EURO MULTIVISION LTD - OPTICAL STORAGE MEDIA AND RENEWABLE ENERGY

IPO Details

Particulars	
Issue opens	September 22, 2009
Issue closes	September 24, 2009
Issue mode	Book Building
Price band (Rs)	70 – 75
Face value (Rs)	10
Total Issue of shares (mn)	8.80
Extent of dilution (%)	36.97%
Issue size (Mn)	616 – 660
Market Cap (Mn)	1,666 - 1,785
Minimum bid size	90 shares
Multiples of	90 shares
Sole Lead Managers	**Anand Rathi Advisors**
Registrars	Link Intime
Listing in	BSE, NSE

Issue Allocation

Number of shares	(mn)	%
Fresh Issue	8.80	
Employees	0.20	
Net Issue	8.60	100%
QIB Portion	4.30	50%
HNI Portion	1.29	15%
Retail Portion	3.01	35%

Shareholding pattern

Particulars	Pre - IPO	Post - IPO
Promoters & Promoter Group	81.11%	51.12%
Institutions	0.00%	18.06%
Others	18.89%	30.82%
	100.00%	**100.00%**

Key Metrics

Particulars	Mar-09
CEPS	9.13
Book Value (Rs)	20.97
EPS(Rs)	1.22

Industry Overview:

Photovoltaic Cell Industry

Economic growth the world over is driven by energy, whether in the form of finite resources such as coal, oil and gas or in renewable forms such as hydroelectric, wind, solar and biomass, or its converted form, electricity. This energy generation and consumption powers the nation's industries, vehicles, homes and offices. It also has significant impact on the quality of the country's air, water, land and forest resources. For future growth to be both rapid and sustainable, it needs to be as resource-efficient and environmentally benign as possible.

In 2006, according to the International Energy Agency, 80.3% of the world's energy came from fossil fuel: Oil (34.3%), coal (25.1%) and gas (20.9%). Fully 90.9% of the world's energy came from combustion, because alongside these fossil fuels in 4th place are "combustible renewable," mostly wood (10.6%). Include nuclear power (6.5%) and hydro-electric power (2.2%), and you have accounted for 99.5% of the world's energy. So where does solar fit into this equation? Most of this last half-percent of one percent of the world's energy.

Global Supply

In 2006, global cell production grew by 41% to 2520 MW, despite widespread fears of insufficient polysilicon feedstock available to producers

Global PV cell production until 2006 (MW DC)

Region	2001	2002	2003	2004	2005	2006	Growth in 2006
US	100.3	120.6	103	138.7	154	201.6	31%
Japan	171.2	251.1	363.9	601.5	833	926.9	11%
Europe	73.9	122.1	200.2	311.8	476.6	678.3	42%
Rest of World	40.6	53.3	81.3	141.5	322.5	714	121%
Total	386.0	547.1	748.4	1193.6	1786.1	2520.8	41%

On the supply side, world solar cell production reached a consolidated* figure of 6.85 GW in 2008, up from 3.44 GW a year earlier. Overall capacity utilization rose to 67% in 2008 from 64% a year earlier. Meanwhile, thin film production also recorded solid growth, up 123% in 2008 to reach 0.89 GW. China and Taiwan continued to increase their share of global solar cell production, rising to 44% in 2008 from 35% in 2007.

Polysilicon supply to the solar industry grew by 127% in megawatt terms, sufficient to substantially ease supply limitations in 2008. United States polysilicon production accounted for 43% of the world's supplies. Average global wafering capacity grew to 8.30 GW (up 81%).

Government initiatives to drive demand growth

President-elect Obama's alternative energy plan, called New Energy for America, could have a significant impact on the U.S. solar industry. The plan's provisions include:

- A federal renewable portfolio standard (RPS) that requires 10 percent of electricity consumed in the U.S. to come from renewable sources by 2012.

- A USD 150 billion investment over 10 years in research, technology demonstration, and commercial deployment of clean energy technology.
- Extension of production tax credits for five years to encourage renewable energy production.
- A cap-and-trade system of carbon credits to provide an incentive for businesses to reduce greenhouse gas emissions.

Germany dominated Photovoltaic Installations Worldwide in 2008. The European photovoltaic market is consistently growing, outpacing other regions worldwide. The growth in the overall European market has been principally driven by the dynamism of the German market. The cumulative solar PV installed capacity in Germany has increased from 195 MW in 2001 to 5,337 MW in 2008, making Germany the largest market for photovoltaic installations worldwide with a global market share of 35% in the year 2008. Germany has positioned itself as an excellent location for solar energy investments due to strong governmental support, the availability of a highly-qualified workforce, and a plentiful supply of scientific research centers and universities, such as Fraunhofer and Max-Planck-Institutes. All these factors put together guarantee rapid and smooth implementation and development of PV projects in the country.

DOMESTIC SCENARIO:

Greater reliance on renewable energy sources offers enormous economic, social and environmental benefits. India is already the world's fifth largest producer of wind power, with more than 95 per cent of the investment coming from the private sector. Other renewable energy technologies, including solar photovoltaic, solar thermal, small hydro and biomass power are also spreading.

Objective of National Solar Mission.

- 20,000 MW of installed solar generation capacity by 20020 and 100,000 MW by 2030; 200,000 MW by 2050.
- Solar power cost reduction to achieve grid tariff parity by 2020.
- Achieve parity with coal based thermal power generation by 2030.
- 4-5 GW of installed solar manufacturing capacity by 2017.

Company Overview:

Euro Multivision Limited is the second largest company among few companies that are into manufacturing of CDRs and DVDRs *(Source: Optical Disk Manufacturers Welfare Association*). The other companies in the existing business are MoserBaer, Jupitar Innovations, Optek Disc manufacturing and Lizer Technologies etc.

The Company is a part of EURO group which is promoted by Shri Nenshi Shah. EURO group was promoted in 1995. It has presence across multi products such as Vitrified & Ceramic Tiles, Agglomerated Marble, Aluminium Section, Aluminium Composite Panels (Bond), Hardware & Sanitary ware Fittings, Plywood, Veneers, Laminates, Mica, Canfor, Imported Furniture, Sponge Iron, CDR, DVDR, Glass Articles, Dry Battery Cell and Wooden Flooring and spread over various parts of India.

Euro Multivision Limited was incorporated on April 29, 2004 and has set up a plant for the manufacture of Compact Disc Recordables (CDRs) and Digital Versatile Disc Recordables (DVDRs). Company has commenced commercial production in April, 2005 with five manufacturing lines having an installed capacity of 720 lac units of CDRs and 72 lac units of DVDRs a year. After successfully operating five lines in the first year of its commercial operation, the company expanded the capacity by adding another five manufacturing lines in the second half of financial year 2006-07 taking the total to 10 manufacturing lines with a total installed capacity of CDRs to 1800 lac units a year. These lines are interchangeable and are convertible to manufacture DVDR as and when the requirement arises. Also these lines are compatible for manufacturing of pre recorded CD's and DVD's. In the same financial year, the DVDR manufacturing line was converted into CDR manufacturing line. The CDR production is fully stabilized and is operating on full capacity.

Euro Multivision's manufacturing facility is situated at Taluka Bhachau, District- Kutch, Gujarat. Companies manufacturing facility is fully automated with least human intervention, which ensures international quality standards with optimum utilization of installed capacities. The major parts of the said manufacturing facility are procured from VDL ODMS B.V, Netherlands which is one of the leading suppliers for CDR manufacturing technology. Further, the Company's manufacturing facility operates in Class 10000 (class 10,000 clean rooms, which enable us to produce clean, sterile, aseptic and dust-free products and components) environment and is completely powered by our Captive power plant for uninterrupted power supply.

Euro Multivision proposes to make an entry into the Photovoltaic business by manufacturing solar cells used for generation of electrical energy. This new field of business is synergistic with Company's existing businesses and they will leverage on their core competencies in the areas of precision high technology, mass manufacturing, and project management. As one of the early entrants

in this space, EML is well-positioned to leverage this growing business opportunity. EML is targeting one segment in the PV value chain that is most attractive from a synergy standpoint, since it leverages the company's manufacturing competencies.

For this, EML proposes to build a photovoltaic solar cell manufacturing unit with a capacity of 40MW per year at a total cost of Rs.17,803 Lacs at Taluka Bhachau, Dist- Kutch, Gujarat. EML propose to set up this photovoltaic plant in a Special Economic Zone (SEZ) to be developed by EML. As Regards to the SEZ, Company got the formal approval from Ministry of Commerce & Industry, Department of Commerce dated October 30, 2008. Later the Company received it SEZ notification on April 23, 2009 which was published in the Gazette of India.

At Euro Multivision, success is measured in terms of customer satisfaction and quality that is built into our product. The commitment to quality is also cherished by each of 147 staff members and is consciously upheld by a network of 16 distributors with over 515 district dealers and more than 150000 retailers.

The Company has received ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications. The existing project enjoys exemption from excise duty and sales tax for a period of five years and seven years from the date of commencement of commercial production, respectively.

Objects of the Issue:

Sl. No.	Particulars	Amount (in Rs. Lacs)
1.	Setting up of photovoltaic solar cell manufacturing unit at Taluka Bhachau, Kutch District, Gujarat	17,803.60
.	General Corporate Purposes	[●]
	Total	[●]

Business Strategies:

The key components of their strategy is to drive profitable growth and to maximize value are to continuously enhance customer satisfaction, attract, develop, and retain qualified employees, and maintain stringent standards of environmental safety and corporate responsibility.

Keeping in view of the above, the Company has devised certain strategies to take the advantage of the growing Renewable Energy and IT peripheral Industry, as described below:

For CDR/DVDR Business

Continue to integrate all external stakeholders & internal stakeholders (i.e .their employees)

They will continue to get feedback from customers, so as to address their changing preferences. This will be done through EML existing distributors and dealers, and be enhanced through new dealers and distributors. So as to expand their presence geographically, this activity will be energized by regular sales promotion and target achievement schemes. This exercise will ensure the compatibility of their CDRs and DVDRs and their manufacturing mix, to address the rapidly changing CDRs and DVDRs market.

The Company's employees are our most important asset, and it is their talent, integrity and dedication that results in our success. They offer a highly entrepreneurial culture with a strong, team-based approach that they believe is attractive to their employees. EML have been successful in attracting and retaining key professionals and intend to continue to seek out talent to further enhance and grow the business. Additionally, EML believe that becoming a publicly traded company will further enable them to offer attractive stock-based incentives to talented professionals, which will aid their recruitment effort and retention of key employees.

Mix of Organic and Inorganic Models of Growth

The Company's strategy so far had been organic growth. At this stage of business, EML believe that a combination of organic and inorganic models will help them continue to grow. Strategic acquisitions would help them in leveraging complementary skills to capture market opportunities as well as reduce time-to-market and accelerate growth.

For Photovoltaic business

Export Strategy

In the present scenario, solar cells are in much demand in overseas markets due to various governmental initiatives/support schemes. Hence, the Company proposes to export entire production.

With regard to this, the Company has identified Europe, US, South East Asia and Middle East as some of the key places wherein they propose to set up marketing offices for effective marketing of the product and therefore propose to engage overseas marketing agents once their manufacturing facility starts the commercial production of Solar Cells.

Enlarging the value chain so as to add more value for Company's shareholders through Backward and Forward Integration

Backward Integration

As stated in the Object of the Issue, the Company proposes to setup a manufacturing facility for production of solar cells. The key raw material required for manufacture of solar cells is Silicon Wafers which will be procured from the overseas market. As part of EML Backward integration plan, company proposes to manufacture Poly Silicon which is the essential raw material required for Silicon wafers thereby enhancing margins and meeting timely requirement of raw material. For this purpose, company has already entered into a Technology Transfer/ License agreement with SRI International, California which will provide the training and technology know how to company's personnel so as to manufacture Poly Silicon.

Forward Integration

Presently, the Company proposes to sell the solar cells to module manufacturers. The said module manufacturing is more of a sort of assembly job and doesn't require any expert or critical manufacturing know how. As part of company's forward integration strategy, they intend to setup a module manufacturing facility thereby enabling them to enter Energy Farming. In which the solar modules can be laid down on the acres of land in order to generate the power and to supply the generated power to the Grid. Hence, this concept which is very popular in European countries especially in Germany and Spain would be also gaining importance in India.

This forward integration will give EML many advantages like:

1. Their products will directly be sold to ultimate consumers
2. The firsthand feedback of the ultimate customers would be available to EML that would enable them to understand the customer needs and preferences.
3. Company would be eligible for Carbon Credits.

Investment Rationale:

- ***Experienced Management***

Euro Multivision is a part of the "Euro Group" which was started in 1995. Company was incorporated on April 29, 2004 and has seen its Sales & Income from operation grow at a CAGR of 48.4% from 4128.13 Lacs as on March 31, 2006 to 9092.46 Lacs as on March 31, 2008. Company has entered into CDR/DVDR business on April 29, 2004 However, the presence and the cumulative experience of all promoters for over 8 decades has helped EML to manage the business efficiently. Even though the Photovoltaic business is a new business for the Company, EML Promoters have experience in various business such as Vitrified & Ceramic Tiles, Agglomerated Marble, Aluminium Section, Aluminium Composite Panels (Bond), businesses etc which has helped them grow since their inception.

- ***Strong Brand Visibility***

The Company's products are sold under the brand name "EUROVISION" which is a part of the EURO group. Euro group has a presence across products such as Vitrified & Ceramic Tiles, Agglomerated Marble, Aluminium Section, Aluminium Composite Panels (Bond), Hardware & Sanitary ware Fittings, Plywood, Veneers, Laminates, Mica, Canfor, Imported Furniture, Sponge Iron, CD-R, DVD-R, Glass Articles, Dry Battery Cell and Wooden Flooring.

- ***Cordial Relationship between management and labour***

EML enjoys cordial relations with their employees and there has been no union of employees. Further, there have been no strikes, lock-out or any labour protest in their organization since the incorporation of the Company.

- ***Strong Dealer Network***

The Company's Promoters have an understanding of the trade segment of the market. Through this understanding, have been able to establish a strong dealer network across India, enabling their products to reach the small consumers easily. Their sales are through the distribution network that has been developed over a period of last three years. Presently they have 16 distributors with over 515 district dealers and more than 1,50,000 retailers spread across the country for marketing and distribution of their products.

- ***Location advantage***

Their strategic location of the plant is helpful as the Plant is located in Kutch region which is well connected with two ports of India namely Kandla and Mundra Ports. Because of the natural protection provided by its location, these ports are able to handle cargo throughout the year in all weather conditions, including during severe weather conditions of the monsoon season characterised by heavy rains, winds and waves, with minimal costs, delays and damages that often impact other more exposed ports. Their plant is connected by rail and road to the transportation network of India, particularly the inland regions of western and northern India.

For CDR/DVDR business

- ***Euro Multivision are ranked second among all the Optical storage media devices manufacturers in the country***

In our country there are a few optical storage media manufacturers like Moser Baer India Limited, Jupitar Innovations Limited, Optek Disc manufacturing Co. Limited, and Lizer Technologies Limited etc. with Moser Baer being the largest manufacturer. In 2009, according to the Optical Disk Manufacturers Welfare Association, Euro Multivision is the second largest player (with an installed capacity of 1800 Lac units per annum, ranked second with Moser Baer being ranked first with an installed capacity of more than 10000 lac units per annum) in the country in terms of installed manufacturing capacities

- ***EML Quality Certification***

EML's CDRs/ DVDR manufacturing unit has received ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications. Since the company is dedicated towards the quality of products, processes and inputs, they get repetitive orders from their customers, as they are capable of meeting quality standards thereby enabling them to maintain their brand image in the market.

- ***Fully Automated Plant***

The Company's manufacturing facility is fully automated with least human intervention, which ensures international quality standards with optimum utilization of installed capacities. The said facility is compatible for switch over of manufacturing process from CDR to DVDR and vice versa. The manufacturing facility has inbuilt quality testing at two stages which ensures both in-line and off-line quality checks.

- ***Optimum utilization of manufacturing facilities***

The Company's manufacturing facility is, currently operating at 100% capacity. EML regularly emphasizes to utilize its manufacturing facility at optimum level to meet increasing demand in the CDR /DVDR segment, which helps in maintaining cost competitiveness and manufacturing efficiencies.

- ***Captive Power plant***

Power is an important factor in every manufacturing facility. Considering the power requirements of their existing manufacturing facilities they have their own captive power plant that has been jointly commissioned with their group Company Euro Ceramics Limited. The complete present requirement of power is met by the Power Plant which uses abundantly available lignite as a fuel to generate power. Captive power plant gives them the stable and uninterrupted power supply which is very crucial in manufacturing of our products. Uninterrupted power supply helps to avoid any delays in manufacturing process thereby ensuring complete utilization of their capacities.

- ***Convertibility from CDR to DVDR***

EML's CDR/DVDR manufacturing lines can easily be interchanged from CDR to DVDR and vice versa. Hence any change in customer preference from CDR to DVDR and vice versa can be easily addressed without any loss of time.

For Photovoltaic business

- ***Manufacturing unit will be set up as SEZ***

The Company will be setting up the photovoltaic cell manufacturing unit in a SEZ. This project will be eligible for all SEZ policy concessions and advantages. This will result in cost reduction and thereby enhancing their margins and market share.

- ***Early Mover Advantage***

EML will be one of the companies who will enter the growing Photovoltaic Business at an early stage considering the global requirement for renewable energy & present status. The Company would be able to pre-empt competition and capture demand by establishing a strong brand name. This would enable them to build up sales volume and ride down the experience curve ahead of their competitors.

- ***EML has tied up for the supply of machinery for the proposed manufacturing unit***

The Company has entered into an agreement with OTB solar, Netherlands based company for the supply of the machinery for the proposed unit and have already received the consignments of Imported Plant and Machinery in the months of November and December 2008. This will put them in an advantageous position as far as the commissioning of the photovoltaic cell manufacturing unit.

Financials:

Statement of Profit and Loss (As Restated) **(Rs. in Lacs)**

Sr. No.	Particulars	FOR THE YEAR ENDED MARCH 31,				
		2005	2006	2007	2008	2009
A	**Incomes**					
	Sales & Income from Operation	-	4128.13	5651.33	9092.46	7321.67
	Other Income	-	33.17	12.61	4.55	19.06
	Total Income	**-**	**4161.30**	**5663.94**	**9097.01**	**7340.73**
	(Increase)/Decrease in Stock	-	315.15	229.19	(61.17)	16.70
	Total	**-**	**4476.45**	**5893.13**	**9035.84**	**7357.43**
B	**Expenditures**					
	Materials Consumption	-	2429.61	2914.16	4882.36	4069.37
	Manufacturing and Other Expenses	166.84	882.47	667.63	988.58	1208.45
	Advertising and Selling Expenses	0.18	401.07	28.07	52.74	22.47
	Less:-Expenses capitalized to Fixed Assets	(104.16)				
	Less:- Transferred to Pre-operative expenses pending allocation	(62.86)				
	Total		**3713.15**	**3609.86**	**5923.68**	**5300.29**
C	**Net Profit before Interest Depreciation, Tax and Extraordinary Items**	**-**	**763.30**	**2283.27**	**3112.16**	**2057.14**
	Financial Expenses	211.38	536.72	556.59	765.98	595.23
	Depreciation	-	351.07	706.48	1092.65	1156.20
	Less:- Transferred to Pre-operative expenses pending allocation	(211.38)	-	-	-	-
	Profit before Tax	-	(124.49)	1020.20	1253.53	305.71
	Provision for Taxation					
	- Current Tax	-	-	80.35	131.29	31.58
	- Deferred Tax	-	-	295.59	354.67	47.07
	- Fringe Benefit Tax	-	4.20	3.52	4.40	5.30
	-MAT Credit available for set off	-	-	-	(211.63)	
	-MAT Credit availed	-	**-**	**-**	**-**	38.02
D	**Net Profit after Tax but before Extraordinary Items**	-	**(128.69)**	**640.74**	**974.80**	**183.74**
	Add/(Less) : Excess Income Tax Provision made in Last Year	-	-	(21.67)	21.67	-
	Less: Adjustment on account of retrospective effect on account of notification of the Companies (Accounting Standards) Amendment Rule 2009 issued by Ministry of Corporate Affairs pertaining to Foreign exchange differences	-	**-**	**-**	**(94.71)**	**-**
	Profit as per Audited P&L A/c	-	**(128.69)**	**619.07**	**901.74**	**183.74**

Statement of Assets and Liabilities (As Restated) (Rs. in Lacs)

Sr. No.	Particulars	AS AT MARCH 31,				
		2005	2006	2007	2008	2009
A	**Fixed Assets**					
	Gross Block	4744.96	5588.14	10691.38	11249.56	11778.93
	Less: Depreciation	-	351.07	1057.55	2150.19	3306.24
	Net Block	4744.96	5237.07	9633.83	9099.37	8472.69
	Capital Work In Progress	-	-	-	1372.18	10986.42
	Pre-Operative Expenses Pending Allocation	274.24	-	-	-	-
	Total	**5019.20**	**5237.07**	**9633.83**	**10471.55**	**19459.11**
B	**Investment**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
C	**Current Assets, Loans & Advances**					
	Inventories	604.87	751.45	1273.34	1239.53	858.56
	Sundry Debtors	-	826.88	363.19	523.90	1008.54
	Cash and Bank Balances	311.64	123.61	252.62	971.59	803.42
	Loans & Advances	38.43	66.72	188.10	694.69	2789.27
	Total	**954.94**	**1768.66**	**2077.25**	**3429.71**	**5459.79**
D	**Liabilities & Provisions**					
	Secured Loans	3438.89	3227.04	6730.05	5807.98	14651.27
	Unsecured Loans	981.72	2117.15	2099.75	3173.10	4577.44
	Deferred Tax Liability	-	-	295.59	650.26	697.33
	Current Liabilities & Provisions	598.62	826.50	1153.93	1308.00	1847.20
	Total	**5019.23**	**6170.69**	**10279.32**	**10939.34**	**21773.24**
E	**Net Worth (A+B+C-D)**	**955.91**	**836.04**	**1432.76**	**2962.92**	**3146.66**
F	**Represented by**					
	Share Capital	1000.00	1000.00	1000.00	1500.00	1500.00
	Reserves & Surplus	-	-	466.45	1462.92	1646.66
	Less: Miscellaneous Exp. (To the extent not written off)	44.09	163.96	33.69	0.00	0.00
	Net Worth	**955.91**	**836.04**	**1432.76**	**2962.92**	**3146.66**