

# Moser Baer

**CMP:** Rs 300  
**1 yr Target:** **Rs386**  
**3 yr Target:** **Rs 750**

## Sunrise of East

**Leading player in optical storage media is planning is forayed into new segment to unleash the potential of niche segment.**

Cut throat competition in every segment has made company in existing business to scout for new opportunities which will provide the robust growth and upright margins in both top line as well as bottom line for the company. So if it is possible to identify an opportunity which not only provide a new business but also provide better venues for growth; it is better to explore those opportunities. Moser Baer which is a world leader in the development and manufacture of removable data storage media has forayed into two new business domains - **Home Entertainment and Photovoltaic cells production.**

It is expanding its presence in the fast growing solar crystalline and amorphous silicon photovoltaic market with capacity expected to grow from 80 MW in FY08 to 440 MW by FY10. Bulk of the capacities will achieve commercialisation in FY09 and FY10. Towards this, it has received an order for USD 100 mn to be executed in next 2-3 years. It is also planning to set up a special economic zone at Oragadam, near Chennai, with an investment of Rs.1, 000 crore to fuel the ambitious project of production of photovoltaic cells.

There is a wide gap between supply and demand for power in India in spite of the many power projects completed after independence. This gap is likely to increase over the years and cannot be bridged if efforts are focused only on conventional systems namely, thermal, hydel and nuclear. Solar photovoltaic (SPV) cells could be looked upon as an alternate source of energy to reduce this gap. As India has started looking at renewable energy and progressively solar energy as a serious alternative to conventional energy needs. The current demand for PV systems in India is estimated to be 40 MW with motor applications being limited to rooftop energy generation and color thermal applications. Driven by emerging technologies and industry factors, a reduction in the pace of solar energy products could significantly expand this market to a multiple of GW potential in the next few years.

The company will rewrite its growth story by leveraging the existing core competencies in wet chemical processing, photo lithography, base material engineering and nano-etching into the photovoltaic space by establishing a solar cells and modules manufacturing facility in India's first renewable energy SEZ. The company's initial 80 MW of crystalline silicon cell manufacturing project crossed significant milestones towards commercialization during the year. The first 40 MW of phase I of this project is set to achieve commercialization. The company is also in the process of adding a module manufacturing facility to capture incremental part of the PV value chain and provide customized solutions to the customers. In line with this strategy, the company announced the strategic sourcing tie-up with Deutsche Solar, a leading global silicon wafer manufacturer, for the supply of silicon wafers. The company has recently also acquired 40% strategic equity stake in the Slovenia-based Solarvalue Proizvodnja d.d. This strategic stake will help MBPV secure long-term supplies of solar grade silicon wafer at competitive prices.

The company has also diversified into Home Entertainment business. It is targeting the fast growing home video market, (est. size Rs 13 billion). Despite a large part of this being dominated by the grey market, it is expected to grow at 40% CAGR to Rs 21 billion by FY10. This growth is expected to be accentuated by the sharp improvement in print quality at an attractive price point, which Moser plans to offer. The Indian home video market accounts for a mere 7% of the total film revenues of INR 79 billion, which is very low when compared to 50% in a market like the USA. Home Video share could rise sharply with increasing consolidation and improving price value proposition being offered to the consumers.

**GROWTH: Moderate**

**RISK : Medium**

**P/E : Moderate**

- **Consistent Growth**
- **Priority Sector**
- **Increasing Efficiency**
- **Big expansion plans**
- **Good Track Record**

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At the CMP the company trades at a P/E ratio of about 45 on a TTM EPS of Rs.6.45. On a one-year forward earning estimates of Rs.12.45 the stock trades at a P/E of about 31. Looking ahead it is one of the companies trading at reasonable valuations when compared to its growth potential.

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Email Id: [research@rrfcl.com](mailto:research@rrfcl.com)