Moser Baer Q3 of FY '07 PBT rises 529% year-on-year

New Delhi – 25 January 2007

Highlights

Quarter Ended 31 December 2006

- Gross revenue in Q3 of FY '07 at INR 5233.3 million shows an increase of 19.1% over Q3 of FY '06. The gross revenues are stable on a sequential basis.
- EBITDA at INR 1633.7 million grew 47.5% over Q3 of FY '06 and 12.3% on a sequential basis, indicating a sharp improvement in operating efficiencies during the quarter.
- EBITDA margin (excluding other income) at 30% in Q3 of FY '07 rose over 722 basis points over the corresponding quarter last year and by 332 basis points on a sequential basis, driven by improving product mix, firming ASPs and higher efficiencies.
- Profit before tax at INR 420.4 million represents a sharp 529% and 59.9% growth over Q3 of FY '06 and Q2 of FY '07 respectively.
- Net profit after tax at INR 376.2 million represents a sharp 188.4% growth over Q3 of FY '06, despite higher tax provisioning. The net profit grew 44.9% on a sequential basis, clearly indicating the strength in recovery of operating parameters.
- The company's optical media business is expected to emerge as a free cash business driven by improving operating parameters and release of cash from working capital.

Management Comments

According to Mr. Yogesh Mathur - Group Chief Financial Officer, Moser Baer India Limited, "FY07 is clearly a year of recovery. We are set to revert to sustainable returns from optical business by 4QFY07. We are very excited as we are set to enter the next year with the following positives:

- Base optical media business is now reaching stabilization and is free cash accretive; growth and returns remain attractive from long term perspective
- Content distribution / Entertainment business leverages existing core competencies and should add significant value apart from further strengthening Moserbaer brand in India.
- PV business is set for a sharp growth curve and should significantly improve overall capital efficiencies given its inherent advantages and high returns on invested capital."

Results at a Glance (INR million)

	Particulars	Quarter Ended		Year to date figures for the		Previous Accounting
		31.12.2006	31.12.2005	Current Year ended on 31.12.2006	Previous Year ended on 31.12.2005	Year ended on 31.03.2006
		(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)	(Audited)
1	Gross Sales	5,233.3	4,395.5	15,238.1	12,019.3	17,319.1
	Less: Duties	218.1	182.5	669.1	456.2	677.9
2	Net Sales	5,015.2	4,213.0	14,569.0	11,563.1	16,641.2
3	Other Income	135.0	152.4	594.5	469.3	606.9
	Total Income (2+3)	**5,150.2**	**4,365.4**	**15,163.5**	**12,032.4**	**17,248.1**
4	**Total Expenditure**					
	a. (Increase)/Decrease in stock in trade	(290.5)	(191.1)	(622.3)	(1,181.7)	(550.1)
	b. Consumption of raw materials, stores etc	2,664.1	2,644.3	8,069.3	7,766.3	10,409.6
	c. Staff cost	372.6	265.3	1,049.7	757.0	1,035.9
	d. Other expenditure	770.3	539.5	2,370.3	1,631.9	2,216.7
	Total Expenditure	**3,516.5**	**3,258.0**	**10,866.9**	**8,973.5**	**13,112.1**
5	**Profit before interest , Depreciation and Taxes**	1,633.8	1,107.4	4,296.5	3,059.0	4,136.0
6	Interest	307.1	231.1	896.6	681.2	935.5
7	Depreciation	906.2	809.5	2,649.4	2,365.7	3,167.6
8	**Profit before tax and prior period items(5-6-7)**	**420.4**	**66.8**	**750.6**	**12.1**	**32.9**
9	Prior period expenses/ (income) (net)	-	-	0.2	(6.6)	(6.6)
10	**Profit before tax and after prior period items(8-9)**	**420.4**	**66.8**	**750.3**	**18.7**	**39.5**
11	**Provision for tax**					
	- current tax	-	12.9	-	30.9	0.7
	- deferred tax (net)	41.8	(80.9)	41.8	(71.2)	(14.0)
	- fringe benefit tax	2.4	4.3	7.9	9.1	13.2
	- for previous years	-	-	-	-	(7.0)
12	**Net Profit after Taxes (10-11)**	**376.2**	**130.4**	**700.7**	**49.8**	**46.6**
13	**Paid-up equity share capital (Face value: Rs 10/- per share)**	1,115.1	1,115.1	1,115.1	1,115.1	1,115.1
14	**Earnings Per Share (Basic & Diluted)** - Rs. (not annualised)	3.4	1.2	6.3	0.4	0.4

Notes:

1 The company is primarily in the business of manufacture and sale of Optical Storage Media. The other activities of the company comprise distribution of video content; development, operation and maintenance of sector specific Special Economic Zone for non-conventional energy. These activities are in the 'start up' phase and are yet to generate revenues and acquire significant assets. Accordingly, segment information has not been disclosed.

2 There were no outstanding complaints from the shareholders at the beginning of the quarter and all the 11 complaints received from the shareholders during the quarter have been replied to satisfactorily.

3 The above results for the quarter ended December 31, 2006 were reviewed by the Audit Committee and were taken on record by the Board of Directors in their meeting held on January 25, 2007.

For and on behalf of the Board of Directors of

Moser Baer India Limited

Place: New Delhi **DEEPAK PURI**

Date: January 25, 2007 **Managing Director**

REVIEW OF OPERATIONS

Demand and Pricing:

The company's operating and financial parameters are reverting back to normal and sustainable levels driven by continued growth in consumer demand, firming up of the product prices and stable prices of key inputs. This is in line with our expectations. The company continues to derive significant benefits from increasing manufacturing efficiency enabled by proprietary technology and "first to market" position in next generation blu laser based formats.

Consumer demand continues to drive optical media sales which grew 2% on a sequential basis. During the quarter the company entered into a new VMI arrangement with one of its top tier customers which resulted in a one-time deferring of revenues & warehouse inventory build-up on account of this customer, subduing revenue growth during the quarter.

CDR ASPs (Average Selling Prices) firmed up further during the quarter reflecting the improved demand-supply position in the format. DVDR shipments continue to grow at a healthy pace with DVDR/RW pricing remaining stable during the quarter under review. Next generation HD DVD-R media continues to contribute to the revenue in small numbers. Rising shipments, improving overall ASP for optical media business (up 2.4% sequentially) and improving operating margins have led to a profit before tax of 420.4 mn for 3QFY07, a 529% growth over corresponding quarter last year.

Costs & Margins:

The quarter witnessed a sharp improvement in operating profitability driven by a firm pricing environment, robust volumes and stable prices of PC (poly carbonate). Consequently, EBITDA margin, excluding other income, have expanded sharply by 722 basis points during the quarter over 3Q of FY06.

"The third quarter performance underlines our view of improving industry fundamentals. We are on track to achieve improved sustainable operating parameters by end of this fiscal and expect the trend of rising margins to continue. Additionally, we are very excited about our position in the next generation formats which will further consolidate our technology leadership in the global optical media industry." Said Mr Ratul Puri, Executive Director, Moser Baer India Ltd, said.

Working capital changes

The company's efforts in improving its working capital management continued to yield positive results. Improving operating environment has provided further impetus to this effort. The company had been able to release USD 15 million of cash from working capital in YTDFY07.

Future trends

The trend of improving industry fundamentals should continue into the current year. The CDR/RW pricing should remain firm in the near term. There are first signs of firmness in DVDR/RW prices. An improving pricing scenario is expected to contribute to healthy margins in the optical media business. The impetus will come from the next generation formats which are in their "super normal" profit period of life cycle. The PC price environment is expected to remain stable in the near term. The company continues to strive to move away from the commodity price curve by offering value added products to its customers and also create product niches.

As per SMD forecasts, the global optical media shipments are expected to grow from 17 billion units in 2006 to 27 billion units by 2008, a growth of 60 % over the period with significant contribution from DVD and Blu laser products.

Next generation Formats & Opportunities:

In the 2Q FY07, the company achieved the status of being the first in the world, to commence shipments of next generation HD DVD-R (recordable) media to its top tier OEM customers. Additionally, in a major break through, the company's proprietary and patented technology is being considered as one of the four standard media to be included in the Blu-ray disc specifications by the Blu-ray Disc Association. The company's pioneering work in the Low-to-High (L2H) recording technology based on inorganic phase change materials is expected to change the cost dynamics of the format to consumer, thereby providing a significant competitive edge to the company. Having already established a first mover advantage in HD DVD-R format, the company has now extended its technology leadership position in the Blu-ray media as well. Moser Baer's innovative use of a special disc structure using common materials will ensure that this will become a very cost effective solution for the industry.

Indian Market

Having established the Moserbaer brand as a market leader in the fast growing Indian storage media market, the company has expanded its product portfolio by launching "Platinum" range of CDRs. This optical media format with Hardcoat technology is more scratch and dust resistant and uses a 'Patented Dye Technology' to ensure data protection for 200 years under standard operation and storage conditions. In addition, the company also leveraged its strong brand equity and an extensive distribution network to address another market niche by launching 'Moserbaer' range of USB Flash drives in the Indian market in the third quarter of FY07.

Optical Media R&D

In a major development the company's in-house R&D center has been granted recognition by the Ministry of Science and Technology (MoST), Government of India. The company is now amongst a select few in India to have its R&D centre approved by the Department of Scientific and Industrial Research (DSIR), MoST.

The R&D centre is currently working on multiple cutting edge technologies including areas of nano-science, nano-materials, thin film technology, phase-change materials, organic dye based research programs, future optical data storage device technology, polymer science, solar cells and many more. Apart from extensive focus both from the point of view of academic and commercial research, several futuristic technologies are under in-depth exploration.

Moser Baer Entertainment/Content Distribution Business

During the quarter, the company announced its entry into the exciting Indian content distribution/entertainment market through the Indian home video market. This move will take advantage of the established Moser Baer production capability and a well developed distribution network with presence across the country in all major metros as well as in smaller towns through an active and well-organized three-tiered channel. "The content distribution will act as a lever to de-commoditise blank optical media business given its higher value addition and high returns on invested capital. The company will release video content on DVD and Video CD (VCD) formats using its proprietary and patented technology which enhances quality and significantly reduces cost. This will enable Moser Baer to revolutionize the quality-price parity and offer unprecedented value for the consumers" Said Mr Ratul Puri, Executive Director, Moser Baer India Limited.

The new initiative will release titles in Hindi, Tamil, Telugu, Malayalam, Kannada, Bhojpuri, Marathi, Bengali, Gujarati and Punjabi languages. With 18 CFAs, 400 distributors and a dedicated sales force, this division will also set up exclusive branded outlets at about 300 locations in addition to its alliances with large format stores.The company is in final negotiations to acquire copyrights/exclusive license of more than 7000 titles in all major Indian languages which comprises a third of all movies produced till date in India. The company continues to acquire titles aggressively and will do a phased roll out in different regions of the country over the next six months.

Status of Photovoltaic (PV) Cell project.

The silicon based 80 MW project remains on a fast track to achieving commercialization. As per schedule, clean room and the associated facilities are already in place and the production line assembly and testing is in final stages. Trials for the first phase of 40 MW project are planned in February 2007. The second 40 MW expansion is on schedule. The company has already secured its short term requirements of raw material and is in the final process of closing medium term agreements.

During the quarter, the company's wholly owned subsidiary, Moser Baer Photo Voltaic Limited (MBPV), announced strategic investment into Nano-technology company, Stion Inc *(formerly Nstructures)*, based in USA.

Ravi Khanna, CEO, Moser Baer Photo Voltaic Limited said, "This investment is in line with our strategy to reduce the cost of solar power generation significantly by straddling multiple future technologies and emerge as an engineering & technology driven company. Through this strategy we are decisively responding to the rapidly expanding solar PV market, where worldwide demand is expected to far outstrip supply."

MBPV continues to expand its core business team by appointing experts from a cross section of industries. During the quarter, the company appointed Mr. Naren Dubey, as Vice President, product development. Mr. Dubey was previously heading Applied Materials Incorporation's Global Development Strategy Group. Mr. Dubey is an alumni of Wharton School and BITS Pilani and brings with him over 10 years of global domain expertise in product development, global manufacturing operations and product support.

Disclaimer

Certain statements in this release concerning future growth prospects involve risks and uncertainties, especially those relating to future industry outlook and our ability to manage growth and intense competition within the Industry. Actual market conditions and our performance may differ from our guidance. This estimate is based on current market trends. Among other factors, a sharp and sustained strengthening of the Indian Rupee and a significant weakening in global demand could adversely impact the company's earnings.

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