



ENAM Securities
India Research

CMP: Rs 243
Target Price: Rs 336
Potential Upside: 38%
Absolute Rating: BUY

OnMobile Global

Relative to sector: **Outperformer**

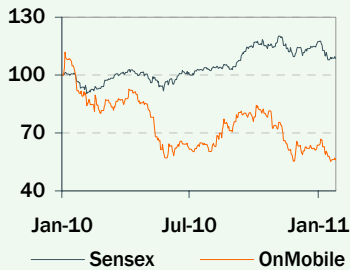
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 59 mn
Market cap : Rs 14.3 bn
52 week high/low : Rs 433/ Rs 226
Avg. daily vol. (6mth) : 417,600 shares
Bloomberg code : ONMB IB
Reuters code : ONMO.BO

Shareholding (%)	Dec-10	QoQ chg
Promoters	48.5	(1.6)
FIs	24.6	0.6
MFs / UTI	5.7	(0.3)
Banks / FIs	0.0	(0.0)
Others	21.2	1.4

Financial summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2009	4,064	852	-	14.2	41	-	13.0	17.5	-
2010	4,544	428	-	7.1	(50)	-	6.0	8.5	-
2011E	5,625	835	13.8	13.9	95	17.5	10.7	11.7	11.2
2012E	7,534	1,145	19.8	19.1	37	12.7	13.0	15.9	6.9

Source: *Consensus broker estimates, Company, ENAM estimates

STEADY QUARTER; WATCH FOR INT'L REVS IN FY12

A steady performance from Int'l ops driven by both Core biz (+29% QoQ at Rs 339 mn vs. 262 mn) & investments (at Rs 119 mn vs. 37 mn QoQ), along with 140 bps gain in Consol EBITDA margins (on the back of lower Content fee/Royalty and lower manpower costs) are key positives of OnMobile's Q3FY11. Q1FY12E would experience a complete qtr of Telefonica deal going live in all Lat-Am countries, where we watch for better visibility in Revs/EBITDA (%).

Key highlights: Q3FY11

- **Int'l Ops get cracking:** 53% QoQ growth in Int'l revenues raise their contribution to ~31% of Consol revs vs. ~23% in Q2FY11. Further, mgmt indicated **strong demand from Int'l ops** due to: **a)** two additional countries in Lat-Am going live by Q4 (apart from 3 countries which went live in Q3 taking the total to 6 countries, addressing ~80% of Telefonica Lat-Am subs); **b)** Higher adoption trends of OnMobile's VAS offerings in Vodafone deal; **c)** expansion in product offerings / mkts with Dilithium acquisition; & **d)** strong deal pipeline. Q3 comprised some one-off revs, though not substantial.
- **Domestic stable:** Core biz (Domestic) was flattish at 1.1% QoQ. Demand appears to be sedate as the major telcos are now focusing on roll-out of 3G ops and MNP implementation. However, long-term outlook for VAS remains positive due to: **a)** potential high-margin services (3G uptake) & **b)** VAS as tool to attract / retain subscribers
- **Adjusted PAT rose 78% QoQ** (excluding one-time gain of ~111mn in Q2FY11 due to sale of 8% investment in Ver Se Innovation) helped by lower tax (due to SEZ benefits) and higher other income.

Outlook: We continue to closely monitor growth in core domestic revs and adoption trends in key international deals viz., Telefonica Lat-AM & Vodafone. We now incorporate **a)** recognition of full quarter revenues from Telefonica deal going live in all countries **from Q1FY12** (vs. Q4FY11 earlier); and **b)** company assuming higher leverage (new gross debt of ~Rs 220mn QoQ) resulting in our DCF value being revised downwards by ~5% to Rs 336. **We have a BUY rating.**

Results update

(Rs mn)	Quarter ended					12 months ended		
	Dec-10	Dec-09	% Chg	Sep-10	% Chg	Mar-11E	Mar-10	% Chg
Net Sales	1,486	1,155	28.7	1,315	13.0	5,625	4,544	23.8
EBITDA	336	231	45.8	279	20.7	1,275	831	53.4
Other income	31	53	(42.7)	115	(73.5)	233	228	1.9
PBIDT	367	284	29.1	394	(6.9)	1,507	1,060	42.3
Depreciation	162	113	42.8	129	25.7	584	441	32.5
Interest	2	1	214.3	2	37.5	5	3	88.9
PBT	203	170	19.3	264	(23.0)	918	616	49.1
Tax	4	44	(91.2)	44	(91.1)	100	193	(48.1)
Minority Interest	(10)	(6)	78.2	(8)	22.5	34	23	45.5
Adjusted PAT	209	132	58.8	228	(8.4)	835	428	95.1
No. of shares (mn)	60	60	-	60	-	60	60	-
EBIDTA margin (%)	22.6	20.0	265 bps	21.2	144 bps	22.7	18.3	-
PBIDT margin (%)	24.7	24.6	8 bps	30.0	(527) bps	26.8	23.3	-
EPS(Rs.)	3.5	2.2	58.8	3.8	(8.4)	13.9	7.1	95.1

Source: Company, ENAM Research

Performance break-up into core business and investments

	Q4FY10	Q1FY11	Q2FY11	Q3FY11
Revenues	1,229	1,238	1,315	1,486
- Core - Domestic	940	952	1,017	1,028
- Core-International	254	247	262	339
- Investments - Domestic	2	0	0	0
- Investments-International	33	39	37	119
Gross Profit	843	902	970	1,096
- Core	813	865	937	994
- Investments	29	37	33	102
GPM (%)	68.6	72.9	73.7	73.7
- Core	68.1	72.2	73.3	72.7
- Investments	83.5	94.8	89.4	85.2
EBITDA	219	284	279	336
- Core	306	383	409	450
- Investments	(86)	(99)	(130)	(114)
EBITDA (%)	17.8	22.9	21.2	22.6
- Core	25.6	31.9	32.0	32.9
- Investments	(245.5)	(257.0)	(355.3)	(95.5)
EBIT	107	151	150	175
- Core	208	275	305	342
- Investments	(101)	(123)	(155)	(167)
EBIT (%)	8.7%	12.2%	11.4%	11.8%
- Core	17.4%	22.9%	23.8%	25.0%
- Investments	(287.5)	(318.9)	(421.3)	(140.5)

Source: Company, ENAM Research

OnMobile: KPI

	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11
Subscribers Reached (mn)	673	727	786	1,016	1,151
Unique users (mn)	77	83	86	88	105
Active RBT users (mn)	42	44	46	49	52
Number of employees (nos)	1,209	1,236	1,271	1,241	1,281
Countries live in (nos)	24	25	26	28	52

Source: Company, ENAM Research

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