

OnMobile Global Ltd

30th April 2010, 11:00 Hrs IST

Quarter ending 31st March 2010

We are happy to present the performance of the Company for the Quarter ended 31st March 2010.

1. Background context – Indian Telecom Sector Trends:

The trends in the Indian Telecom sector that we have been talking about in the last 2 quarters have not seen any perceptible change and continue to be sluggish as shown in the table below.

The addressable VAS revenue of the top four telecom Operators in India have grown by an estimated 5% during 2009-10, while our India revenues have grown at a higher rate of 9%, despite the loss of one of our customers.

	Q2 08-09	Q3 08-09	Q4 08-09	Q1 09-10	Q2 09-10	Q3 09-10	Q4 09-10*
<u>Airtel</u>							
EOQ Sub base (Mn)	77	86	94	102	111	119	128
Total Revenue (Rs. Mn)	72,843	79,392	82,216	82,285	80,994	79,618	81,975
VAS Revenue Excl P2P SMS (Rs. Mn)	4,152	4,287	4,604	4,114	3,969	3,981	5,000
<u>Idea</u>							
EOQ Sub base (Mn)	34	38	43	47	51	58	64
Total Revenue (Rs. Mn)	23,006	26,209	29,356	29,759	29,739	31,495	35,540
VAS Revenue Excl P2P SMS (Rs. Mn)*	1,287	1,475	1,679	1,616	1,576	1,603	1,809
<u>Rcom</u>							
EOQ Sub base (Mn)	56	61	73	80	84	95	117
Total Revenue (Rs. Mn)	43,356	44,119	45,015	47,931	40,100	40,225	38,810
VAS Revenue Excl P2P SMS (Rs. Mn)*	2,645	2,691	2,746	2,923	2,445	2,453	2,329
<u>Vodafone</u>							
EOQ Sub base (Mn)	55	61	69	76	83	91	101
Total Revenue (Rs. Mn)	45,375	53,280	62,529	59,683	56,348	58,703	61,638
VAS Revenue Excl P2P SMS (Rs. Mn)	2,688	3,004	3,399	3,399	3,202	3,214	3,375
Total VAS Revenue Excl P2P SMS (Rs. Mn)	10,771	11,457	12,428	12,052	11,192	11,251	12,514
Excluding GPRS, download etc (Rs. Mn)*	9,559	10,189	11,074	10,754	9,993	10,046	11,143
Growth	6.0%	6.6%	8.7%	-2.9%	-7.1%	0.5%	10.9%
OnMobile India Revenues (Rs. Mn)	759	839	900	838	793	820	942
Growth	22.6%	10.5%	7.3%	-6.9%	-5.4%	3.4%	14.8%

Source: COAI and AUSPI / Quarterly published financials / * Internal estimates

VAS Revenue excluding P2P SMS also includes a lot of other services outside of our domain like GPRS data down load, games etc.

2. Material New Developments – Customers

- We launched RBT in Ecuador which is the first country of our multi-country Telefonica project in LATAM. Subsequent deployments are on track for the remainder of the year for RBT and related VAS products.
- We won a significant new deal for rollout of RBT and related services for a large operator in Western Europe.
- We initiated an RBT project for the next customer in our worldwide deal with Vodafone – Vodafone Egypt.
- We launched Reverse RBT with an existing GSM operator in India to cover a new segment of callers who want to listen to their own tunes and selected promotions – this was a first in the market.
- We completed the migration of RBT in a new zone of BSNL in record time. This was a prominent competitive win back from a well entrenched competitor.
- We extended our dominance of Music Radio in Asia-Pacific by signing on three additional large operators in the region.
- In North America we launched commercially a wireless based Network Address Book with a large cable company. Also in North America we won a significant deal for a complete Personal Data Management solution for a converged operator (three screens).
- Our client-server teliPhone application on the iphone was deployed for an information services provider in France.
- Our Phone Backup application for the iphone was launched in an additional operator in Europe and is available on the Apple Store.

3. Material New Developments – Products

- We completed the development, testing and commercial launch of OnMobile Reverse RBT with integrated features with micro charging and automated provisioning thus creating an entirely new channel for music monetization and promotions.
- RBT Provisioning gained an additional mechanism for song selection via USSD – this will enable viral dissemination of new song selection.
- We launched SIP-based integration of OnMobile RBT allowing RBT to run on VOIP networks.
- We developed a pack of OnMobile widgets spanning Cricket, Magazine Readers, Learn English and Music and launched them in existing customers.
- We developed and launched a multi-channel text and voice alert platform for cricket that allowed augmented cricket content to be disseminated to a very large number of subscribers in record time.
- We partnered with BIG FM as a programming partner and launched FM streaming for OnMobile M-Radio. This unique offering extends the reach of local radio on a global basis by allowing subscribers to listen to their local radio stations anywhere in an ad-free format.
- We continued to extend our popular PhoneBook application to the new Android platform and extended the OnMobile Phonebackup on Blackberry devices.

- We developed a speech recognition driven automated CRM service and launched it with a transportation company in Europe.

4. Material New Developments – Organizational

Offices

- New office registered in Columbia to facilitate our Latin American Operations.

Awards and Recognition

- We were awarded the Business Standard award for excellence as the Star Company in the small and medium enterprises sector.

5. Non Financial KPIs – Last four quarters

KPI	Dec'08	Mar'09	Jun'09	Sep'09	Dec'09	Mar'10
Subscriber Reach (Mn)	550	600	630	687	673	727
Unique Users (Mn)	45	57	64	71	77	83
Active RBT Users (Mn)	30	33	37	40	42	44
Number of Employees	1,133	1,146	1,154	1,223	1,209	1,236
Countries Live in	22	22	23	23	24	25

6. Financials – Core vs. Investments:

	Core Business		Investments	
Rs. Mn	Q3 09-10	Q4 09-10	Q3 09-10	Q4 09-10
Revenues	1,129.4	1,193.6	25.3	35.2
<i>Domestic</i>	820.3	939.5	-	2.4
<i>International</i>	309.0	254.2	25.3	32.8
COGS	329.3	380.6	4.7	5.8
Gross Profit	800.0	813.0	20.7	29.4
Gross Margin	70.8%	68.1%	81.5%	83.6%
Manpower cost	316.9	330.8	60.0	56.1
Other Opex	171.4	176.6	41.7	59.7
EBITDA	311.7	305.6	(81.0)	(86.4)
%	27.6%	25.6%		
Depreciation	100.3	97.5	12.8	14.8
Operating Profit	211.3	208.2	(93.7)	(101.3)
%	18.7%	17.4%		
Other Income/exp	52.7	55.9		
Profit before Tax	264.0	264.1		
%	23.4%	22.1%		

Definition of Investments:

New Customers: Investments (e.g., hardware, third party software, manpower costs, travel) in new customer deployments till 1 year following launch of services.

New Products: Large, measurable and discreet expenditures in new products development and deployment till 1 year following launch of this product in the first Customer.

Key Highlights and Observations:

- Our core business continues to be strong and the investments have remained stable as compared to the last quarter.
- There were certain revenues of one time nature in this quarter which also had associated content and direct costs. This is the main reason for our COGS increase on a quarter on quarter basis.

7. Financials – Current year vs. Last year:

Rs. Mn	2008-09	2009-10	% Growth
Net Revenue	4,064	4,544	12%
<i>International Revenue %</i>	<i>23%</i>	<i>25%</i>	
COGS	777	1,323	70%
Gross Profit	3,286	3,221	-2%
Gross Margin	81%	71%	
Total Opex	2,005	2,390	19%
EBITDA	1,281	831	-35%
	32%	18%	
Depreciation	440	441	0%
Operating Profit	842	390	-54%
%	21%	9%	
Other Income / (Exp)	310	226	-27%
Profit before Tax	1,151	616	-46%
Tax	299	193	-36%
Profit After Tax*	852	428	-50%
%	19%	9%	
EPS (Diluted)	14.3	7.2	-50%

* includes share of profit from associates

Revenue:

- As we had mentioned in the earlier quarters that we mutually terminated our services with one of our customers, who contributed to more than 10% of our revenues in 2008-09. The revenue contribution of this customer has come down to lower single digit in 2009-10.
- The TRAI directive on additional confirmation procedures for customers acquired through auto dialer and press start to copy modes has impacted VAS revenues in some of our customers. The estimated impact on our revenues during the year is around 10%.

Opex:

- The control over discretionary spend in the last few quarters have helped us manage the Opex growth during the year.
- The main increase in opex is because of expenses related to Telefonica in Latam which are in the nature of investments.
- On a like-for-like basis the Opex growth at 10% year on year, is less than the revenue growth.

Others:

- Benefit of change in depreciation policy on telephony cards during the year – 2% of revenue.
- Lower 'Other income' because of lower investible surplus and lower interest rates.