

MULTI COLOR CORP
Form 10-Q
February 09, 2007
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File #0-16148

Multi-Color Corporation

(Exact name of Registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

50 E-Business Way, Sharonville, Ohio 45241

(Address of principal executive offices)

Registrant's telephone number (513) 381-1480

31-1125853
(IRS Employer
Identification No.)

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common shares, no par value 6,633,323 (as of February 5, 2007)

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MULTI-COLOR CORPORATION

FORM 10-Q

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(Unaudited)

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	December	December	December	December
	31, 2006	31, 2005	31, 2006	31, 2005
Net revenues				
Decorating Solutions	\$ 46,958	\$ 44,304	\$ 142,135	\$ 130,431
Packaging Services	9,083	11,492	22,125	22,069
Intersegment		(233)	(318)	(545)
Total net revenues	56,041	55,563	163,942	151,955
Cost of revenues				
Decorating Solutions	38,316	36,188	114,978	106,481
Packaging Services	7,093	10,196	19,202	20,818
Intersegment		(233)	(318)	(545)
Total cost of revenues	45,409	46,151	133,862	126,754
Gross profit	10,632	9,412	30,080	25,201
Selling, general and administrative expenses	5,147	4,380	14,985	12,683
Acquisition expense	3,048		3,048	
Operating income	2,437	5,032	12,047	12,518
Interest expense	250	451	1,005	1,450
Other (income) expense, net	(258)	(16)	(353)	(62)
Income before income taxes	2,445	4,597	11,395	11,130
Income tax expense	916	1,879	4,252	4,452
Net income	\$ 1,529	\$ 2,718	\$ 7,143	\$ 6,678
Basic earnings per common share	\$ 0.23	\$ 0.42	\$ 1.08	\$ 1.03
Diluted earnings per common and common equivalent share	\$ 0.22	\$ 0.40	\$ 1.05	\$ 0.99
Dividends per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
Weighted average shares and equivalents outstanding:				
Basic	6,608	6,528	6,591	6,512
Diluted	6,822	6,728	6,800	6,725

The accompanying notes are an integral part of the consolidated financial statements.

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MULTI-COLOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share data)

	December 31, 2006	March 31, 2006
ASSETS		
Current assets:		
Cash	\$ 1,904	\$ 3,179
Accounts receivable, net of allowance of \$1,063 and \$1,874 at December 31, 2006 and March 31, 2006, respectively	23,834	24,248
Inventories	14,355	16,891
Deferred tax assets	1,734	1,856
Prepaid and refundable income taxes		396
Prepaid expenses and other	1,000	2,516
Total current assets	42,827	49,086
Property, plant and equipment, net	46,566	50,083
Goodwill	11,759	11,759
Intangible assets, net	1,751	2,104
Other	104	602
Total assets	\$ 103,007	\$ 113,634
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 7,544	\$ 5,876
Accounts payable	13,721	14,606
Current portion of deferred revenue	53	191
Accrued income taxes	127	1,708
Accrued liabilities	2,517	2,618
Accrued payroll and benefits	4,878	4,516
Total current liabilities	28,840	29,515
Long-term debt	2,880	21,925
Deferred tax liabilities	8,479	7,899
Deferred compensation and other	2,432	1,291
Total liabilities	42,631	60,630
Commitments and contingencies		
Stockholders equity:		
Common stock, no par value, stated value of \$.10 per share; 15,000 shares authorized, 6,656 and 6,604 shares issued at December 31, 2006 and March 31, 2006, respectively	340	334
Paid-in capital	18,241	16,319
Treasury stock, 29 shares at cost	(119)	(119)
Restricted stock	(275)	
Retained earnings	42,198	36,047
Accumulated other comprehensive income (loss)	(9)	423

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Total stockholders' equity	60,376	53,004
Total liabilities and stockholders' equity	\$ 103,007	\$ 113,634

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**MULTI-COLOR CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(In thousands)

	Nine Months Ended December 31,	
	December 31, 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,143	\$ 6,678
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,534	4,616
Amortization	353	378
Gain on interest rate swap termination	(217)	
Net loss on disposal of equipment	65	15
Increase in non-current deferred compensation	155	92
Stock based compensation expense	600	
Excess tax benefit from stock based compensation	(374)	395
Impairment loss on long-lived assets	15	75
Deferred taxes, net	698	1,019
Net (increase) decrease in accounts receivable	414	(2,886)
Net (increase) decrease in inventories	2,536	(1,395)
Net (increase) decrease in prepaid expenses and other	2,116	(1,276)
Net increase (decrease) in accounts payable	(886)	3,843
Net increase (decrease) in accrued liabilities	(1,279)	2,964
Net increase (decrease) in deferred income	(138)	287
Net cash provided by operating activities	15,735	14,805
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,917)	(3,525)
Refund on acquisition purchase price	1,666	272
Proceeds from sale of plant and equipment	1	4
Net cash provided by (used in) investing activities	(250)	(3,249)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving line of credit	2,000	1,000
Payments on revolving line of credit	(2,000)	(2,000)
Proceeds from issuance of common stock	1,052	482
Proceeds from interest rate swap termination	180	
Excess tax benefit from stock based compensation	374	
Repayment of long-term debt	(17,377)	(7,318)
Dividends paid	(989)	(977)
Repayment of capital lease obligations		(7)
Net cash used in financing activities	(16,760)	(8,820)
Net increase (decrease) in cash	(1,275)	2,736
Cash, beginning of period	3,179	345
Cash, end of period	\$ 1,904	\$ 3,081

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	1,047	1,244
Income taxes paid, net of refunds received	4,673	2,644

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:

Interest rate swap fair value	(391)	608
Assets acquired through lease	1,087	

The accompanying notes are an integral part of the consolidated financial statements.

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MULTI-COLOR CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands except per share data)

Item 1. Financial Statements (continued)

1. Description of Business and Significant Accounting Policies:

The Company:

Multi-Color Corporation (the Company), headquartered in Cincinnati, Ohio, supplies printed labels, engravings and packaging services to consumer product and food and beverage companies, retailers and container manufacturers primarily located in the United States, Canada, Mexico and Central and South America. The Company has manufacturing plants located in Scottsburg, Indiana; Batavia, Troy and Cincinnati, Ohio; Erlanger, Kentucky; Framingham, Massachusetts; Green Bay and Watertown, Wisconsin and Norway, Michigan.

Basis of Presentation:

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Although certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP), have been condensed or omitted pursuant to such rules and regulations, the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 2006 Annual Report on Form 10-K.

The information furnished in these condensed consolidated financial statements reflects all estimates and adjustments which are, in the opinion of management, necessary to present fairly the results for the interim periods reported.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior year balances have been reclassified to conform to current year classifications.

Use of Estimates in Financial Statements:

In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition:

The Decorating Solutions segment recognizes revenue on sales of products when the customer receives title to the goods, which is generally upon shipment or delivery depending on sales terms. The Packaging Services segment recognizes revenue upon completion of the service provided to the customer or in certain circumstances, when the customer receives title to the goods upon shipment. All revenues are denominated in U.S. dollars and net of applicable returns and discounts.

Inventories:

Inventories are stated at the lower of FIFO (first-in, first-out) cost or market. Excess and obsolete cost reductions are generally established based on inventory age.

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Property, Plant and Equipment:

Property, plant and equipment are stated at cost.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	20-39 years
Machinery and equipment	3-15 years
Computers	3-5 years
Furniture and fixtures	5-10 years

Goodwill and Intangible Assets:

In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized and the Company tests goodwill annually as of February 28th of each fiscal year for impairment by comparing the fair value of the reporting unit goodwill to its carrying amount. The test is completed on a reporting unit basis and the Company has determined that each of its segments is one reporting unit. Under SFAS No. 142, impairment is also tested when events or changes in circumstances indicate that the assets carrying values may be greater than the fair values. Intangible assets with definite useful lives continue to be amortized using the straight-line method, which approximates the economic benefit, over periods of up to eight years. Intangible assets are also tested for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

Income Taxes:

Deferred income tax assets and liabilities are provided for temporary differences between the tax basis and reported basis of assets and liabilities that will result in taxable or deductible amounts in future years.

Fair Value Disclosure:

The fair value of financial instruments approximates carrying value.

Derivative Financial Instruments Interest Rate Swaps:

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, Accounting for Derivatives and Hedging Activities, as amended. This standard requires the recognition of derivative instruments as either assets or liabilities in the balance sheet at fair value and the recognition of resulting gains or losses as adjustments to earnings or other comprehensive income. The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

The Company manages interest costs using a mixture of fixed rate and variable rate debt. Additionally, the Company enters into interest rate swaps whereby it agrees to exchange with a counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount.

The Company's interest rate swaps have been designated as effective cash flow hedges at inception and on an ongoing quarterly basis and therefore, any changes in fair value are recorded in other comprehensive income. If a hedge or portion thereof is determined to be ineffective, any changes in fair value would be recorded in the consolidated income statement.

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New Pronouncements:

In February 2006, the Financial Accounting Standards Board (FASB) issued SFAS 155, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140 (SFAS 155). SFAS 155 allows financial instruments that contain an embedded derivative and that otherwise would require bifurcation to be accounted for as a whole on a fair value basis, at the holders election. SFAS 155 also clarifies and amends certain other provisions of SFAS 133 and SFAS 140. SFAS 155 will be effective for the Company on April 1, 2007 and will not have a material impact on operating results or financial position.

In March 2006, the FASB issued SFAS 156, Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140 (SFAS 156). SFAS 156 provides guidance on the accounting for servicing assets and liabilities when an entity undertakes an obligation to service a financial asset by entering into a servicing contract. SFAS 156 will be effective for the Company on April 1, 2007 and will not have a material impact on operating results.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Company recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of April 1, 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on the Company s consolidated financial position, results of operations and cash flows.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 provides interpretive guidance on how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in the current year financial statements. SAB 108 is effective for fiscal years ending on or after November 15, 2006, which for the Company is March 31, 2007 and will not have a material impact on operating results or financial position.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurement. This statement applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 will be effective for the Company on April 1, 2007 and will not have a material impact on operating results or financial position.

Also in September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Retirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R), (SFAS 158). SFAS 158 requires employers to recognize the overfunded or underfunded status of a defined benefit post-retirement plan as an asset or liability in its statement of financial position. Further, SFAS 158 requires employers to recognize changes in the funded status in the year in which the provisions of SFAS 158 are effective. SFAS 158 will be effective for the Company as of March 31, 2007 and will not have a material impact on operating results or financial position.

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The computation of basic earnings per common share (EPS) is based upon the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of shares, and if dilutive, potential common shares outstanding during the period. Potential common shares outstanding during the period consist of restricted shares and the incremental common shares issuable upon the exercise of stock options. The dilutive effect of outstanding stock options and restricted shares is reflected in diluted EPS by application of the treasury stock method.

The following is a reconciliation of the number of shares used in the basic and diluted EPS computations (shares in thousands):

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2006		2005		2006		2005	
	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount
Basic EPS	6,608	\$ 0.23	6,528	\$ 0.42	6,591	\$ 1.08	6,512	\$ 1.03
Effect of dilutive stock options	214	0.01	200	0.02	209	0.03	213	0.04
Diluted EPS	6,822	\$ 0.22	6,728	\$ 0.40	6,800	\$ 1.05	6,725	\$ 0.99

3. Inventories:

Inventories are comprised of the following:

	December 31,		March 31,
	2006	2006	2006
Finished goods	\$ 9,323	\$ 11,195	
Work in process	2,525	2,174	
Raw materials	4,460	5,112	
	16,308	18,481	
Inventory reserves	(1,953)	(1,590)	
	\$ 14,355	\$ 16,891	

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The components of the Company's debt consisted of the following:

	December 31, 2006	March 31, 2006
Scottsburg Industrial Revenue Bonds, floating weekly rate (4.05% at December 31, 2006), monthly interest payments, principal due October 2009	\$ 2,365	\$ 2,365
Clermont County Industrial Revenue Bonds, floating weekly rate (3.60 % at December 31, 2006), monthly interest payments, principal due March 2016	2,785	2,785
Note payable to Avery Dennison Corporation, annual principal payments of \$1,099 plus interest at 5%.		1,099
Mortgage note payable, interest at LIBOR plus 1.50%, (6.87% at December 31, 2006), quarterly principal payments of \$45 plus interest, scheduled balloon payment of \$1,800 due November 2013	3,060	3,195
Bank term note payable, interest at LIBOR plus 1.25%,		2,000
Bank term note payable, interest at LIBOR plus 1.25%, (6.62% at December 31, 2006), quarterly principal payments of \$714 plus interest, due November 2007	2,214	16,357
	10,424	27,801
Less-current portion of debt	(7,544)	(5,876)
	\$ 2,880	\$ 21,925

The following is a schedule of future annual principal payments as of December 31, 2006.

Year 1	\$ 7,544
2	180
3	180
4	180
5	180
Thereafter	2,160
Total	\$ 10,424

The Company maintains a credit facility with a consortium of lenders consisting of a revolving line of credit (Revolver), a non-revolving line of credit (Non-Revolver), a swing-line note (Swing-Line) and a Term Note. The Revolver provides for borrowings up to a maximum of \$10,000 and interest rates are based upon prime or LIBOR plus certain margin amounts based upon the Company's leverage ratio. The Company had no outstanding borrowings under the Revolver at December 31, 2006. At December 31, 2006, the Company had outstanding borrowings of \$2,214 under the Non-Revolver in conjunction with the acquisition of the NorthStar Print Group (NSPG) in January 2005. The Swing-Line provides for borrowings of up to \$2,000 with one of the lenders and interest is based on the prime rate. The Company had no outstanding borrowings under the Swing-Line at December 31, 2006 and had no outstanding borrowings under the Term Note.

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The credit facility also contains various financial and operating covenants which, among others, require the Company to maintain certain leverage, fixed charge coverage and net worth ratios and limits the payment of dividends to \$1,500 annually. The credit agreement expires November 1, 2007. As of December 31, 2006, the Company was in compliance with all debt covenants.

With respect to the Industrial Revenue Bonds (IRBs), the Company has the option to establish the IRBs interest rate form (variable or fixed interest rate). When a fixed interest rate is selected, the fixed rate assigned will approximate the market rate for comparable securities. When a variable rate is selected, or at the end of a fixed interest rate period, the bondholders reserve the right to demand payment of the IRBs. In the event that any of the bondholders exercise their rights, a remarketing agent is responsible for remarketing the IRBs on a best efforts basis for not less than the outstanding principal and accrued interest. In the event the IRBs are not able to be remarketed and the letters of credit are exercised, the lender is committed to providing financing for up to 458 days. These related letters of credit expire on November 1, 2007, in conjunction with the expiration of the credit agreement. As a result, all outstanding debt under the IRBs has been classified as short-term debt as of December 31, 2006.

Substantially all assets of the Company are pledged as collateral under the Company's borrowings.

5. Segment Information:

The Company is organized into two segments within the packaging industry: Decorating Solutions and Packaging Services. The Decorating Solutions segment's primary operations involve the design and printing of labels, while the Packaging Services segment provides promotional packaging, assembling and fulfillment services. Both segments sell to major consumer product companies. Effective April 1, 2006, all corporate administrative expenses have been allocated to the Company's segments based upon methods that the Company believes are reasonable, such as formulas based on revenues and number of employees. As a result, the Decorating Solutions and Packaging Services income (loss) before income taxes for the three and nine months ended December 31, 2005 have been recast to conform to the current period presentation with no net impact to operating results. The Company recorded a pre-tax charge of \$3,048 for the three months ended December 31, 2006 for the termination of two potential acquisitions, all of which was allocated to the Decorating Solutions segment (see Note 9).

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Financial information by operating segment is as follows:

	Three Months Ended		Nine Months Ended	
	December 31, 2006	2005	December 31, 2006	2005
Sales:				
Decorating Solutions	\$ 46,958	\$ 44,304	\$ 142,135	\$ 130,431
Packaging Services	9,083	11,492	22,125	22,069
Intersegment		(233)	(318)	(545)
	\$ 56,041	\$ 55,563	\$ 163,942	\$ 151,955
Income (loss) before income taxes:				
Decorating Solutions	\$ 858	\$ 3,843	\$ 9,702	\$ 11,253
Packaging Services	1,587	754	1,693	(123)
	\$ 2,445	\$ 4,597	\$ 11,395	\$ 11,130
Capital expenditures:				
Decorating Solutions	\$ 550	\$ 866	\$ 1,321	\$ 1,804
Packaging Services	26	39	123	1,147
Corporate	262	107	473	574
	\$ 838	\$ 1,012	\$ 1,917	\$ 3,525
Depreciation and amortization:				
Decorating Solutions	\$ 1,499	\$ 1,525	\$ 4,405	\$ 4,499
Packaging Services	171	184	481	495
	\$ 1,670	\$ 1,709	\$ 4,886	\$ 4,994
Total assets:				
Decorating Solutions	\$ 84,391		\$ 91,441	
Packaging Services	10,957		11,514	
Corporate	7,659		10,679	
	\$ 103,007		\$ 113,634	

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Effective April 1, 2006, the Company adopted SFAS No. 123 (R), Share-Based Payment, which requires compensation costs related to share-based transactions to be measured at the grant date, based on the fair value of the award, and recognized as expense over the requisite service period. Prior to April 1, 2006, the Company applied Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and accounted for stock options under the intrinsic method. Accordingly, the Company did not recognize expense related to employee stock options because the exercise price of such options equaled the fair value of the underlying stock on the grant date. The Company previously disclosed the fair value of its stock options under the provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123).

The Company elected to adopt the modified prospective application method as provided by SFAS 123 (R), and accordingly, the financial statements for prior periods presented have not been restated.

For the three and nine months ended December 31, 2006, the Company recorded pre-tax compensation expense for stock-based incentive awards of \$217 and \$600, respectively, which increased selling, general and administrative expenses by \$202 and \$555, respectively and cost of revenues by \$15 and \$45 respectively, and had an associated tax benefit of \$84 and \$232, respectively. The impact on basic net income per share for the three and nine months ended December 31, 2006 was \$0.02 and \$0.06, respectively. The impact on diluted net income per share for the three and nine months ended December 31, 2006 was \$0.02 and \$0.05, respectively.

Prior to the adoption of SFAS 123(R), tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options were classified as operating cash flows. These excess tax benefits are now classified as financing cash flows. As a result of adopting SFAS 123 (R), \$374 of excess tax benefits for the nine months ended December 31, 2006 have been classified as a financing inflow.

Upon adoption of SFAS 123 (R), the Company continued to calculate the value of each employee stock option, estimated on the grant date, using the Black-Scholes model, using the following weighted-average assumptions :

	Three Months	
	Ended	Nine Months
	December 31, 2006	Ended December 31, 2006
Expected life (years)	5.0	5.0
Risk-free interest rate	4.57%	4.88%
Expected volatility	34.0%	37.38%
Dividend yield	0.62%	0.63%

The Company estimated volatility based on the historical volatility of its common stock. The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the options in effect at the time of the grant. The dividend yield assumption is based on the Company's history and expectation for dividend payouts. The expected life of the options represents the weighted-average period the stock options are expected to remain outstanding. The expected life assumption is established through the review of historical exercise behavior of option grants with similar vesting periods. Beginning April 1, 2006, the Company began using an estimated forfeiture rate based on historical data. Prior to April 1, 2006, the Company used the actual forfeiture method allowed under SFAS 123, which assumed that all options would

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vest and pro forma expense was adjusted when options were forfeited prior to the vesting dates. SFAS 123 (R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

As of December 31, 2006, the Company reserved 214 shares for future issuance to key employees and directors under the Company's qualified and non-qualified stock option plans. Stock options granted under the plans enable the holder to purchase common stock at an exercise price not less than the market value on the date of grant and will expire not more than ten years after the date of grant. The applicable options vest ratably over a three to five year period. A summary of the changes in the options outstanding for the nine months ended December 31, 2006 is shown below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining life (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2006	459	\$ 15.64		
Granted	180	\$ 31.83		
Exercised	(54)	\$ 13.16		
Forfeited	(19)	\$ 26.16		
Outstanding at December 31, 2006	566	\$ 20.67	8.1	\$ 4,545
Exercisable at December 31, 2006	219	\$ 14.42	6.9	\$ 1,492

As of December 31, 2006, the total compensation cost related to nonvested options not yet recognized and the weighted-average period over which it is expected to be recognized is \$3,052 and 3.8 years, respectively.

The weighted average grant-date fair value of options granted during the nine months ended December 31, 2006 was \$12.37. The total intrinsic value of options exercised during the nine months ended December 31, 2006 was \$297. Cash received from options exercised during the nine months ended December 31, 2006 was \$1,052, with a tax benefit of \$374.

Under the 2006 Director Equity Compensation Plan (the 2006 Director Plan), the Company reserved 200 restricted shares of common stock for future issuance to non-employee directors. The cost of these restricted shares is determined using the fair value of the Company's common stock on the date of the grant and is recognized on a straight-line basis over the three-year vesting period. A summary of the changes in the restricted shares for the nine months ended December 31, 2006 is shown below:

	Restricted Shares	Weighted Average Grant Date Fair Value
Non-vested restricted shares at March 31, 2006	0	\$
Granted	10	\$ 28.75
Vested	0	\$
Forfeited	0	\$
Non-vested restricted shares at December 31, 2006	10	\$ 28.75

As of December 31, 2006, the total compensation cost related to nonvested restricted shares not yet recognized and the weighted-average period over which it is expected to be recognized was \$275 and 2.8 years.

Prior to the adoption of SFAS 123(R), the Company measured compensation expense for its stock option plans using the intrinsic method prescribed by APB No. 25. The Company applied the disclosure provisions of SFAS 123, as if the fair-value based method had been applied in measuring compensation expense.

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The following table illustrates the effect on net income and earnings per share for the three and nine months ended December 31, 2005 as if the Company applied the fair value recognition provisions of SFAS 123 to stock-based compensation:

	Three Months	
	Ended	Nine Months
	December 31, 2005	Ended December 31, 2005
Net income as reported	\$ 2,718	\$ 6,678
Stock based compensation expense determined under the fair value method for all awards, net of income tax benefits	223	380
Net income pro forma	\$ 2,495	\$ 6,298
Net income per common and common equivalent share as reported		
Basic	\$ 0.42	\$ 1.03
Diluted	\$ 0.40	\$ 0.99
Net income per common and common equivalent share pro forma		
Basic	\$ 0.38	\$ 0.97
Diluted	\$ 0.37	\$ 0.94

7. Major Customers:

During the three months ended December 31, 2006 and 2005, sales to major customers (those exceeding 10% of the Company's net sales) approximated 58% and 53%, respectively, of the Company's consolidated net sales. Approximately 29% of sales for the three months ended December 31, 2006 and 2005, were to the Procter & Gamble Company (recorded primarily in the Decorating Solutions segment). Approximately 17% and 12% of sales for the three months ended December 31, 2006 and 2005, respectively were to the Miller Brewing Company (recorded in the Decorating Solutions segment). Approximately 12% of sales for the three months ended December 31, 2006 and 2005, were to the Limited Brands, Inc. (recorded in the Packaging Services segment). In addition, accounts receivable balances of such major customers approximated 35% and 32% of the Company's total accounts receivable balance at December 31, 2006 and March 31, 2006, respectively.

During the nine months ended December 31, 2006 and 2005, sales to major customers approximated 49% and 44%, respectively, of the Company's consolidated net sales. Approximately 31% and 30% of sales for the nine months ended December 31, 2006 and 2005, respectively were to the Procter & Gamble Company (recorded primarily in the Decorating Solutions segment). Approximately 18% and 14% of sales for the nine months ended December 31, 2006 and 2005, respectively were to Miller Brewing Company (recorded in the Decorating Solutions segment).

The loss or substantial reduction of the business of any of the major customers could have a material adverse impact on the Company's results of operations.

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8. Acquisition:

In January 2005, the Company completed its acquisition of NSPG. The preliminary purchase price was subject to adjustment based on the sales margin of certain product lines during the period from July 2005 through July 2006. In September 2006, such adjustment was finalized and the Company received a cash payment of \$1,666 from the seller. This adjustment was recorded as a reduction in the amounts allocated to property, plant and equipment, as the purchase price allocation resulted in no goodwill.

9. Potential Acquisitions:

In November 2006, the Company terminated negotiations related to a potential significant acquisition. As a result, the Company recorded a pre-tax charge of \$2,289 for the three months ended December 31, 2006 related to accounting, legal, and investment banking fees and other transaction costs.

In January 2007, the Company was notified by the seller of a significant acquisition target that they were terminating negotiations with the Company. As a result, the Company recorded an additional pre-tax charge of \$759 for the three months ended December 31, 2006 related to accounting, legal, and investment banking fees and other transaction costs.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Amounts in Thousands)

Information included in this Quarterly Report on Form 10-Q contains certain forward-looking statements that involve potential risks and uncertainties. The Company's future results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed herein and those discussed in the Company's Annual Report on Form 10-K for the year ended March 31, 2006. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date thereof. Results for interim periods may not be indicative of annual results.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. The Company continually evaluates its estimates, including, but not limited to, those related to revenue recognition, bad debts, inventories and any related reserves, income taxes, fixed assets, goodwill and intangible assets. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable under the facts and circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies impact the more significant judgments and estimates used in the preparation of its condensed consolidated financial statements. Additionally, the Company's senior management has reviewed the critical accounting policies and estimates with the Board of Directors' Audit and Finance Committee. For a more detailed discussion of the application of these and other accounting policies, refer to Note 2 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended March 31, 2006.

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Revenue Recognition

The Decorating Solutions segment recognizes revenue on sales of products when the customer receives title to the goods, which is generally upon shipment or delivery depending on sales terms. The Packaging Services segment recognizes revenue upon completion of the service provided to the customer or in certain circumstances, when the customer receives title to the goods upon shipment. All revenues are denominated in U.S. dollars and net of applicable returns and discounts.

Inventories

Inventories are stated at the lower of FIFO (first-in, first-out) cost or market. Excess and obsolete cost reductions are generally established based on inventory age.

Accounts Receivable

Our customers are primarily major consumer brand companies and container manufacturers. Accounts receivable consist of amounts due from customers in connection with our normal business activities. An allowance for doubtful accounts is established to reflect the expected losses of accounts receivable based on past collection history, age and specific individual risks identified. Losses may also depend to some degree on future economic conditions. Although these conditions are unknown to us and may result in additional credit losses, we do not anticipate significant adverse credit circumstances in fiscal 2007. If we are unable to collect all or part of the outstanding receivable balance, there could be a material impact on the consolidated statements of income.

Goodwill and Other Acquired Intangible Assets

We test goodwill and other intangible assets for impairment annually and/or whenever events or circumstances make it more likely than not that an impairment may have occurred. The impairment test is completed based upon our assessment of the estimated fair value of goodwill and other intangible assets. For purposes of these tests, we have determined that each segment of Multi-Color is one reporting unit.

The annual review for impairment of goodwill requires the use of estimates and assumptions which we believe are appropriate. Application of different estimates and assumptions could have a material impact on the consolidated statements of income.

Impairment of Long-Lived Assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate that assets might be impaired and the related carrying amounts may not be recoverable. The determination of whether an impairment has occurred involves various estimates and assumptions, including the determination of the undiscounted cash flows estimated to be generated by the assets involved in the review. The cash flow estimates are based upon our historical experience, adjusted to reflect estimated future market and operating conditions. Measurement of an impairment loss requires a determination of fair value. We base our estimates of fair values on quoted market prices when available, independent appraisals as appropriate and industry trends or other market knowledge. Changes in the market condition and/or losses of a production line could have a material impact on the consolidated statements of income.

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Income Taxes

Income taxes are recorded based on the current year amounts payable or refundable, as well as the consequences of events that give rise to deferred tax assets and liabilities. Deferred tax assets and liabilities result from temporary differences between the tax basis and reported book basis of assets and liabilities and result in taxable or deductible amounts in future years. Our accounting for deferred taxes involves certain estimates and assumptions that we believe are appropriate. Future changes in regulatory tax laws and/or different positions held by taxing authorities may affect the value recorded for income and deferred taxes.

Executive Overview

We provide a wide range of products and services for the packaging needs of our customers through two segments. Our Decorating Solutions segment provides a complete line of label solutions for a wide variety of consumer product and food and beverage companies. Our Packaging Services segment provides promotional packaging design, sourcing and custom assembly services to consumer product companies and national retailers. Our vision is to be a premier global resource of packaging services and decorating solutions. Currently, our customers are located throughout North, Central and South America. We continue to monitor and analyze new trends in the packaging and consumer product industries to ensure that we are providing appropriate products and services to our customers. Certain factors that influence our business include consumer spending, new product introductions, new packaging technologies and demographics.

Consolidated net revenues of \$56,041 for the third quarter of 2007 increased slightly compared to \$55,563 for the third quarter of the prior year. The 6% organic growth rate within our Decorating Solutions segment was a result of expanding business primarily with existing customers. The revenue decrease of 21% within our Packaging Services segment was attributed to a product launch in the prior year that did not recur as well as the timing of sales in the prior year related to the holiday gift season.

For the nine month period ended December 31, 2006, our consolidated net revenues of \$163,942 were 8% higher than the prior year, primarily due to organic growth within our Decorating Solutions segment.

The label markets we serve through our Decorating Solutions segment continue to experience a competitive environment and price pressures. We have initiated many cost reduction programs to meet the demands of the market while minimizing the impact on our margins. We continually search for ways to reduce our costs through improved production and labor efficiencies, reduced substrate waste, new substrate options and lower substrate pricing.

We have continued to make progress in expanding our customer base and portfolio of products, services and manufacturing locations in order to address issues related to customer concentration. We continue to examine business strategies to diversify our business.

Key objectives for fiscal year 2007 include winning new customers, growing existing customers, generating meaningful cost reduction, international business expansion and pursuing selective acquisitions.

Table of Contents**Results of Operations****Three Months Ended December 31, 2006 compared to the Three Months Ended December 31, 2005:**

	2006	2005	\$ Change	% Change
Consolidated Net Revenues	\$ 56,041	\$ 55,563	\$ 478	
Decorating Solutions Segment	\$ 46,958	\$ 44,304	\$ 2,654	6%
Packaging Services Segment	\$ 9,083	\$ 11,492	\$ (2,409)	(21)%
Intersegment	\$	\$ (233)	NA	NA

The Decorating Solutions segment's revenues for the three months ended December 31, 2006 as compared to the same period of the prior year increased primarily due to increasing volume with existing customers. The Packaging Services segment experienced a decrease in net revenues for the third quarter as a result of the timing of sales that shifted from the second quarter to the third quarter of the prior year as a result of the delay in receiving components for the holiday gift set season. In addition, during the three months ended December 31, 2005, the Packaging Services Segment realized growth as a result of a new product launch by an existing customer, which did not recur in the current year quarter.

	2006	2005	\$ Change	% Change
Consolidated Gross Profit	\$ 10,632	\$ 9,412	\$ 1,220	13%
% of Revenues	19%	17%		
Decorating Solutions Segment	\$ 8,642	\$ 8,116	\$ 526	7%
% of Revenues	18%	18%		
Packaging Services Segment	\$ 1,990	\$ 1,296	\$ 694	54%
% of Revenues	22%	11%		

Consolidated gross profit increased \$1,220 or 13% as compared to the same period in the prior year as a result of higher volumes within the Decorating Solutions segment, as well as production efficiencies in the Packaging Services segment. Gross profit within the Decorating Solutions segment increased \$526 primarily due to organic sales growth. In addition, we recorded a \$500 reduction to cost of revenues resulting from a claim with a raw materials supplier. Gross profit in the Packaging Services segment increased \$694 despite the revenue decrease due to cost savings from production efficiencies.

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			\$	%
	2006	2005	Change	Change
Consolidated Selling, General & Administrative	\$ 5,147	\$ 4,380	\$ 767	18%
% of Revenues	9%	8%		
Acquisition Expense	\$ 3,048		\$ 3,048	NA
% of Revenues	5%			

Selling, general and administrative (SG&A) expenses increased \$767 or 18% from the prior year. The increase in SG&A is primarily attributed to increased selling expenses of approximately \$350 and staff increases of approximately \$240 associated with our growth. With the adoption of Statement of Financial Accounting Standards No. 123 (R), Share Based Payment, on April 1, 2006, we began expensing stock options, which resulted in \$202 in SG&A expenses for the three months ended December 31, 2006. In both November 2006 and January 2007, we terminated negotiations related to two potential significant acquisitions. As a result, we recorded pre-tax charges totaling \$3,048 related to accounting, legal, investment banking fees and other transaction costs.

			\$	%
	2006	2005	Change	Change
Interest Expense	\$ 250	\$ 451	\$ (201)	(45)%
Other (Income) Expense, net	\$ (258)	\$ (16)	\$ 242	NA

Interest expense decreased as compared to the same period of the prior year as a result of a decrease in the outstanding debt balance. The outstanding debt balance at December 31, 2006 was \$10,424 compared to a balance of \$32,464 at December 31, 2005. The increase in other income was due primarily to a gain of \$180 realized in connection with the termination of an interest rate swap agreement in December 2006.

			\$	%
	2006	2005	Change	Change
Income Tax Expense	\$ 916	\$ 1,879	\$ (963)	(51)%

Income tax expense decreased \$963 from the third quarter of the prior year primarily as a result of a decrease in earnings. The effective rate decreased from 40.9% to 37.4% due to the extension of the Research and Experimental Credit (R&D Credit) in the third quarter. Our expected tax rate for fiscal year 2007 is 37.6%.

Table of Contents**Nine Months Ended December 31, 2006 compared to the Nine Months Ended December 31, 2005:**

			\$	%
	2006	2005	Change	Change
Consolidated Net Revenues	\$ 163,942	\$ 151,955	\$ 11,987	8%
Decorating Solutions Segment	\$ 142,135	\$ 130,431	\$ 11,704	9%
Packaging Services Segment	\$ 22,125	\$ 22,069	\$ 56	
Intersegment	\$ (318)	\$ (545)	NA	NA

The Decorating Solutions segment's revenue for the nine months ended December 31, 2006 as compared to the same period of the prior year increased primarily due to increasing volume with existing customers, gaining new customers and a new product launch with an existing customer. The Packaging Services segment revenues increased slightly for the nine months ended December 31, 2006 compared to the same period of the prior year as a result of strong service demand of promotional programs from existing customers, which was offset by a product launch by an existing customer in the prior year, which did not recur.

			\$	%
	2006	2005	Change	Change
Consolidated Gross Profit	\$ 30,080	\$ 25,201	\$ 4,879	19%
% of Revenues	18%	15%		
Decorating Solutions Segment	\$ 27,157	\$ 23,950	\$ 3,207	13%
% of Revenues	19%	18%		
Packaging Services Segment	\$ 2,923	\$ 1,251	\$ 1,672	134%
% of Revenues	13%	6%		

Consolidated gross profit increased \$4,879 or 19% as compared to the same period in the prior year as a result of higher sales volume within the Decorating Solutions segment, as well as the production efficiencies experienced in the Packaging Services segment. Gross profit within the Decorating Solutions segment increased due to organic sales growth, favorable product mix and a new product launch mentioned above. Gross profit in the Packaging Services segment increased because of favorable service mix and improved production efficiencies. In the prior year, the Packaging Services segment experienced significant productivity issues related to delays in receiving customer components for the holiday gift season.

			\$	%
	2006	2005	Change	Change
Consolidated Selling, General & Administrative	\$ 14,985	\$ 12,683	\$ 2,302	18%
% of Revenues	9%	8%		
Acquisition Expense	\$ 3,048		\$ 3,048	NA
% of Revenues	2%			

Selling, general and administrative (SG&A) expenses increased \$2,302 or 18% from the prior year. The increase in SG&A is primarily attributed to increased selling expenses of approximately \$1,050 and staff increases of approximately \$770 associated with our growth. With the adoption of Statement of Financial Accounting Standards No. 123 (R) Share Based Payment on April 1, 2006, we began expensing stock options, which resulted in \$555 in SG&A expenses for the nine months ended December 31, 2006. In both November 2006 and January 2007, we terminated negotiations related to two potential significant acquisitions. As a result, we recorded pre-tax charges totaling \$3,048 related to accounting, legal, investment banking fees and other transaction costs.

Table of Contents**Interest and Other (Income) Expense**

			\$	%
	2006	2005	Change	Change
Interest Expense	\$ 1,005	\$ 1,450	\$ (445)	(31)%
Other (Income) Expense, net	\$ (353)	\$ (62)	\$ 291	NA

Interest expense decreased as compared to the same period of the prior year as a result of a decrease in the outstanding debt balance. The outstanding debt balance at December 31, 2006 was \$10,424 compared to a balance of \$32,464 at December 31, 2005. The increase in other income was due to a gain of \$180 realized in connection with the termination of an interest rate swap agreement in December 2006 and \$112 in increased interest income due to higher levels of cash on hand during the nine months ended December 31, 2006.

			\$	%
	2006	2005	Change	Change
Income Tax Expense	\$ 4,252	\$ 4,452	\$ (200)	(4)%

Income tax expense decreased \$200 from the prior year because of a decrease in the effective tax rate, which was partially offset by an increase in earnings. The effective tax rate decreased from 40.0% to 37.3% due to state tax refunds received during the first and second quarters of 2007 that offset current tax expense as well as a reduction in the tax rate in one of the states in which we operate. In addition, our effective rate decreased due to the extension of the R&D Credit in the third quarter of 2007. Our expected tax rate for fiscal year 2007 is 37.6%.

Liquidity and Capital Resources

Through the nine months ended December 31, 2006, net cash provided by operating activities was \$15,735 as compared to \$14,805 the same period of the prior year. The change is due to decreased accounts receivable due to improved collection efforts, decreased inventory levels due to timing of customer orders, and higher net income for the nine months ended December 31, 2006 compared to the same period ended December 31, 2005. This increase was partially offset by a decrease in accounts payable and accrued liabilities due to the timing of payments and accruals.

We expect to make capital expenditures of approximately \$4,500 during fiscal 2007, consisting primarily of plant equipment. We believe that net cash flows from operations are sufficient to fund our working capital requirements, debt service requirements and dividends for the next twelve months.

From time to time we review potential acquisitions of businesses. While there are no present commitments to acquire any businesses that would have a material impact on our financial position or results of operations, such acquisitions may require us to issue additional equity or incur additional debt.

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We maintain a credit facility with a consortium of lenders consisting of a revolving line of credit (Revolver), a non-revolving line of credit (Non-Revolver), a swing-line note (Swing-Line) and a Term Note. The Revolver provides for borrowings up to a maximum of \$10,000 and interest rates are based upon prime or LIBOR plus certain margin amounts based on our leverage ratio. We had no outstanding borrowings under the Revolver at December 31, 2006. The Non-Revolver provided for maximum borrowings of \$45,000; however the lenders have no obligation to make any advances under the Non-Revolver after the Draw Termination date of January 24, 2006. At December 31, 2006, we had outstanding borrowings of \$2,214 under the Non-Revolver. The Swing-Line provides for borrowings of up to \$2,000 with one of the lenders and interest is based on the prime rate. There were no outstanding borrowings under the Swing-Line at December 31, 2006. Under the terms of the credit facility agreement, we are subject to several financial covenants. The financial covenants require us to maintain certain leverage and fixed charge ratios as well as maintain a minimum net worth. Our credit agreement allows us to pay dividends up to \$1,500 in any given year. In September 2006, we entered into an amendment with the lenders to extend the credit agreement through November 1, 2007.

Available borrowings under the credit agreement at December 31, 2006 consisted of \$10,000 under the Revolver and \$2,000 under the Swing-Line.

We believe that we have both sufficient short and long term liquidity financing. We had a working capital position of \$14,461 and \$19,571 at December 31, 2006 and March 31, 2006, respectively. At December 31, 2006, we were in compliance with our loan covenants and current in our principal and interest payments on all debt.

Contractual Obligations

The following table summarizes Multi-Color's contractual obligations as of December 31, 2006:

Aggregated Information about Contractual Obligations and Other Commitments:

December 31, 2006	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Long-term debt	\$ 10,424	\$ 7,544	\$ 180	\$ 180	\$ 180	\$ 180	\$ 2,160
Interest on Long Term Debt (1)	2,297	120	389	365	360	304	759
Rent due under Operating Leases	12,023	1,891	2,055	1,675	1,498	1,362	3,542
Other Long-Term Obligations (2)	1,281	132	31	13	29	44	1,032
Unconditional Purchase Obligations	811	719	78	10	4		
Total Contractual Cash Obligations	\$ 26,836	\$ 10,406	\$ 2,733	\$ 2,243	\$ 2,071	\$ 1,890	\$ 7,493

(1) Interest on floating rate debt was estimated using projected forward LIBOR rates as of December 31, 2006.

(2) Amounts include \$540 of expected post retirement benefit payments and \$741 of deferred compensation obligations. The deferred compensation obligations are included in the more than 5 years column for the timing of such payments that are not determinable.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has no material changes to the disclosures made in the Company's Form 10-K for the year ended March 31, 2006.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Their evaluation concluded that the disclosure controls and procedures are effective in connection with the filing of this Quarterly Report on Form 10-Q for the quarter ended December 31, 2006.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any significant deficiencies or material weaknesses of internal controls that would require corrective action.

Forward-Looking Statements

The Company believes certain statements contained in this report that are not historical facts constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbors created by that Act. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed or implied. Any forward-looking statement speaks only as of the date made. The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which they are made.

Statements concerning expected financial performance, on-going business strategies, and possible future actions which the Company intends to pursue in order to achieve strategic objectives constitute forward-looking information. Implementation of these strategies and the achievement of such financial performance are each subject to numerous conditions, uncertainties and risk factors. Factors which could cause actual performance by the Company to differ materially from these forward-looking statements include, without limitation, factors discussed in conjunction with a forward-looking statement; changes in general economic and business conditions; the ability to consummate and successfully integrate acquisitions; the success and financial condition of the Company's significant customers; competition; acceptance of new product offerings; changes in business strategy or plans; quality of management; the Company's ability to maintain an effective system of internal control; availability, terms and development of capital; cost and price changes; availability of raw materials; business abilities and judgment of personnel; changes in, or the failure to comply with, government regulations, legal proceedings and developments; increases in general interest rate levels affecting the Company's interest costs; and terrorism and political unrest. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Part II - Other Information

- Item 1. Legal Proceedings None
- Item 1A. Risk Factors The Company had no material changes to the Risk Factors disclosed in the Company's Form 10-K for the year ended March 31, 2006.
- Item 2. Unregistered Sales of Equity Securities and Use of Proceeds None
- Item 3. Defaults upon Senior Securities None
- Item 4. Submission of Matters to a Vote of Security Holders None
- Item 5. Other Information None
- Item 6. Exhibits
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Multi-Color Corporation
(Registrant)

Date: February 9, 2007

By: /s/ Dawn H. Bertsche
Dawn H. Bertsche
Senior Vice President Finance,

Chief Financial Officer and Secretary

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