800 / 22810303 / 22813030
Fax:+91-22-22810606 E-mail:info@nazara.com Website:www.nazara.com CIN:L72900MH1999PLC122970

"Nazara Technologies Limited
Q2 & H1 FY2024 Earnings Conference Call"

November 09, 2023

MANAGEMENT: **MR. NITISH MITTERSAIN – JOINT MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**
MR. SUDHIR KAMATH - CHIEF OPERATING OFFICER
MR. RAKESH SHAH – GROUP CHIEF FINANCIAL OFFICER
MS. ANUPRIYA SINHA DAS – HEAD OF CORPORATE DEVELOPMENT

MODERATOR: **MR. ABHISEK BANERJEE – ICICI SECURITIES**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 9th November 2023 will prevail.

Moderator: Ladies and gentlemen, good day and welcome to the Nazara Technologies Limited Q2 and H1 FY2024 Earnings Conference Call hosted by ICICI Securities. 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 any 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. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of the future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Abhisek Banerjee. Thank you and over to you Sir!

Abhisek Banerjee: Hello everyone. Welcome to the Nazara's Q2 FY2024 conference call. We have with us from Nazara management Mr. Nitish Mittersain - Founder and CEO. Mr. Sudhir Kamath – COO and Ms. Anupriya Sinha Das – Head of Corporate Development. Thanks everyone for giving us the opportunity to host this call and now over to Mr. Nitish Mittersain for his opening comments. Thanks Sir.

Nitish Mittersain: Thank you. Good morning everyone and a very warm welcome to all of you to Nazara's Q2 FY2024 earnings call. This call is joined by Sudhir Kamath, Our Chief Operating Officer, Mr. Rakesh Shah - Group Chief Financial Officer, Ms. Anupriya Sinha Das – Head of Corporate Development and SGA, our IR Advisors. We have uploaded our result presentation on the exchanges, and I hope all of you had an opportunity to go through the same.

In Q2 FY2024 our revenue increased by 13% year-on-year reaching Rs.297.2 Crores. Our EBITDA grew by 30% year-on-year to Rs.27.9 Crores and our PAT in the same period increased by 53% YoY to Rs.24.2 crore.

For H1 FY2024 we reported revenue of Rs.551.7 Crores and EBITDA for the same period reached Rs. 61 Crores which is up 19% year-on- year and our PAT climbed 42% to Rs.45 Crores. The EBITDA margin for the first half of the year was recorded at 11.1% compared to 10.6% in the comparative period of the previous year.

Our core business segments gaming and eSports continue to grow and specifically, the Gaming segment saw a YoY 19% revenue increase and a 43% EBITDA jump in the first half. While Q2 saw a year-on-year 14% revenue growth and 46% EBITDA growth. In eSports segment H1 FY2024 saw saw a 21% revenue uptick and a 16% growth in EBITDA while Q2 saw a 26% year-on-year growth in revenue and 61% growth in EBITDA. Our Adtech business is still overcoming the challenges faced earlier due to the loss of a key customer but our margin profile is improving quite well especially driven by products business and last two quarters efforts of building a strong sales pipeline are likely to convert into much better results in the coming quarters. Also, our internal use of data user acquisition capability is yielding promising results as we had originally envisaged and we have right now experimented this with Animal Jam and hope to expand it to many of our different businesses going forward. Overall the first half of the year, we believe that many of our businesses are consolidating well, focused strongly on ensuring that the KPIs or the key performance indicators that we focus on are in the right direction as the business generating cash which will be deployed in coming quarters for accelerating organic growth as well as through strategic M&As.

Especially on the M&A front, given the opportunities in front of us, we are quite confident that we will be able to deploy our cash reserves quite well. We have over Rs.1,300 Crores of cash on our consolidated books including Rs.510 Crores we recently raised in this quarter from Nikhil Kamath and SBI Mutual Fund. I believe Nazara is well positioned to leverage acquisition opportunities to further accelerate our growth in the coming years.

We also see a promising Make in India opportunity in the gaming industry when Indian developers can create high quality game not only for the home market but also for the world. Our new division "Nazara Publishing" is geared to provide capital and services to assist developers in bringing top quality games to the growing consumer base.

I would now like to hand over the call to Anupriya, our Head of Corporate Development to give some highlights of our performance segment wise in this quarter. Thank you very much and over to you Anupriya!

Anupriya Sinha Das: Thank you Nitish. Good morning everyone. Wish you a very Happy Diwali. As you are all aware Nazara operates across three business segments gaming, eSports and Adtech. Gaming includes gamified early learning, skill-based real money gaming, freemium and telco sub-segments. This segment grew by 19% year-on-year in H1 FY2024 and 14% year-on-year in Q2 FY2024 coupled with EBITDA growth of 43% year-on-year in H1 FY2024 and 46% year-on-year in Q2 FY2024. This segment contributed 39% in revenue and 68% in EBITDA in H1 FY2024. The EBITDA margins for this business are a robust 22.7% in H1 FY2024 and 20.9% in Q2 FY2024. Now within gaming if we talk about specific IPs, Kiddopia the revenue grew by 8% year-on-year in H1 FY2024 to Rs. 113.9 Crores and 6% year-on-year in Q2 FY2024 to Rs. 56.3 Crores. EBITDA for the business increased 29

Crores a year-on-year increase of 57%, in Q2 FY2024 EBITDA increased by 46% to Rs. 12.9 Crores. We have continued to focus on acquiring customers at an optimal cost to ensure healthy EBITDA margin. This has resulted in margin expansion. EBITDA margin increased from 17.5% in H1 FY2023 to 25.5% in H1 FY2024 while Q2 margins increased from 16.5% in Q2 FY2023 to 22.9% in Q2 FY2024. Seasonally weak quarter which is the back to school post summer break coupled with challenges in scaling up UA spends via Google has led to a 2.7% decline in subscribers in the current quarter. However, we are working closely with various ad networks to enhance scale of user acquisition while maintaining the optimal level of CPT. We are also working on a multi-pronged approach to bring growth back for Kiddopia. This includes going beyond direct to consumer acquisition sources to school networks, licensing popular IPs to drive organic growth, focusing on scaling up new markets and opening new revenue streams such as advertising and merchandizing. While some of these initiatives will take some time to show up in results we are hopeful they will create a platform for stronger future growth.

Moving on to Animal Jam this is an IP we acquired in August 2022. Since then we have worked on multiple things. We have optimized non-core cost which has resulted in EBITDA margin of 24% in Q2 FY2024, a significant increase from 11.6% in Q4 FY2023. Within the product the focus has been on improving monetization loops. This has resulted in a 46% year-on-year increase in ARPDAU in Q2 FY2024, new user monetization increased to 2.0% in this quarter versus 1.4% at the time of acquisition in August 2022. We are working on licensing deals to introduce popular IPs within Animal Jam which would drive organic growth. We expect to start scaling up marketing spends in the coming quarters to drive revenue growth as well.

Moving to WCC the revenue for the WCC franchise stood at Rs.5.4 Crores in Q2 FY2024 with an EBITDA growth of 23% year-on-year. In Q2 we transitioned our main titles WCC2 and WCC3 to online only mode where customers who want to play offline have to pay or watch a rewarded video ad, this resulted in a lower daily and monthly active users but we have not seen any dip in ad revenues. Further this gives us more clarity on the true ARPU of our players and so we can increase spend on user acquisition that would help us scale up this business to its true potential. We are also increasing focus on launching WCC in global markets where the ARPU would be much higher.

Moving to open play which is our IP in the skill-based real money gaming segment, this segment's revenues and EBITDA stood at Rs.25.2 Crores and Rs.3.3 Crores respectively in H1 FY2024. In July 2023 the GST Council decided to levy a 28% tax on the entry fees of real money game, this has come into effect from October 1, 2023. Due to the implementation of new GST taxation from October 1, 2023 we expect Classic Rummy to post an EBITDA loss in Q3 FY2024 before stabilizing to break even by Q4 FY2024 again. There have been industry wide issues related to large claims from authorities over past tax liability. We continue to monitor this situation closely. With clarity on taxation Nazara will seek to grow the open play business once it stabilizes from the GST impact as well as actively explore attractive acquisition opportunities in the real money gaining segment.

Moving to eSports, this segment grew by 21% in H1 FY2024 and 26% year-on-year in Q2 FY2024 coupled with an EBITDA growth of 16% in H1 FY2024 and 61% year-on-year in Q2 FY2024. This segment contributed to 52% in revenue and 28% in EBITDA in H1 FY2024. Nodwin the revenue increased by 15% in H1 FY2024 and 20% in Q2 FY2024. A significant development in H1 FY2024 was the return of BGMI. Nodwin conducted a second season of BGMI Master Series for India which was telecasted on Star Sports and Rooter. Multiple events including PUBG MOBILE Club Open (PMCO) and PUBG MOBILE Pro League South Asia (PMPL) were held in international markets. As the popular games have only recently returned we expect momentum in IPs around these games and associated media rights to pick up going forward. H2 is usually the key period for Nodwin where we have many established IPs and event schedules. Our gaming accessories business Wings launched gaming focus laptop series for the festive season, some of the revenues during this period moved into Q3 due to Diwali being in November this year.

Moving to Sportskeeda we have reported a robust year-on-year growth of 50% to Rs.87.2 Crores in H1 FY2024 and 47% year on-ear in Q2 FY2024 to Rs.41.4 Crores. EBITDA for the business improved to Rs.25.1 Crores in H1 FY2024 which is a growth of 44% year on-year whereas for Q2 FY2024 EBITDA increased to 9.6% which is a growth of 32% year-on-year. In the month of September we are happy to announce that Sportskeeda crossed 100 million user mark for the first time. We have been able to significantly scale Pro Football Network, a business we acquired in March 2023. In September 2023 PFN was ranked as the number two NFL focus website in the US. PFN business also achieved EBITDA profitability in September this year.

Moving to Adtech over the last year we have been focusing on reducing low margin work and moving towards higher margin business clients and simultaneously expanding our client base to remove any further concentration risk. The loss of a key client continues to impact revenues in this quarter resulting in a year-on-year decline of revenues to Rs.50.2 Crores in H1 FY2024 compared to Rs.67.6 Crores for H1 FY2023. However the gross margin percentage has sharply improved from 18% to 24.6% and total gross margins have also increased from Rs.12.0 Crores to 12.3 Crores in the same period showing that this revised approach is beginning to pay off. While gross margins have improved EBITDA has declined from Rs.6.8 Crores in H1 FY2023 to Rs.3.2 Crores in H1 FY2024. This reflects a significantly higher investment in our sales and marketing efforts in the form of team overheads as well as marketing events. These investments in marketing during Q2 FY2024 and the ongoing efforts in the current third quarter has significantly bolstered our pipeline and started leading to a higher conversion rate from our sales pipeline and the formation of key partnerships. Additionally, we have recently welcomed a senior marketing head who will spearhead marketing initiatives across all verticals. Mediawrkz the dedicated Publisher Monetization Solutions Division of Datawrkz has earned the prestigious Google Certified Publisher Partner certification. This is expected to help with increased market penetrations in conjunction with new ad monetization products being rolled out by Mediawrkz. We continue to benefit from a closed working between Datawrkz and Animal Jam team and expect to expand this to various other companies within our group. With this I will close my remarks here and would like to open the call for Q&A. I would request Nitish, Sudhir and Rakesh Shah to join me for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. In the opening remarks you mentioned that due to this implementation of new GST rate from October 1, 2023 we expect Classic Rummy to post an EBITDA loss in 3Q but we expect that to stabilize in 4Q so what I want to understand is what changes are we instituting to kind of get a breakeven within a quarter given the fact that the tax rate on full bet value is quite discouraging, also in order to attract players do we plan to reduce our platform fee or give a higher joining bonus, what is our plan here basically?

Nitish Mittersain: The way the GST has been implemented there is 28% tax on deposit now effective October 1, 2023. At this point of time all the market players including us are absorbing entire impact of this increase in tax not pass it to the player what that means is basically erodes are margins and therefore we made a comment saying that in Q3 some level of EBITDA loss as we optimize the business. The way we are looking to come back to a break-even and early signs are quite positive is one of course as we knew that this change is coming up we had undertaken significant cost optimization measures. I think they are helpful to us. Second is we will slightly increase our commission that we charge or the rates that we charge which will increase our net revenues and the third we have also for example incentivized the users to withdraw less, there is usually a very circular loop, people keep withdrawing and again positive, so we are kind of incentivizing the users to keep money in the system rather than continuously withdraw and deposit to reduce our outgoing tax liability, so I think these are some ideas I am sharing but there is a lot of work and lot of ideas that the team is implementing and we are very confident that the business will stabilize and then set a base for future growth. I think from Nazara perspective all along we have been saying for us getting clarity on taxation and regulatory aspects of the real money gaming space was very important before we took more aggressive moves. I believe that has largely been achieved now and therefore we are in a good position to both push aggressively for growth in open play going forward as well as look at potential acquisitions in that space.

Jinesh Joshi: Sure Sir got that. My second question is on eSports now I believe eSports was a medal event in the recently concluded Asian games so would you have any specific data to share on viewership and sponsors which can give us some idea on the acceptance of the sport as such, also I believe this time around the competition was on some seven titles so how does the selection of the game happen and do you expect the titles to rise going forward, so eSports was a medal event in the recently concluded Asian games so do you have any specific data on viewership and sponsors which you would want to share that can give us some idea with respect to the acceptance of the sport as such?

Nitish Mittersain: So, answering the second question first is that the Asian games are currently chosen by the Olympic Committee, OCA and it was broadcast on SonyLIV, we do not have very specific data on it but I think it is a great first start for eSports brought into the Asian Games. I think it just helps creates credibility of eSports being seen as a proper sport and even recent comment they will look at bringing on eSports into the Olympics soon. So I think all in all it is a very positive thing. There were no separate sponsors other than the Asian games sponsors specifically for this.

Jinesh Joshi: Got that. Thank you so much Sir and all the best.

Moderator: Thank you. The next question is from the line of Mr. Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar: Hi good morning and congratulations on fund rise really for marquee investors there so my question is on the utilization of these funds while it is given in one of the slides the area that you are looking at but in terms of timelines do we have any timelines by which we want to deploy these funds and then I have a followup?

Nitish Mittersain: So Abhishek we have built a pretty strong pipeline I will say in most of this year and last 12 months I would say and the market is very conducive for us to be able to potentially acquire businesses at attractive prices and that businesses that we believe can grow well for us in the future, so having a strong pipeline we are looking at trying to take some of these across the finish line in the next couple of quarters but we are not in some tearing hurry we want to make sure that just because we have raised capital we do not randomly buy anything which is not helpful for us so we want to be very prudent about how we deploy at the same time I think we would love to see some deployment of this capital before the end of the current financial year.

Abhishek Kumar: Maybe related question was that even before this preferential money comes in we were sitting at 820 odd Crores of cash and it is well distributed across our subsidiaries I was just wondering do we really need 500 Crores additional and is the money which is lying in different subsidiary fungible enough for us to kind of make acquisitions at the corporate level?

Nitish Mittersain: So to answer your second question first, we see lot of opportunities on the M&A side for the specific subsidiaries running their own businesses and therefore it is most efficient for us to deploy the capital directly from there rather than bring it back to the corporate at this point of time, if we had not seen opportunities in each of these businesses then we would probably try to do that but at this point of time we have acquisition pipelines in each of our businesses whether it is gamified learning business whether it is the eSports business, Sportskeeda, etc., so the idea is to really deploy from there to buy businesses or opportunities that will add value to each of that segment. In terms of why did we pull in additional capital I think we really at a point of time where the value opportunity for us is significant and I would love to see us be able to take some larger transactions than what we have done in the past and therefore we wanted to make sure that we have money in the bank it puts us in a very strong negotiation space, we can negotiate hard and close some good deals that was really the intent to preempt our strategy.

Abhishek Kumar: Maybe one last question on the strategic direction from these acquisitions. On one hand we are saying that we have already launched the publishing business and at the same time we are looking to acquire and from what I read on the presentation some of the game studios so just wanted to understand where do we want to position ourselves as a publishing platform allowing game studios and developers an opportunity to really build games, etc., in the medium term or do we really want to be ourselves, game studios building these games for various platforms? Thank you.

Nitish Mittersain: I think both of these activities which is acquiring and owning our own game studios as well as providing a platform that allows publishing especially in a market like India which is much anticipated to grow big and lot of Indian developers as well as global developers want to access this market are both very complimentary and synergistic a lot of our learning from the studios that we operate can be replicated in the publishing initiative and be very helpful to the third party developers that we bring in. Publishing of course will be without equity to the developers but the studios that we really like we may also acquire so actually the publishing can also become a fantastic funnel for future acquisitions by Nazara.

Abhishek Kumar: That is very helpful. Thank you and all the best.

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

Mukul Garg: Thanks for taking my question so Nitish just calling up on this Nazara Publishing can you just share some thoughts on how you are seeing the value emerging from this model over the medium term while you have committed for minimum one Crores investment in each game generally how it will play out if a game starts winning traction, will your investment be more about kind of as a stake thing or as a publishing kind of platform, what other kind of return opportunities you can generate out of it in the longer term and then I have a second question?

Nitish Mittersain: Sure so there are two aspects to this when we allocate capital in our publishing one is developers who require capital to develop the game, build their team, spun their teams, etc., I think if we deploy capital there that would go in the form of equity and we would have a stake in the company and then there are developers who may have games that they have already made or already self invested in and they are just looking for a publisher to bring it to the market, invest capital in user acquisition for example provide some additional support in terms of game design, live operations, etc., so I think depending on which developer on a case-by-case basis we may take equity stakes upfront or not in these developers. In terms of the long-term strategy for publishing we believe that how can Nazara create a very large consumer base across large number of high quality games that we publish we also intend to launch a Nazara SDK which will be embedded in each of these games and hopefully that will help us build a very large network which can then provide additional value additions as the ability to cross, promote, have more first party data, etc., so we are not looking at this purely from a standalone success of a game but also building out the publishing network over a period of time.

Mukul Garg: Right and just two followup question on this: are you kind of now beginning to look at kind of spend from users on these games in India and you can kind of like talk a little bit about WCC also how you see the longer term profile because it has been in a fairly narrow range and obviously monetization has not been that positive as of now and second what was the impression you got at IGDC are you seeing an improvement in the quality of games coming out and the interest in people?

Nitish Mittersain: Sure so I think with growing consumer base and the more time Indian consumers are spending playing games on their phone the more they are evolving into starting to pay for it so I think incrementally we are definitely starting to see better IAP conversions although they are still far behind what you would see as global standards in evolved markets like US but I believe that this will accelerate and that is what we are kind of gearing ourselves for.

Also micro payments, UPI, digital payments in India have progressed so well that they are going to be a very strong tailwind for users making these high deals. Secondly to your question on WCC I think we are surely a little frustrated in terms of how WCC has not scaled up because the franchise is so strong and the game itself is well developed over many years and I think there is a lot more that can be achieved over here and towards that there are several things here one is we kind of brought in a new CEO who is coming from background of electronic arts, etc., and he spent the last 6 months doing a lot of ground work to get the game ready for a much larger launch.

The other thing you must have noticed our presentation is that we are making some key decisions which may disrupt the status quo that has been for the last 20 quarters or years. For example we moved all our users to online only mode because there were a lot of users playing offline which we were unable to monetize. Now by moving users online we are able to increase the ARPU per user and therefore our LTV/CAC equation becomes much better and that should allow us to scale up.

A lot more focus has been increased on maintaining much more live operations versus just content updates. I think there is a lot of activity happening in the backend and I am hopeful that by Q4 we should be able to start spending a lot more in WCC to scale it to the level it really should deserve.

The last question you had was on IGDC Nazara was a diamond sponsor at IGDC this year and was very well received. What we are seeing on the ground is there is a lot of energy, a lot of enthusiasm by many Indian and young developers. There were a few thousand developers there, in fact we hosted a lunch exclusively for new and upcoming developers which was very well received and we have had for new launch of a publishing division already I think close to 100 applications that have come in from developers for the games. I think very great start. I am enthused that the Make in India story in India is going to be very big for gaming and that is exactly an area we are focusing it may not become a very large source of monetization for Nazara immediately but I think strategically and eventually this will be very important for us sure.

Mukul Garg: If I may ask one more question on Kiddopia the activation rate continues to moderate down. Any colour on that or is it more volatility and should not be kind of stay there for longer term?

Nitish Mittersain: I think we have been using Google as the main source of user acquisition and unfortunately we have not been able to scale our spends. We have been trying to scale our spends but the spends have not grown beyond the steady state $800, $1000 a month, so there are two, three things we are doing one is we are very actively working with very senior teams at Google and they are responding very well with us to try and solve this scale up problem. We are getting activations in the range that we want but we are not able to scale so hopefully both the teams working together will find some solution.

We are also considering going back to some of the other strong ad networks that we were working with earlier where we hope we can open more scale and then as we have mentioned and Anupriya spoke a bit about it we are also trying to find alternate ways of growth versus just linear user acquisition spend growth. I think generally for our kids games not specifically just Kiddopia but even Animal Jam or any other game that we may acquire I think IP licensing could be a very powerful way to break through this lock jam of user acquisition and we are in advanced conversations with a few well-known IPs to bring them into to our games that would boost our ability to do better user acquisition as well as drive a lot more organic growth so these are the ideas we are currently working on.

Mukul Garg: Perfect great. Thanks for answering my question.

Moderator: The next question is from the line of Mr. Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: Hi good morning team. First of all congratulations on posting a great set. So I have a couple of questions the first one is on the eSports side specifically Nodwin so what I want to understand is I understand that currently we are in an investment space for Nodwin, etc., and we are not really focused on driving EBITDA margins. What I want to understand is in the long term say from a 5, 10 fiscal sort of perspective what sort of margin would we be aiming at in the future for Nodwin and my second question was on the content views is dropping from 377 million to 221 million in H1 FY2024 versus H1 FY2023 I just wanted to understand the disparity between this is because some IPs have been postponed or Q1 did not have BGMI IPs?

Nitish Mittersain: As you know a lot of these games who are of the popular games were banned which came in Q1. Also some of these popular games when they came in, the government had announced that they will review it in 3 months or 6 months I think it was three months so I think a lot of the launches around these were tentative and while we did successfully do the BGMS on Star Sports, I think there is some lag effect. There has been some push into the next quarters. In terms of IP spread across quarters you will see much more back ended into H2. We have got a two of IPs happening in October, November, December which is the main season and also in Q4 of this year which is Jan to March. In terms of margins our stated policy on Nodwin has been that we need to strategically grow, over a period of time we are very hopeful that these margins will increase upwards of 10-15% but we do not have a specific guidance on that at this point of time.

Manan Poladia: Correct I understand thank you so much. Secondly my other question is basically an accounting question so if you look at our P&L for this quarter sequentially at least there has been slight jump in purchase of stock in trade and change in inventories or stock in trade and I am guessing it has something to do with gaming but I am not completely sure if you could just provide some clarity on that?

Nitish Mittersain: You are talking about stock?

Manan Poladia: When you look at the P&L there is first expense line item which is purchase of stock and trade and the second one which is change in inventory.

Nitish Mittersain: This is basically linked to our Wings gaming accessories because this is the main season, the big billion days on Flipkart, etc., so you would see more stock acquired for the sale of that.

Manan Poladia: Correct so the profits of this will start showing in Q3?

Nitish Mittersain: Again this business has grown very well for us from the time we acquired so we are still building up the brand so it is a low margin business still for us, but going quite well. We have got Shubman Gill and good brand ambassadors and all on it so we are right now looking to grow the brand and the scale of it while remaining profitable, that is our approach.

Manan Poladia: Correct Sir I understand. Thank you so much for answering my questions.

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

Rahul Jain: Hi thanks for the opportunity. Just wanted to check about this Animal Jam business the metric on ARPDAU basis monetization has improved but we see that the revenue have been pretty stable although we have done well on the margin so what kind of thought process we should imply here do we see some scalability challenges from a demand side of it because if these metrics are up somewhere possibly the churn might have gone up so if you could explore on this thought and how we could see growth here from medium-term perspective?

Sudhir Kamath: Rahul thanks for that question Sudhir here. I think if you look at Animal Jam and Wildworks, the company which makes it, since we acquired it last year the emphasis has very much been on fixing a lot of the underlying basics first. The first couple of quarters was really around that and since then as you would have seen the result has been that the margins are now increased significantly so our revenues are still if you look at it slightly flat but that is a misleading picture because this is also seasonal and the peak season for Animal Jam the target kids in the US is actually this current quarter and the next quarter with Halloween, New Year, etc., events coming up so that is where you actually see the revenue scale up beginning to happen but just a step back essentially what we are saying is that we kind of fixed the margins of the business. The last couple of quarters have been steady now at 22-24% kind of margins compared to maybe even single digits when we started and the revenue scale up is something that is beginning to happen. There is a lot more that needs to be done in terms of both user activation and maybe brand related investments in that in the coming months but we are fairly comfortable that those initiatives are together.

Rahul Jain: Sorry I missed the part in case you shared about the churn what has the behavior on a one year basis.

Sudhir Kamath: So this is not a subscription business so I do not think churn is the right word here. The paid members had dropped slightly but they have actually been coming back quite strongly now. It is eventually the revenue that you will see and we are quite comfortable that in the coming quarters you will see much better numbers there.

Rahul Jain: Understood and on Adtech side given that we have a lot of positioning in the western world and there what we are seeing with other Adtech businesses, the challenges continues. So, what are the thought here from a one or two year perspective?

Sudhir Kamath: See Datawrkz which is our primary vehicle for Adtech if you look that is a services business so it is definitely not immune to what is happening in the broader advertising space as well ECPMs is definitely under pressure globally that said what Datawrkz does is it provides a service to customers who are looking to deploy money for user acquisition what we have seen is that we will be focusing on moving towards higher margin plan, also focusing more on the product side of things that is definitely beginning to have an impact, of course our scale is way too small and there is a lot of room left to grow that business and to keep growing the margins from where we are. We also see that as more of a strategic capability which we can use for our other games so we have done that in Animal Jam where we had a pretty positive impact. We stared to do a lot of work also using Datawrkz and potentially on other companies that we acquire.

Rahul Jain: One interesting data you shared is that PFN we have possibly scaled to the number two position and what I understand it is a very, very large market when I looked at the top guy out there so do you see a very, very hyper scalability potential in near term in that business just like we saw for the SK business, in a way we could say that Sportskeeda growth and margin profile scaled up very, very sharply in last couple of years and the market for PFN is also very, very large so that way you see that scale up on a very small base could be very, very steep in the next couple of years?

Sudhir Kamath: Yes, so I think when we acquired PFN in difficult time so if you remember at that time it was still a negative margin business and I think we had mentioned at that time that we are looking to have a breakeven year with them. I am glad to kind of note that in September we already had a breakeven month for PFN. We do expect the margins to keep increasing on that business and Sportskeeda has proven a playbook of how to grow EBITDA margins and profitability and they are deploying that quite well in PFN as well. The amount of scale that can reach in terms of revenue is definitely much higher than where they are today but I think a good combination of both revenue as well as profitability growth that we should see on that business.

Rahul Jain: Understood thanks. That is it from my side.

Moderator: Thank you so much. The next question is from the line of Nitin Jain from Fairview Investments Limited. Please go ahead.

Nitin Jain: Thank you for the opportunity and congratulations on a good quarter, so my first question is last year you gave out a full year guidance for the entire company after the Q2 result so this year you have not given any guidance. So, like how should we interpret this, is there uncertainty in the business going forward or if you can elaborate?

Nitish Mittersain: I think we are quite confident that Q3, Q4 will pick up from H1. I think what we found in the last couple of years is when we give a hard guidance in trying to make sure we meet that guidance a lot of strategic decisions kind of become questionable in terms of whether we should do or not. We really do not know want to box ourselves by giving a guidance if we believe for example that let us say Kiddopia or Animal Jam we get fantastic acquisition opportunity and we are able to massively scale up our user acquisition right so now we do not want to be saying we will give X EBITDA guidance and therefore we should restrain ourselves and we need to be able to take such opportunity. So, we just do not want to box ourselves by not being able to take important strategic decisions that is the purpose.

Nitin Jain: Got that so just a followup on that I am not looking for numbers but directionally how do we see the year panning out compared to FY2023?

Nitish Mittersain: So I think directionally we should continue to see higher growth than H1 in terms of the revenue and also a higher growth on EBITDA for the rest of the year that is what we are working towards.

Nitin Jain: Great so in terms of the margin we should be better than last year?

Nitish Mittersain: Yes definitely.

Nitin Jain: Perfect thank you and my next question is on Kiddopia so the unit economics, they seem to have deteriorated like for second quarter in a row and also our margin improvement is more out of the inability to scale up our spends so how do we read this like is it out of increased competitive intensity in the business because larger players like ABCmouse they are seeing a good growth and also on Kiddopia last year I think there was a mention of taking this business to specific geographies in Europe like I think Germany so is that still on card? Thank you and that is all from me.

Nitish Mittersain: So, the unit metrics we generally found them largely in a range once you factor in seasonality. I am not sure if you are talking about any specific metric you want to highlight.

Nitin Jain: The CPT is back to like around $39 and our subscriber growth in second quarter has declined and ARPUs again they kind of on a declining trend.

Nitish Mittersain: So we have been doing a lot of experiments yes CPT has been largely in the range of $36 to $38 but in attempt to unshackle the scalability issue we have been experimenting trying to see whether increasing the CPT a little bit, increases our scale, etc., so I think a lot of it you are seeing is experimental work. Even the ARPUs slight decline is crucial recover in Q3 is because we did have some summer promotions to see whether that was just a spike because we want to obviously break out of this plateau that we are at, we obviously are doing a lot of experimentation so I think that is what you are seeing nothing much beyond that. In terms of competitive pressures actually if you look at some of the similar web type of app and data even ABCmouse has declined in the last two quarters so it is not that it is specific to Kiddopia, Kiddopia in fact continues to remain strongly a number two behind ABCmouse. So we are not so worried about that. I think in our mind we have to find alternate ways to break through this lock jam and we are as mentioned, elaborate of these we have started working on a few of these ideas. Lastly on the Germany thing we have done an experiment at that point of time it has not done great so we had kind of de-focused then the IDFA had happened so we had gone back to focus on the US markets but one of our growth strategies now is to try and aggressively open new markets as well.

Nitin Jain: Great and just one last followup on Kiddopia again so last time we took a price hike you had given some data showing how Kiddopia was still cheaper compared to the other subscription so do we see ourselves exploiting that gap going forward or not again?

Nitish Mittersain: We are not looking at immediately doing further price hikes. I think our focus right now is singularly on how do we scale the user acquisition.

Nitin Jain: Sounds good thank you so much and Happy Diwali.

Moderator: The next question is from the line of Mr. Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: Thank you for giving me the opportunity again so what I also want to understand is when we speak about Sportskeeda and PFN so PFN I think going forward is going to be a much larger portion of Sportskeeda from what I understand and the larger player is significantly larger. I just want to understand what kind of scale are we looking at with respect to PFN say in the next three to five years?

Sudhir Kamath: I do not think we can give specific guidance on PFN itself but one thing I can definitely say is if you look at NFL right, NFL is the largest sports market in the US in fact even in the world if I recall correctly something like 56% of the total sports market in the US. PFN is still quite small as you said compared to the data there is a lot of room to grow in the area. I think our focus is very much that we want to keep scaling up the number of users and we have seen that successfully starting to happen. The main NFL season itself is September onwards so we are still in the second month of this year season until about Jan/Feb. So we do expect to see much higher user numbers compared to last year and I think by then we will start giving you some more breakup of clarity on what is the kind of revenue and user numbers we are going to see from this. But I think at this point it is too early to look at how much it can grow we just know that it can grow a lot. Other small point that I should mention, when we acquired PFN one of the key things we are also looking at is the synergies between PFN and Sportskeeda and Sportskeeda as you know also has a strong presence in the US and combined with PFN and Sportskeeda, we think that now provides you the critical mass to start looking at much more direct selling to customers which also then will help drive profitability EBITDA, even higher than what especially for PFN is going to make a big difference so we just thought mentioning that.

Manan Poladia: Right thank you so much for answering that question. My second question is with regards to the new launches that we have built about Rs.1,300 Crores or so what I wanted to understand is when we are looking at acquisitions from here going forward is there one specific scale or size that we are looking at. Secondly, are we looking at acquiring in different businesses than we already are in or are we looking at acquiring with respect to say Bolt-on acquisition where we can develop synergies?

Nitish Mittersain: So in terms of the scale of acquisitions like I mentioned if something is very strategic to us we may do a Bolt-on for a smaller business and most likely that will happen at the subsidiary level and not at the corporate level. We are looking at larger acquisitions at the corporate level while there is no necessarily any specific number but I would say we would look at least businesses generating Rs.100 Crores upwards of revenue at a minimum level ideally and largely being profitable. So I think that is what we are looking at it. We are definitely not looking at launching any new segments of business at this point of time I think there is a lot more that can be done in our core gaming IP, sports, eSports and even Adtech business so I think whatever acquisitions will be done will be one way or other synergistic to our existing businesses.

Manan Poladia: Correct so I have just a small followup to that now that we have spoken about RMG in this call as well where all the regulation has happened and that 28% GST slab has come in. Sso are we looking at RMG now more positively or are we still looking at letting the industry stabilize for a bit and then get into RMG acquisitions what is the situation there plus what kind of games like are we only focusing on rummy or are we going to do poker, teen patti as well?

Nitish Mittersain: So specific to RMG we are looking at it as glass half full which means they are leaning positively towards seeing what are the opportunities and even earlier we were in very active discussions with a lot of players. So, I think within the open play business there could be Bolt-on acquisitions for sure and there are some discussions going on. We could look at some new formats outside of the existing open play business as well where we will only go into new format if we believe that we can be a leader in that segment, else we will not. But within the open play business we will definitely look at consolidation. I think the only one thing we need to figure out at this point of time is in the past many of these companies are sitting with past tax claims right now and how do we navigate that piece while doing any M&A activity is something we are trying to figure out.

Manan Poladia: Correct thank you Nitish. Thank you for answering my questions.

Moderator: Thank you so much. As there are no further questions on behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.