

Current	Previous
CMP : Rs.87	Rating : BUY
Rating : BUY	Target : Rs.87
Target : Rs.101	Achieved

Above expected performance; Maintain BUY with upward revision in TP to Rs.101 from Rs.87

Q3FY15 Result Update

Rs.mn	Q3FY15	Q2FY15	Q3FY14	Q-o-Q %	Y-o-Y %	INSPL est	Variance(%)	Comments
Revenue	2,268	2,075	2,255	9.3%	0.6%	2,085	8.8%	Above -Est
EBIDTA	465	278	296	67.4%	57.4%	313	48.6%	Above -Est
PAT	74	-12	-84	NM	NM	21	252.4%	Above -Est

Source: IndiaNivesh Research

In Q3FY15, the company reported revenue growth of 9.3% Q/Q to Rs.2,268 mn. The revenue growth was driven by international segment (+16.3% Q/Q), partially offset by 9.4% Q/Q decline in domestic segment. During the quarter, EBITDA margin expanded 712 bps Q/Q to 20.5% on back of decline in employee (27.4% v/s 35.0% in Q2FY15) and other (19.2% v/s 28.6% in Q2FY15) expenditures. Interest and depreciation stood at Rs.7 mn/Rs.349 mn (v/s Rs.10 mn/Rs.362 mn in Q2FY15). Other income went down from Rs.157 mn to Rs.25 mn in Q3FY15 led by decline in cash balance and forex impact. Tax rate during the quarter was 45.0% resulting in the tax outgo of Rs.60 mn (v/s Rs.74 mn). During the quarter, the company reported the net income of Rs.74 mn (v/s net loss of Rs.12 mn in Q2FY15).

Quarterly Analysis (Rs Mn)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	Q/Q %	Y/Y %	9MFY15	9MFY14	Y/Y %
Net Sales	1,897	2,250	2,255	2,251	1,988	2,075	2,268	9.3%	0.6%	6,330	6,402	-1.1%
Employee Expenses	752	911	929	925	850	726	621	-14.6%	-33.2%	2,197	2,591	-15.2%
Content Fee & Royalty	173	377	-	394	418	478	748	56.5%	NM	1,644	550	198.9%
Other Expenses	553	627	1,030	1,870	563	593	435	-26.6%	-57.8%	1,591	2,211	-28.0%
Total	1,478	1,915	1,959	3,189	1,831	1,797	1,803	0.3%	-8.0%	5,431	5,352	1.5%
EBITDA	419	335	296	-938	157	278	465	67.4%	57.4%	899	1,050	-14.3%
Interest	4	12	11	9	5	10	7	-36.9%	-42.0%	22	28	-22.1%
Other Income	123	126	-15	-79	21	157	25	-84.0%	-265.1%	202	233	-13.2%
Depreciation	296	360	343	368	371	362	349	-3.6%	1.9%	1,083	999	8.4%
PBT	241	89	-74	-1,395	-199	62	134	117.2%	-281.6%	-3	257	-101.1%
Tax	101	74	10	-3	40	74	60	-18.3%	516.3%	174	184	-5.4%
NetProfit	141	15	-84	-1,392	-239	-12	74	-709.9%	-188.2%	-177	72	-345.6%
EPS	1.2	0.1	-0.7	-12.2	-2.1	-0.1	0.6	-709.9%	-187.1%	-2	1	-365.0%
O/Shares	117	152	120	114	114	121	121	0.0%	1.2%	356	389	-8.5%
	Margin %							BPS		Margin %		BPS
EBITDA Margin %	22.1%	14.9%	13.1%	-41.7%	7.9%	13.4%	20.5%	712	740	14.2%	16.4%	-219
PAT Margin %	7.4%	0.7%	-3.7%	-61.8%	-12.0%	-0.6%	3.3%	NM	NM	-2.8%	1.1%	NM
Tax Rate	41.7%	83.0%	-13.3%	0.2%	-20.2%	119.6%	45.0%	NM	NM	-6459.3%	71.9%	NM

Source: Company Filings; IndiaNivesh Research

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Key Result Takeaway

Revenue growth across key regions

- During the quarter, international segment delivered +16.3% Q/Q, partially offset by 9.4% Q/Q decline in India business. In international segment revenue growth was largely driven by - Europe (+50.2% Q/Q), Asia (+28.8% Q/Q) and Africa & ME (+0.4% Q/Q) geography. This was partially offset by decline in Latin America (down 5.9% Q/Q) and North America (down 6.7% Q/Q).

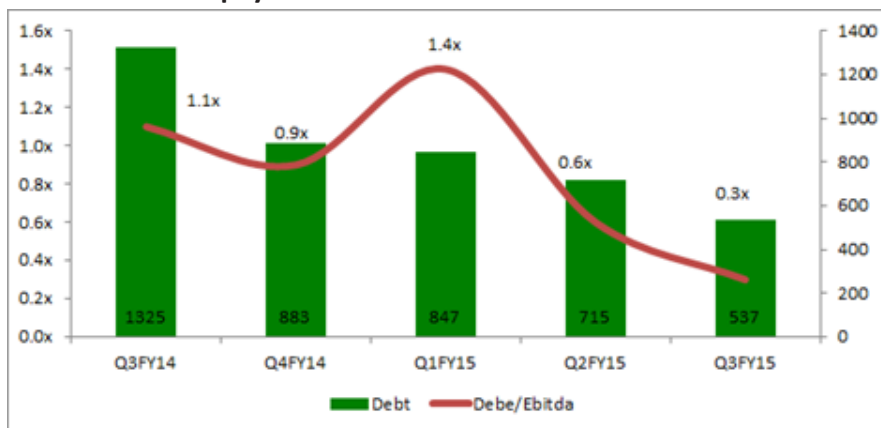
Significant improvement on profitability front

- Ongoing efforts to rationalize manpower and operating expenses continue to show results and improve the financial performance. Manpower cost declined by 14.6% Q/Q and other operating expenses 25.8% Q/Q which resulted in a significant EBITDA margin expansion. The management delivered EBITDA margin of 20% (above the guidance range of 17%) in Q3FY15. We expect the company to exit the year with historical EBITDA margin of ~24%.

Solid Balance Sheet Position

As on 31st Dec., 2014 the company reported cash balance of Rs.2,069 mn (v/s Rs.2,482 mn as on 30th Sep., 2014). The decline in cash balance was due to buyback (Rs.113 mn) and debt repayment (LT + ST) of Rs.182 mn. As a result, the total debt declined to Rs.537 mn from Rs.714 mn in Q2FY15. The management continue to reduce debt consistently from last five quarters.

Constant Debt Repayment



Source: Company Filings; IndiaNivesh Research

Valuation

At CMP of Rs.87, the stock is trading at P/E multiple of 95.6x FY15E, 9.4x FY16E, and 7.6x FY17E earnings estimate. In our view, OGL's financial results depend on corporate actions rather than only on supply and demand factors created by buyers and sellers. As discussed this is the story of the operational turnaround with major organizational restructuring along with top management reorganization. Additionally, the cash per share of Rs.17 also bring lot of cushion for the investors. Based on the various available trigger and proven management at the helm of the fair, we maintain 'BUY' with upward revision in target price of Rs.101 (valuing 10x FY17E) on OGL.

Financials

Income Statement

Y E March (Rs m)	FY13	FY14	FY15e	FY16e	FY17e
Net sales	7,253	8,653	8,687	9,555	10,702
Y/Y Ch %	13.7	19.3	0.4	10.0	12.0
COGS	4,526	6,569	5,765	5,526	6,079
SG&A	1,223	1,960	1,998	1,720	1,926
EBITDA	1,503	125	924	2,309	2,697
Y/Y Ch %	6.8	-91.7	641.8	150.0	16.8
EBITDA Margin %	20.7	1.4	10.6	24.2	25.2
Interest	37	50	96	96	96
Depreciation	986	1,367	823	834	1,034
EBIT	480	-1,292	5	1,379	1,567
EBIT Margin %	6.6	-14.9	0.1	14.4	14.6
Other Income (Inc Forex)	220	154	150	151	153
Extra Ordinary Exps/(Income)	-	-	-	-	-
PBT	701	-1,138	155	1,530	1,720
Tax	229	182	51	505	568
Effective tax rate %	32.7	-15.9	33.0	33.0	33.0
Reported PAT	472	-1,320	104	1,025	1,152
Y/Y Ch %	-43.2	-379.8	-107.8	889.9	12.4
Minority & Exceptional	-	-	-	-	-
Adj. PAT (APAT)	472	-1,320	104	1,025	1,152
RPAT Margin %	6.5	-15.3	1.2	10.7	10.8
Y/Y Ch %	-43.2	-379.8	-107.8	889.9	12.4

Source: Company filings; IndiaNivesh Research

Balance Sheet

Y E March (Rs m)	FY13	FY14	FY15e	FY16e	FY17e
Share Capital	1,142	1,142	1,142	1,142	1,142
Reserves & Surplus	7,949	6,527	6,459	7,313	8,294
Net Worth	9,090	7,670	7,602	8,456	9,437
Minority	0	0	0	0	0
Long-term loans	491	883	883	883	883
Others	147	88	88	88	88
Total Liabilities	9,729	8,640	8,572	9,426	10,407
Gross Block	9,389	10,285	10,425	12,925	14,425
Less Depreciation	4,054	5,255	6,078	6,912	7,946
Net Block	5,335	5,030	4,348	6,014	6,480
Capital Work in Progress	0	0	0	0	0
Investments	1,651	1,990	1,990	1,990	1,990
Deferred tax (net)	0	0	0	0	0
Others	0	0	0	0	0
Current Assets	6,002	4,849	5,388	4,809	5,607
Sundry Debtors	1,787	2,030	1,999	2,199	2,463
Cash & Bank Balance	1,671	834	1,478	508	790
Loans & advances	2,543	1,980	1,911	2,102	2,354
Inventories	0	5	0	0	0
Current Liabilities	2,716	2,932	2,856	3,089	3,372
Provisions	542	297	297	297	297
Net Current Assets	2,743	1,620	2,235	1,423	1,938
Total assets	9,729	8,640	8,572	9,426	10,407

Source: Company filings; IndiaNivesh Research

Cash Flow

Y E March (Rs m)	FY13	FY14	FY15e	FY16e	FY17e
Operating Profit	517	-1,242	101	1,475	1,663
Depreciation	986	1,367	823	834	1,034
Interest Exp	-37	-50	-96	-96	-96
Changes in Working Capital	670	-32	-40	33	19
Cash Flow After Chang in WCapital	2,137	42	788	2,247	2,620
Tax	-229	-182	-51	-505	-568
Others	-470	483	218	-40	-100
Cash flow from operations	1,438	344	955	1,702	1,953
Capital expenditure (net)	-761	-1,063	-140	-2,500	-1,500
Free Cash Flow	677	-719	815	-798	453
Other income	-517	-339	0	0	0
Investments	0	0	0	0	1
Cash flow from investments	-1,278	-1,402	-140	-2,500	-1,499
Long-Term Debt (Decrease) Increase	-322	392	0	0	0
Dividend paid (incl tax)	-171	-171	-171	-171	-171
Share Issue / Repurchase & Others	-9	1	0	0	1
Cash flow from Financing	-502	222	-171	-171	-170
Net change in cash	-343	-837	643	-970	284
Cash at the beginning of the year	2,014	1,671	834	1,478	508
Cash at the end of the year	1,671	834	1,478	508	792

Source: Company filings; IndiaNivesh Research

Key Ratios

Y E March	FY13	FY14	FY15e	FY16e	FY17e
Adj. EPS (Rs)	4.1	-11.6	0.9	9.0	10.1
Cash EPS (Rs)	12.8	0.4	8.1	16.3	19.1
DPS (Rs)	1.5	1.5	1.5	1.5	1.5
BVPS	79.6	67.1	66.5	74.0	82.6
ROCE %	5.4	-14.5	1.2	15.8	16.1
ROE %	29.2	17.8	33.6	33.6	34.6
ROIC %	3.1	-17.3	-0.8	9.1	9.4
EBITDA Margin %	20.7	1.4	10.6	24.2	25.2
PER (x)	21.0x	-7.5x	95.6x	9.7x	8.6x
P/BV (x)	1.1x	1.3x	1.3x	1.2x	1.0x
P/CEPS (x)	6.8x	209.3x	10.7x	5.3x	4.5x
EV/EBITDA (x)	6.6x	79.9x	10.8x	4.3x	3.7x
Dividend Yield %	1.7	1.7	1.7	1.7	1.7
m cap/sales (x)	2.5x	2.2x	1.6x	1.6x	2.6x
net debt/equity (x)	-0.1x	0.0x	-0.1x	0.0x	0.0x
net debt/ebitda (x)	-0.8x	0.4x	-0.6x	0.2x	0.0x
Debtors (Days)	89	84	84	84	84
Creditors (Days)	135	122	120	118	115
Inventory (Days)	0	0	0	0	0
Cash Conversion Cycle (Days)	-46	-37	-36	-34	-31

Source: Company filings; IndiaNivesh Research