moserbaer

Annual Report | Jan 15 - Mar 16

BOARD OF DIRECTORS

MR. DEEPAK PURI
Chairman & Managing Director

MRS. NITA PURI
Whole Time Director

MR. VINEET SHARMA
Independent and Non-Executive Director

MR. SANJAY JAIN
Independent and Non-Executive Director

MR. SAMRISH BHANJA
Additional Director

CONTENTS

Chairman's Message	02
Directors' Report	04
Management Discussion and Analysis	33
Corporate Social Responsibility	43
Corporate Governance Report	46
Independent Auditors' Report	68
Balance Sheet	74
Profit & Loss Account	75
Cash Flow Statement	76
Significant Accounting Policies and Notes on Accounts	78
Auditors' Report on Consolidated Financials	112
Consolidated Financial Statements	121
Information pertaining to Subsidiary Companies	167

CHAIRMAN'S MESSAGE

Dear Shareholders,

The global economy is emerging from a turmoil- the Chinese economy slowdown and the European crisis post Brexit, amidst all this gloom, the Indian economy continues to be seen as the silver lining. However, this opportunity is yet to be realized, leaving many dreams to be fulfilled. The Government of India has taken multiple actions in the form of the 'Make in India' campaign and other programs designed to propel the economy towards a stronger GDP growth. The Indian juggernaut needs a steady hand with a long term vision (2030) as its focus rather than short term targets to realize the potential of the Indian market.

While the discussion is on the Indian economy, I must tell you about the wonderful feedback that was shared by global leaders in various forums about India. This is a remarkable change from the past when India was not in the radar for attracting investments. What has prompted this change of sentiment is less important; what is significant is how quickly can the Country utilize this opportunity to decide its fortunes. For me, the current environment is business conducive and will help entrepreneurs ride the storm into calmer seas.

According to the World Bank, the Indian economy is expected to grow at 7.5 per cent in 2015-16, followed by further acceleration to 7.8 per cent in 2016-17 and 7.9 per cent in 2017-18. It is not surprising that India is being perceived as a great investment destination across board, as it

- emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF).
- ranked the highest globally in terms of consumer confidence during October-December quarter of 2015, continuing its earlier trend of being ranked the highest during first three quarters of 2015, as per the global consumer confidence index created by Nielsen.
- Foreign direct investment (FDI) in India have increased by 29 per cent during October 2014-December 2015 period post the launch of 'Make in India' campaign, compared to the 15-month period before the launch.
- The Nikkei/Markit Manufacturing Purchasing Managers' Index (PMI) for February 2016 was reported at 51.1, indicating expansion in Indian manufacturing activity for a second month in a row, as both domestic and foreign demand increased due to lower prices.

While the early indicators are in place for a robust growth but success will depend on how we are able to work as one team, more like a tree than multitude of small branches.

According to a Goldman Sachs report released in September 2015, India could grow at a potential 8 per cent on average from fiscal 2016 to 2020 powered by greater access to banking, technology adoption, urbanisation and other structural reforms.

Currently, the manufacturing sector in India contributes over 15 per cent of the GDP. The Government of India, under the 'Make in India' initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP. Over the next decade, the performance of the manufacturing sector will be critical for achieving India's overall aspirations of growth and employment. Achieving these aspirations would not be easy and will require coordinated efforts to develop necessary enabling infrastructure, educate and skill the population, adapt to emerging technologies and improve labour and capital productivity. Holistic thinking and systemic view on how to bring in some fresh thinking and alignment between different stakeholders will hold the key to success.

As the Country emerges in the global forefront, Indian entrepreneurs have to support the vision of the Government by identifying new avenues for growth and help India leapfrog technology. A focus on R&D will be necessary for Indian businesses to build healthy and more sustainable opportunities.

For a Country with its focus on Make in India, Clean Energy and Energy Efficiency initiatives, your Company, which is a leading global Hi-Tech manufacturer, is well positioned to play a key role in the Indian growth story. The perfect overlay of the Country's growth trajectory with your Company's operations is not by chance but by design. And this opportunity is what makes the case for the banks and financial institutions to continue supporting the efforts of the Company.

Banks and financial institutions in this Country will have to measure up to the daunting task of ensuring financial discipline as well as supporting the industry. When it comes to technology and the ability to scale it to mass consumption, your Company is undoubtedly one of the select few in the country, with a track record of global leadership in the storage media industry, sustained over more than a decade.

Since our last conversation, your Company has taken some decisive steps in continuing with its journey. I believe "tough times do not last but tough people do". This reflects in every action we take – ensuring maximum returns in the tough economic conditions. We are able to do this as our key stakeholders continue to retain their faith in the management and its revival strategy. I am sure, with the support of its stakeholders including banks and financial institutions, your company will once experience an upswing in businesses. We have done it in the past and no reason why it cannot be repeated.

The Company has been increasing focus on businesses that are synergistic with our capabilities, less capital and labour intensive and more domestically oriented. It has been constantly working on the consolidation measures and restructuring of operations according to the business imperatives demanding different capabilities and resources to deliver continued results to the stakeholders. Some of them have been painful but not without appreciation!!! This has resulted in the Company making in-roads in the lucrative LED lighting business and remaining a key player in the Solar PV manufacturing sector.

During the period ended March 31, 2016, the ongoing re-alignment and transition in the global Optical Media industry continued to impact the demand for all the top tier players, notwithstanding the financial constraints, your Company's volumes and margins were on the path of restoration. Your Company continues to focus on product innovation, upholding of its high quality standards, increase in its cost competitiveness and widening of its distribution network to counter the constraints that continues to weigh down the operations.

It is indeed a matter of pride that over the last three decades we have bucked the trend and created a name for ourselves globally, we now need to exhibit the same grit and determination to overcome the challenging times that is faced by your Company.

The dream to empower the consumer in making the right choice of products also ensured developing of a mobile app for LED lighting. Our mobile app suggests the best lighting option a consumer should use given his requirement. It takes multiple factors in to account while suggesting the lighting options. No wonder, the app developed by your Company was awarded by 'CISCO-CNBC' as one of the most exciting developments in the sector.

Our tomorrow is in our hands, and believe me, we can succeed only if we trust and back ourselves to overcome the liquidity issues that continue to hurt our operations. We will always be known as a hi-tech manufacturing player with a compassion for the community that we inhabitate. Your company, even during tough times has worked to empower these communities and make them self-reliant. These non-monetary efforts, over the years are now paying rich dividends for the communities.

I am indeed proud and feel humbled to be able to garner the support and commitment of our associates. Together, we will continue to work on our revival for a better tomorrow.

Best Regards,

(Deepak Puri)

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 33rd Annual Report on the business and operations of the Company together with the Audited Financial Statement for fifteen months period ended 31st March, 2016.

Financial Results (Standalone Operations)

	(Rupees in Million)	
	Period ended March 31, 2016 (Fifteen Months)	Year ended December 31, 2014 (Twelve months)
Gross Sales, Service Income and other Income	7,804	10,106
Profit /(Loss) before Depreciation, Interest and Tax but after Prior Period Items	(700)	(702)
Depreciation / Amortization	1,061	1,809
Interest and Finance Charges	2,744	2,123
Profit / (Loss) before Exceptional Items and Tax	(4,505)	(4,634)
Exceptional Gain / (Loss)	(2,532)	(2,449)
Profit / (Loss) before Tax	(7,037)	(7,083)
Tax Expenses	-	-
Profit / (Loss) after Tax	(7,037)	(7,083)
Profit / (Loss) Carried Forward from Last Year	(16,457)	(9,374)
Depreciation adjustment against reserves	(111)	-
Profit/(Loss) Carried forward to Balance Sheet	(23,605)	(16,457)

Operations

Gross Revenues for fifteen months period ended March 31, 2016 stood at INR 7,804 million, Loss before depreciation, interest, exceptional items and tax stood at INR (700) million.

Market Environment and Outlook

Storage Media Business

During the financial period ended March 31, 2016, despite liquidity challenges, volumes and margins were on the path of restoration. Company's subsidiary has entered into an exclusive distribution agreement with Verbatim (a long term customer of the Company) for sale of Verbatim branded Storage Media and LED products in India. While Average Selling Prices (ASPs) were impacted as compared to the previous year with changing product mix, inputs costs have remained stable. However the Company has been consistently working on improving cost efficiencies across the entire value chain.

Regulatory action by the Government of India against dumping of USB drives by players from select countries has allowed Moser Baer the opportunity to recover its market share in this segment through sale of the Moser Baer and other OEM branded products.

Moser Baer continues to remain one of the leading players in the global Storage Media industry both in terms of low cost mass manufacturing and in offering a wide range of high quality products. Our strong focus on quality and service has resulted in continued business alliances with leading OEMs across the world.

During the period, the Company undertook several steps aimed at lowering the overheads and aligning resources with current levels of operations. Further consolidation in Greater Noida facility is being executed which will result in lower power consumption and lower fixed overheads. The company continued to right size its employee base to current level of operations. These steps are expected to positively impact the company's operations in the near to medium term.

We are aggressively pursuing new geographies like Africa and several countries in Latin America for incremental markets and customer acquisition and expect our Non- OEM market share to increase in the coming quarters.

In the medium term, the Optical Media industry is expected to continue to witness overall volume decline globally. The trend is more accelerated in the developed economies. However, emerging markets such as Africa, Eastern Europe and parts of Asia would continue to remain stable with pockets of growth in DVD and Blu-ray formats.

In the near future, the Solid State Media segment will continue to show healthy growth, given the market demand, regulatory action against predatory imports, strong relationships with OEM customers and strong brand equity of Moser Baer in India and is limited only by liquidity constraints.

The Company continues to focus on product innovation, upholding of its high quality standards, increase in its cost competitiveness and on widening of its distribution network.

Solid State Lighting

The company had chosen the Solid State Lighting business some time ago as a strategic area to build a potential new growth business by leveraging its existing manufacturing facilities and capabilities. During the period, the Company moved towards establishing itself as a key player in the Indian LED market, with a large number of B2B clients and an initial foray into the B2C segment.

We have commenced production of LED lighting products in our manufacturing facility (with imported LED Chips and some other components), leveraging our existing asset and skill base. We will however continue to use outsourced contract manufacturers also to manufacture select LED products designed by Moser Baer as per our quality specifications.

The company is scaling up operations in LED lighting space by leveraging its brand strength and expanding its distribution network nationally

Photo Voltaic Business

In the Solar PV segment, the global solar industry witnessed installations of 50.6 GW during 2015 while the home market added more than 2 GW capacity in 2015 to reach a cumulative capacity of 5.6 GW by the end of the year.

To take advantage of opportunity due to the Domestic Content Regulations in the solar sector, Moser Baer's PV subsidiary had initially re-started its cell manufacturing operations in the early part of 2015 but was hampered by employee unrest and volatility of DCR demand thereafter.

During the period, liquidity pressures continued to persist and have been critically impacting our ability to enhance manufacturing operations and capacity utilization levels. However, the positive global macro sector environment along with a high potential domestic market provides opportunity to us to benefit from these segments, given that we are the largest integrated PV manufacturer in India, and we begin the FY 2016-17 period with a 45 MW order under implementation.

Dividend

Considering the operating performance for the financial period ended on March 31, 2016, your Directors do not recommend any dividend for the period.

Reserves

During the period, considering the operating performance of the Company, the Company has not transferred any amount in General Reserve.

Fixed deposits

During the period under review, your Company has not accepted any deposit under Section 73 of the Companies Act, 2013 and rules made there under.

Share Capital

The Company has allotted 9,879 Equity Shares of Rs. 10/- each pursuant to conversion request received from a Foreign Currency Convertible Bond holder during the period.

Further, pursuant to a scheme of Corporate Debt Restructuring, notified by Reserve Bank of India, the Company has issued and allotted 13,450,000 equity shares to Promoter Group, which was approved by a Special Resolution passed by the shareholders through Postal Ballot.

These shares have been listed at National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

Financial Year

The Company closed its financial year on March 31, 2016 for a period of 15 months to align with the requirements of Companies Act, 2013. The next financial year i.e. 2016-17 shall be for a period of 12 months.

Consolidated Financial Statement

Your Company is also presenting the audited consolidated financial statements prepared in accordance with the Accounting Standard 21 issued by the Institute of Chartered Accountants of India. Further, pursuant to the provisions of Section 129(3) read with Rule 5 of Companies (Accounts) Rules, 2014, statement containing salient features of the financial statements of subsidiary companies is disclosed separately and forms part of the annual report

Board of Directors and its meetings

During the period under review, Mr. Samrish Bhanja, has been appointed as Additional Director on the Board with effect from June 22, 2015. Further, M/s. Electra Parters Mauritus Limited withdrew its nominee Mr. John Levack from the Board of Directors with effect from November 09, 2015. He was associated with the Company since 2003. The Board places on record its appreciation for the contribution during his tenure as Director of the Company.

In terms of the provisions of Section 152 of the Companies Act, 2013, Mrs. Nita Puri, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers herself for re-appointment.

During the period under review, the Company conducted eight Board Meetings i.e. February 26, 2015, May 11, 2015, June 2, 2015, August 13, 2015, September 24, 2015, November 11, 2015, January 7, 2016 and February 11, 2016.

The details of Directors being recommended for appointment or re-appointment pursuant to Regulation 33(3) of the Listing Regulations are contained in the accompanying Notice of the ensuing Annual General Meeting.

All new independent directors inducted into the Board are provided with various materials on the Company and updated from time to time. They are also issued formal letter of appointment outlining his/her role, function, duties and responsibilities.

The Company has constituted various committees of the Board of Directors, details whereof are given in Corporate Governance Report.

Appointment and declaration of Independent Directors

The Company has received a declaration of independence from all Independent Directors under Section 149(6) of Companies Act, 2013 and rules made there under. This is also in compliance of regulation 25(2) of SEBI (LODR) Regulation, 2015.

Key Managerial Personnel

Mr. Yogesh Bahadur Mathur, Group President – Moser Baer & Group Chief Financial Officer of Moser Baer Group was nominated as Chief Financial Officer of the Company under the Companies Act, 2013 during the period under review.

Subsidiary and Associate Companies

As on March 31, 2016, the Company had 21 subsidiaries including indirect subsidiaries. All these companies are 100% beneficially owned by Moser Baer India Limited. The Company regularly monitors the performance of such companies. Details of subsidiaries including subsidiaries liquidated/closed is given in one of the Annexure to this report.

The Company shall make available the annual accounts of the subsidiary companies to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the registered office of the Company and respective subsidiary companies. Further, the annual accounts of the subsidiaries are also available on the website of the Company viz. www.moserbaer.com. The consolidated financial statements presented by the Company include the financial results of its subsidiary companies.

Policy on director's appointment and remuneration

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board, and separate its function of governance and management. As on March 31, 2016, the Board consist of five members, two of whom are executive/whole-time directors, remaining three are independent directors.

The policy of the Company on director's appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Sub-section (3) of Section 178 of the Companies Act, 2013, adopted by the Board, is appended as Annexure 1 to the Board's report. We affirm that the remuneration paid to the director is as per the terms laid out in the nomination and remuneration policy of the Company.

Circulation of Audited Financial Statements

In terms of the provisions of section 136 of the Companies Act, 2013, the Board of Directors have decided to circulate the abridged Annual Report containing salient features of the Balance Sheet and statement of Profit & Loss to the shareholders for the financial period ended on 31st March, 2016. Full version of the Annual Report will be available on Company's website www.moserbaer.com and will also be made available to shareholders upon request.

As in the previous year, this financial period too, the Company is publishing statutory information in the print version of the annual report. However, we shall be sending full Annual Report through email to those shareholders who have registered their email id with their Depository Participant/Company's Registrar & Share Transfer Agent. In case a shareholder wishes to receive a printed copy, he/she may please send a request to the company, which will send the Annual Report to the shareholder. For members who have not provided their email ids, physical copy is being sent in permitted mode.

Auditors & Auditor's Report

At the Annual General Meeting of the Company held on 30th June, 2015, M/s. Walker, Chandiok & Co. LLP (Firm Regn. No. 001076N/N500013), chartered accountants, statutory auditors of the Company, were appointed to hold office until the conclusion of 37th Annual General Meeting. Further, as per Section 139 of the Companies Act, 2013, their appointment shall be placed for ratification at every Annual General Meeting. Accordingly, the appointment of M/s. Walker, Chandiok & Co. LLP is placed for ratification by the shareholders.

The Audit Committee at its meeting held on August 11, 2016 has recommended to ratify the appointment of M/s. Walker, Chandiok & Co. LLP as statutory auditors of the Company.

Auditors' report is self-explanatory and therefore does not require further comments and explanation.

There was no matter to be reported by the Auditors/Board of Directors as per requirements of Section 143(12) or Section 134(3)(ca) of the Companies Act, 2013.

Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on March 31, 2016 and of the loss for the period ended on that date;
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- We have prepared the annual accounts on a going concern basis.
- We have laid down internal financial controls to be followed by the company and that such financial controls are adequate and were operating effectively.
- We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Stock Option Plan

Your Company was having Stock Option Plan(s) for its Non-Executive Directors i.e. Directors Stock Option Plan - 2005 ("DSOP-2005") and for its employees i.e. Employees Stock Option Plan-2004 and Stock options plan 2009 ("ESOP – 2009"). During the last annual general Meeting, the Shareholders approved termination of these plans. All the outstanding Stock Options vested and in force at the beginning of the Financial Period were cancelled or surrendered and no options were exercised during the period.

The Shareholders further approved in the last annual General Meeting of the Company – Stock Option Plan 2015 for employees of the Company and its subsidiaries.

During the period under review, the Nomination and Remuneration Committee of the Board of Directors has not granted any new options to employees of the Company under any of the above Schemes.

Restructuring of Outstanding Foreign Currency Convertible Bonds (FCCB)

Your Company had issued US$ 75mn Zero Coupon Tranche A Convertible Bonds and US$ 75mn Zero Coupon Tranche B Convertible Bonds (the "Bonds") in June 2007 with a tenure of 5 years. Since then, your Company bought back outstanding Bonds with a face value amounting to US$ 61.5mn. The conversion price of these Bonds has been significantly higher than the market price of the Equity Shares of the Company at the relevant times and the Bonds were not converted into equity shares. The Company's foreign currency convertible bonds (FCCBs) were due for redemption on 21 June 2012. During the period Jan'15-Mar'16, FCCBs of the face value of $0.1mn were converted into equity shares as per the terms of the FCCBs.

The financial statements for the period ending March 31, 2016 reflect outstanding FCCBs at their face value of $ 88.4 mn (equivalent to Rs 5,857 million), along with premium on redemption. As at 31 March 2016, such accrual for premium on FCCB aggregates Rs 4,983.9 million. The company is in the process of negotiation with the bondholders to re-structure the terms of these bonds; these negotiations have progressed and the Company has applied to the RBI, lender banks and CDR-EG for requisite approvals. Lender support continues to be crucial/ on critical path to successful completion of the restructuring and the Company is in active discussion with the lenders on this issue

Debt Restructuring

The Corporate Debt Restructuring (CDR) schemes of the Company, as well as of its subsidiary PV companies were earlier approved in FY 2012-13 and were under implementation. A debt of INR 23,700 million for the company, INR 8,650 million for Helios Photo Voltaic Ltd. and of INR 9,560 million for Moser Baer Solar Ltd. was conclusively restructured, additional funds provided and interest funded. After execution of the Master Restructuring Agreement and other key documentation, the respective schemes have been under implementation.

The Company however continued to face severe liquidity issues primarily resulting from non-release of sanctioned working capital limits and refunds due to the Company. As a result, the Company has been unable to comply with repayment terms of its borrowing arrangement with secured lenders as agreed in the CDR package approved in year ended March 31, 2013. Meanwhile, the Company had approached the lender consortium for a revised debt restructuring plan, which included deferment of debt and interest repayment, disposal of surplus assets and infusion of fresh capital by the promoters. The banks instituted a TEV study which was conducted by a reputed professional agency appointed by bank and which has since submitted its report to the lenders. During the period, some of the Banks have issued notices for Loan Recall and Wilful Default to which the Company has duly responded to under legal advice. None of these notices have impacted the operations of the Company.

In a recent meeting, the lenders have indicated their intention to exit from the CDR and initiate legal proceedings against the company subject to approval of their competent authorities. Some lender banks have submitted approval from their competent authorities to exit from CDR. However, in the absence of requisite mandate, no decision was taken and the matter of exit from CDR was deferred to a subsequent CDR EG meeting. Meanwhile, the lender banks have allowed the Company to continue to operate through TRA with 6% tagging progressively to be increased to 9% by September 2016. The Company continues to engage with management of banks towards resolution of the debt.

In March 2016, one of the lender banks assigned its outstanding dues in favour of an Asset Reconstruction Company.

The company has been operating at suboptimal levels due to working capital constraints, resulting in adverse impact on cash flow from operations. With progressive restoration of OEM Optical Media business, expected generation of funds through sale of surplus assets and promoter contribution, accompanied by satisfactory resolution of debt from banks, the company expects to achieve better utilization of its manufacturing facilities and consequently, generate positive cash flow from operations.

PV Subsidiaries

During FY 2012-13, Secured Lenders (Banks) had approved the Corporate Debt Restructuring of Helios Photovoltaic Limited ("HPVL"), one of the subsidiary companies. The CDR was not fully implemented and HPVL was unable to service the repayments/ payments of loan/ interest in accordance with CDR which resulted in HPVL's debt becoming a non-performing asset with all the banks.

Consequently, the Monitoring Institution made a recommendation to the CDR Empowered Group along with approval of majority secured lenders to seek exit of HPVL's account from CDR and the CDR EG approved this exit on 28th October 2015. The management continues to engage with lender banks for resolution of the debt and has further submitted a plan for revival of the company.

In respect of Moser Baer Solar Limited (MBSL), another subsidiary company, implementation of the CDR Scheme was impacted by factors such as delay in receipt of SIPS Capital Subsidy from the Govt and non release of working capital limits and refunds by lenders. This resulted in severe liquidity crunch due to which, it was unable to comply with repayment terms of its borrowing arrangements with secured lenders as agreed in the CDR package approved in FY 2012-13. MBSL accordingly approached these lenders for a revised debt restructuring plan. The Monitoring Institution of MBSL instituted a TEV study which was conducted by a reputed professional agency which has submitted its report to the lenders. The TEV report is under consideration of the lender Banks.

Some of the lender banks have also issued letters/ notices for Loan Recall, Wilful Default and under SARFAESI Act against the PV subsidiaries to which the subsidiaries have suitably responded to under legal advice. None of these notices however have impacted the operations of the PV Subsidiaries

Fortunately, the domestic industry environment in Solar has turned extremely positive in the recent past following the thrust on 'Make in India' and the announcement of a slew of initiatives supporting solar manufacturing. These companies have been operating at sub optimal levels despite the improved market environment, due to working capital constraints. Release of funds under the Special Incentive Package Scheme (SIPS), continuation of Govt measures supporting manufacturing,