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Moser Baer Q4FY '07: PBT rises by 13x over corresponding quarter in FY06

New Delhi – 30 April 2007

Highlights

Quarter Ended 31 March 2007

- Gross revenue in Q4 of FY '07 at INR 5,502.2 million shows an increase of 3.8 % over Q4 of FY '06, and 5.1 % on a sequential basis.
- EBITDA at INR 1,725.8 million grew 60.8% over Q4 of FY '06 and 5.6% on a sequential basis.
- EBITDA margin on optical media business (net of entertainment & other) during the quarter is 31.7%. EBITDA margin for Moser Baer India Limited during the quarter is 29.1%.
- The company achieved a profit before tax of INR 448.2 million compared to of INR 34.6 million in Q4 of FY '06, representing a sharp growth of 13x in profits. This is led by improving industry environment, robust shipments of media and increasing production efficiencies.
- The profit before tax on the optical media business (net of entertainment & others) during the quarter is INR 567 million.
- The entertainment business commenced operations during the quarter. The start up costs for the same subdued the margins during the quarter.
- The company achieved a profit after tax of INR 397.2 million during Q4 of FY '07.
- The trial production of crystalline silicon line competed successfully. Commercial shipment started in April. MBPV made significant progress on its silicon sourcing strategy with the announcement of a strategic stake in Solarvalue Proizvodnja d.d.

Year Ended 31 March 2007

- Gross revenue for FY '07 at INR 20,740.3 million is an increase of 19.8 % over FY '06, representing the robust growth in volumes and impact of expanded capacity during the year.
- EBITDA at INR 6,022 million grew by 45.6% over FY '06. EBITDA margin reflects improved optical media industry fundamentals.
- The company achieved a profit after tax (including deferred tax impacts) of INR 1,097.9 million in FY07, a 23.5x growth over FY '06.
- During the year the company released USD 37 million of cash from working capital.

Results at a Glance

(Rs. in million)

	Particulars	Quarter Ended 31.03.2007 (Unaudited)	Quarter Ended 31.03.2006 (Reviewed)	Year Ended: Current Year ended on 31.03.2007 (Audited)	Year Ended: Previous Year ended on 31.03.2006 (Audited)
1	Gross Sales	5,502.2	5,299.9	20,740.3	17,319.1
	Less: Duties	252.1	224.9	921.2	677.9
2	Net Sales	5,250.1	5,074.9	19,819.1	16,641.2
3	Service Income	5.7	0.3	5.7	0.3
4	**Total (2+3)**	**5,255.7**	**5,075.3**	**19,824.7**	**16,641.5**
5	Other Income	193.2	143.6	787.7	606.5
	Total Income (4+5)	**5,449.0**	**5,218.9**	**20,612.4**	**17,248.1**
6	**Total Expenditure**				
	a. (Increase)/Decrease in stock in trade	(4.0)	631.6	(626.3)	(550.1)
	b. Purchase/ Consumption of finished goods/ raw materials, stores and packing material	2,679.3	2,570.1	10,748.6	10,409.6
	c. Staff cost	342.4	278.9	1,392.0	1,035.9
	d. Other expenditure	705.5	664.9	3,076.0	2,216.7
	Total Expenditure	**3,723.2**	**4,145.5**	**14,590.4**	**13,112.1**
7	**Profit before interest , Depreciation/ Amortisation, prior period items and taxes**	1,725.8	1,073.4	6,022.1	4,136.0
8	Interest	348.3	236.9	1,244.9	935.5
9	Depreciation/ Amortisation	929.3	802.0	3,578.7	3,167.6
10	**Profit before prior period items and tax (7-8-9)**	**448.2**	**34.6**	**1,198.5**	**32.9**
11	Prior period expenses/ (income) (net)	-	-	-	(6.6)
12	**Profit before tax and after prior period items(10-11)**	**448.2**	**34.6**	**1,198.5**	**39.5**
13	**Provision for tax**				
	- current tax (including wealth tax)	0.2	(30.9)	0.2	0.7
	- fringe benefit tax	3.9	4.1	11.8	13.2
	- for previous years	-	(7.0)	-	(7.0)
	- deferred tax (net)	46.9	64.9	88.7	(14.1)
14	**Net profit after taxes (12-13)**	**397.2**	**3.5**	**1,097.9**	**46.7**
15	**Paid-up equity share capital**	1,116.0	1,115.1	1,116.0	1,115.1
	(Face value:Rs.10/- per share)				
16	**Reserves excluding revaluation reserves**			19,852.2	18,933.4
17	**Earnings Per Share:**				
	- Basic (Rs.)	3.6	0.0	9.8	0.4
	- Diluted (Rs.)	3.5	0.0	9.8	0.4
18	**Aggregate of non promoter shareholding**				
	- No. of shares	93,321,090	93,232,850	93,321,090	93,232,850
	- percentage of shareholding	83.6	83.6	83.6	83.6

S.No.	Particulars	Year Ended Consolidated	
		Current Year ended on 31.03.2007 (Audited)	Previous Year ended on 31.03.2006 (Audited)
1	Gross Sales	20,799.3	17,319.1
	Less: Duties	958.9	677.9
2	Net Sales	19,840.4	16,641.2
3	Other Income	766.1	558.4
	Total Income (2+3)	**20,606.5**	**17,199.6**
4	**Total Expenditure**		
	a. (Increase)/Decrease in stock in trade	(624.2)	(550.1)
	b. Purchase/ Consumption of finished goods/ raw materials, stores and packing material	10,759.8	10,409.6
	c. Staff cost	1,500.0	1,048.5
	d. Other expenditure	3,242.2	2,302.4
	Total Expenditure	**14,877.9**	**13,210.4**
5	**Profit before interest , Depreciation/ Amortisation, prior period items and taxes**	5,728.7	3,989.2
6	Interest	1,263.3	935.6
7	Depreciation/ Amortisation	3,582.2	3,167.6
8	**Profit before prior period items and tax (5-6-7)**	**883.1**	**(114.1)**
9	Prior period expenses/ (income) (net)	-	(6.6)
10	**Profit before tax and after prior period items(8-9)**	**883.1**	**(107.5)**
11	**Provision for tax**		
	- current tax (including wealth tax)	0.3	0.8
	- fringe benefit tax	12.4	13.3
	- for previous years	0.3	(7.1)
	- deferred tax (net)	88.7	(14.1)
12	**Net profit after tax but before share of profit/ (loss) in Associate & Minority Interest (10-11)**	**781.4**	**(100.4)**
13	**Share of Profit/ (Loss) in Associate**	(2.8)	35.6
14	**Minority Interest**	9.6	-
15	**Net profit (12+13+14)**	**788.3**	**(64.7)**
16	**Paid-up equity share capital** (Face value:Rs.10/- per share)	1,116.0	1,115.1
17	**Reserves excluding revaluation reserves**	19,354.9	18,772.8
18	**Earnings Per Share:**		
	- Basic (Rs.)	7.1	(0.6)
	- Diluted (Rs.)	7.0	(0.6)
19	**Aggregate of non promoter shareholding**		
	- No. of shares	93,321,090.0	93,232,850.0
	- percentage of shareholding	83.6	83.6

Notes:

1. Effective April 1, 2006 the Company adopted the revised Accounting Standard on Employee Benefits. Pursuant to the adoption, the additional obligations of the Company amounted to Rs. 1.8 million. As required by the standard, the obligation has been recorded with the transfer of Rs. 1.8 million to general reserve.

2. There were no outstanding complaints from the shareholders at the beginning of the quarter and all the 27 complaints received from the shareholders during the quarter have been replied to satisfactorily.

3. During the quarter, the Company established a wholly owned subsidiary- Moser Baer Investments Limited and through this Company acquired 100% stake in Photovoltaic Holdings Plc and Moser Baer Solar Plc located in Isle of Man. It also acquired 81% stake in a Dutch Company – O M & T B.V through one of its Cypriot subsidiaries.

4. The Board of Directors recommended payment of a dividend @ Rs. 1.5 per share for the year 2006-07 amounting to Rs.167,401,776 on 111,601,184 equity shares of Rs. 10 each.

5. During the quarter ended March 31, 2007, 87,740 equity shares of Rs. 10 each fully paid up were issued and allotted pursuant to the exercise of stock options under the Moser Baer India Limited Employees Stock Option Scheme (2004). 88,240 Equity shares have been allotted under stock options during the year 2006-07.

6. The Consolidated financial statements of Moser Baer India Limited (MBIL) and its wholly/ majority owned domestic and foreign subsidiaries ('the Group') are prepared in accordance with Accounting Standard (AS) 21 on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India. All significant intra group balances and intra group transactions and resulting unrealised profits have been eliminated. Investments in business entities in which MBIL does not have control, but has the ability to exercise significant influence over operating and financial policies (generally 20% - 50% ownership), are accounted for by the equity method in accordance with AS-23 on Accounting for Investments in Associate in Consolidated Financials Statements.

7. The company is primarily in the business of manufacture and sale of Optical Storage Media. The other activities namely distribution of video content, development, operation and maintenance of sector specific SEZ for non-conventional energy and manufacture of photovoltaic cells and modules (through certain subsidiaries) are in a 'start up' phase and are yet to generate revenue/ acquire significant assets. Accordingly, segment information has not been disclosed.

8. Previous year's figures have been regrouped/ rearranged to conform to the current year's classification.

9. The above results were reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on April 30, 2007. The information presented above is extracted from the respective audited financials statements as stated.

For and on behalf of the Board of Directors of
Moser Baer India Limited

Place: New Delhi
Date: April 30, 2007

DEEPAK PURI
Managing Director

According to Ratul Puri, Executive Director, Moser Baer India Limited, "This year saw Moser Baer transforming into a multi-technology business organization. The base optical media business has reverted to normal levels of operating efficiencies and the company is now set to lead the next generation demand curve in the Blue laser based products. Additionally, the entertainment business will allow us to capture higher value addition in the chain and we will emerge as a leader in this highly exciting segment by having brought in the paradigm shift in this industry.
The PV business is rapidly crossing important milestones and is set to firmly establish Moser Baer as a technology leader on the global PV map. This business has the potential to take us to the next level of growth."

Yogesh Mathur, Group CFO, Moser Baer India added, "The year was a landmark for Moser Baer as we saw the optical media business emerging as a free cash business, helped by robust shipments, improving asset turnovers and production efficiencies in the business. With our technology leadership in next generation formats and rising market share, this business should continue to grow at over 25% over the next three years. While the entertainment business started contributing to the revenues, the 40 MW crystalline silicon facility successfully completed trials. Both theses business are set to significantly add to revenues and overall returns during the current fiscal."

Storage Business

The company's operating and financial parameters reverted back to normal and sustainable levels driven by continued growth in consumer demand, improved pricing environment and stable prices of key inputs. With improved cost efficiencies, growing market share, proprietary technology and "first to market" position in next generation blue laser based formats (HD DVD and Blu-ray disc); the company is well placed to increase market share and consolidate its global leadership position in the industry. In the quarter under review, the optical media shipments grew by 9.3% on a sequential basis. The ASP during the quarter fell marginally by 2.7% sequentially mainly on account of the DVDR/RW formats ASPs tracking its manufacturing cost curve.

The blue laser products continue to grow sharply, however, the volumes remain small. Significant improvement in production efficiencies resulting from the aggressive cost reduction programs along with stable PC pricing scenario enabled the company to maintain healthy EBIDTA margins. While the company EBITDA margin during the quarter is 29.1%, the EBITDA margin in optical media business in 4Q '07 is 31.7%, prior to impact of entertainment business. The startup costs for the entertainment business negatively impacted the margins during the quarter. However, as the entertainment business scales up rapidly during the year, it will start contributing positively to the earnings.
The above-mentioned factors led to a profit before tax of Rs 448.2 mn for 4QFY07, a sharp growth of 13 times over corresponding quarter last year.

Future Trend

The trend of improving industry fundamentals should continue into the current year. 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 Blue laser products. The supply imbalance on hardware (optical heads) delayed the demand ramp up of the next generation formats (HD DVD and Blu-ray disc (BD)) during the last year. However, as the imbalances ease out, SMD estimates that the shipments for these formats to rise sharply from 15 million units in 2007 to over 1.3 billion discs in 2009.
With stable demand from the Asian and Latin American markets, CDR/RW pricing will continue to remain stable in the near term. DVDR/RW prices are expected to continue to flow its manufacturing cost curve, maintaining healthy margins. The acquisition of OM&T (an erstwhile division of Philips) has helped the company to consolidate its technology leadership in both competing next generation format (HD DVD and BD) and the company expects to gain significantly during the “super normal” profit period, in the life cycle of the new formats. 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.

Working capital

The company’s efforts in improving its working capital management including rationalization of receivables and payment terms and normalization of inventory continued to yield positive results. The company had been able to release USD 37 million of cash from working capital in FY07. This will continue to remain a focus area for the company.

Photovoltaic Business

During the quarter, the company successfully completed the final line integration of its first phase of the 40 MW state of the art and first of its kind fully integrated in-line crystalline photovoltaic cell production facility. The company has already started commercial shipment of the product. Also, the company remains on target to achieve 80MW of crystalline silicon capacity in the second half of 2007.

Given the global demand supply imbalance of silicon, the company has tied up with various companies including the Germany-based Deutsche Solar. Additionally, the company has also acquired a 40% stake in the Slovenia-based Solarvalue to ensure supplies of solar grade silicon.

In line with the company’s strategy to reduce the cost of solar power generation significantly by straddling multiple future technologies, the company announced the setting up of the world’s largest Thin Film solar fab in technology partnership with Applied Materials, Inc. This investment should qualify for government incentives under the recently announced IT and semiconductor policy.

Future Trend

While the global PV business is estimated to grow five-fold to a USD 40 billion opportunity by 2010, the thin film segment is expected to grow ten-fold from 250 MW currently to 2GW with a market size of USD 5 bn by 2010 - thereby presenting the company with an exciting growth opportunity. While the company is on track to commission the next 40MW line, it has commenced freezing the technical specification for the next generation 100MW capacity planned for FY ‘09. The additional 40MW is expected to go on trial production in 4Q ’07. The construction of thin film facility has started and will get completed by Aug 2008, the project will start contributing to operation performance from FY09.

The company believes that the high solar grade silicon supplies from Solarvalue will start early next fiscal.

According to Ravi Khanna, CEO, Moser Baer Photo Voltaic, “This quarter is a major milestone for us as we announced the completion of the trial run of the 40 MW crystalline silicon facility and setting up the world’s largest thin film solar fab in the country. We continue on our strategy of looking at multiple future PV technologies in our endeavor to provide a road map to sub-dollar per kilo watt hour costs.”

Entertainment Business

During the quarter, the company rolled out its home video foray across the country with a national launch. In a short span of three months, the company has successfully launched its home video titles in various languages including Hindi, Tamil, Kannada and Telegu. The company currently has copyrights/exclusive licenses of over 7,000 titles making it the largest player in the home video market. As part of its business strategy of building a three-tiered channel, the company has lined up 21 C&FAs, 400 distributors across the length and breadth of the country and stocks are now available in over 50,000 outlets, including stationery shops, telecom shops, kirana shops and regular audio and video outlets. The company plans to acquire more titles and continue a phased roll out in different regions of the country over the next few months.
The content distribution will continue to act as a lever to de-commoditize the blank optical media business given its higher value addition and high returns on invested capital.

Future Trend

According to research, India has over 26 million DVD/ VCD users, growing at a healthy clip of over 25%, and comprising about a fourth of all TV ownership in the country. Despite the huge potential market, home video accounts for a mere 8% of the total film revenues of INR 8,400 crore. The US home video market is almost double the size of the theatrical market with revenues of over USD 20 bn. The company plans to reach to over 150,000 outlets, and expand its distributor network further to 500, and also open its exclusive franchisee outlets in various parts of the country to make available its full range of titles in all the languages in the coming year and ensure that its products are available in each and every town across the country. The entertainment division is also looking at various opportunities, beyond the recently announced new film projects, in areas like content creation including non-film content, content distribution in other than physical forms like digital distribution and content aggregation and syndication, and explore possibilities to launch home video products in the overseas markets.

According to Harish Dayani, Chief Executive, Entertainment Business, “The initial response for Moser Baer home video titles has been very encouraging. So far we have only launched around only 5% of our titles and we are very optimist about the future of this business. We are on track to achieving targets set out at the launch of this business viz. USD 200 mn revenue by the 3rd year.

Guidance
Storage Business:
Revenue Guidance: The Company continues to expect a three year CAGR of 25-35% in its revenues while EBIDTA margins are expected to be in excess of 30%. The company is to spend USD 40 million to increase capacity to 3.4 billion discs per annum.

Photovoltaic Business:
Revenue Guidance: Revenues expected to be in the range of USD 80 to 100 million during FY08.

Entertainment Business:
Revenue Guidance: The entertainment business is expected to generate revenues in the range of USD 50 to 60 million during FY08. The company is to spend USD 100 million in capex over the next three years. The company is confident that it will aggressively acquire content to take its total catalogue to over 12,000 titles including over 150 new titles across all languages to remain the largest player in the Indian home video market.

About the Company

Moser Baer, headquartered in New Delhi, India, was established in 1983. The Company has successfully developed cutting edge technologies for recordable optical media, constantly innovating and introducing new products and process. An emphasis on high quality products and services has enabled Moser Baer to emerge as one of India's leading technology companies, with more than a 16% share of the global recordable optical media market. The company currently has over 5,000 full-time employees and has multiple manufacturing facilities in the suburbs of New Delhi, The company services it's customers through 6 marketing offices and subsidiaries/affiliates in India, the US, Europe and Japan.

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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