



change

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moserbaer
REWRITING THE FUTURE


annual report 2004

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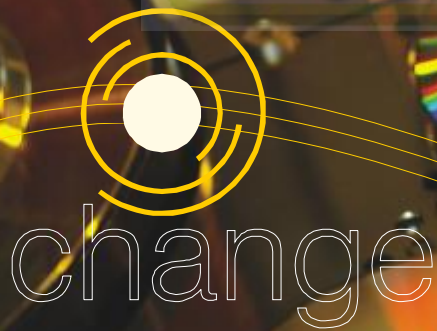


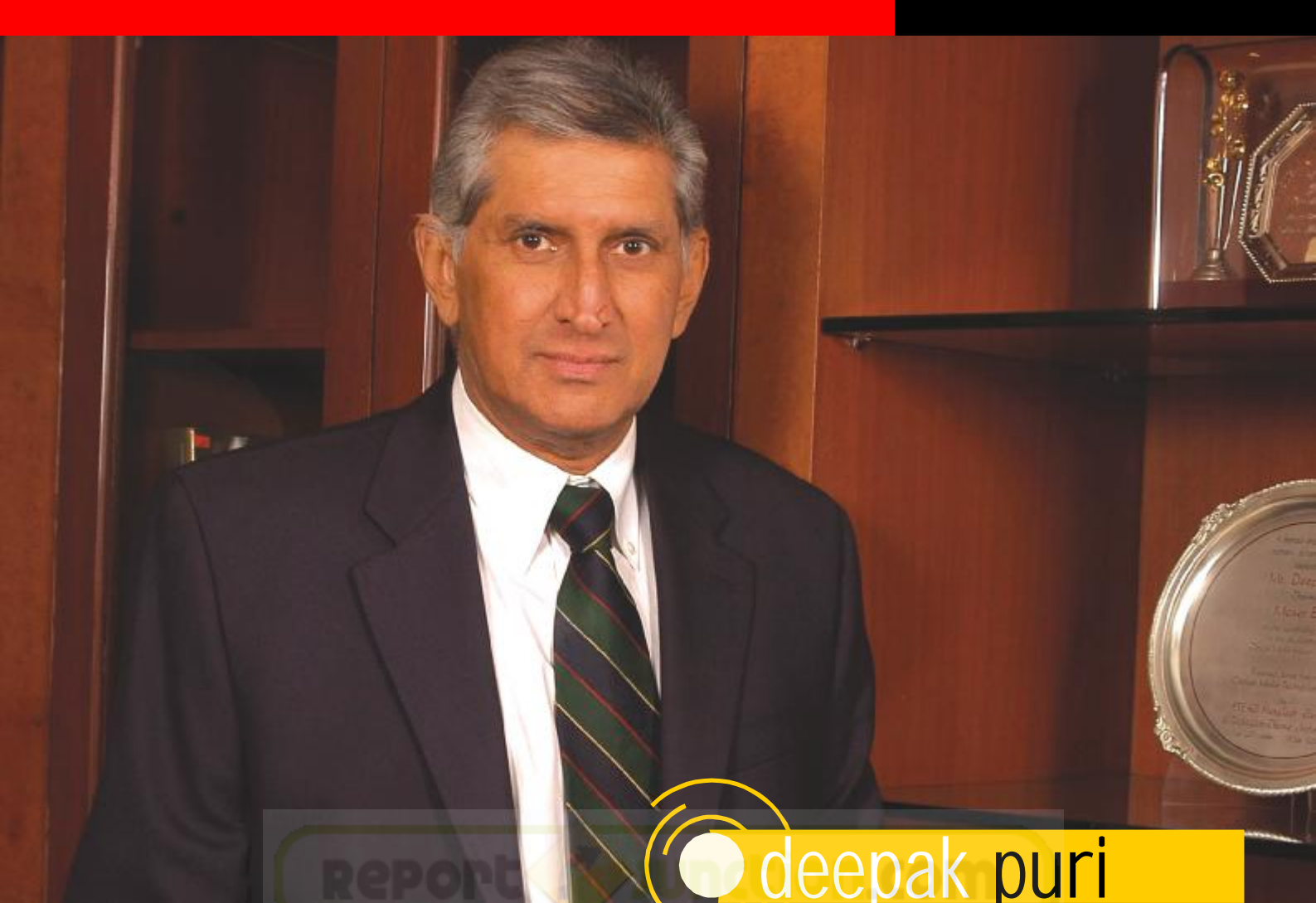


Change is not mandatory.
Success is a choice.

In today's technology intensive world, change is an appropriate synonym for success.

At Moser Baer, we embrace change. Rapid transformation lies at the core of our very foundation as we make our mark in an industry, which is continuously expanding and evolving.


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Report  **deepak puri**
CHAIRMAN & MANAGING DIRECTOR



Converging into the Future

Converging into the Future

Change is inevitable... and who would know it better than those in our industry. For, unlike other old economy industries like the automobiles sector where change generally means a new model each year, in our industry, when we think of change, it is usually in weeks, sometimes months and rarely in years.

In turn, adapting to change is unavoidable. It's how you respond to change that sets you apart. A simple observation by perhaps the greatest writer of our times, George Bernard Shaw, explained this in his inimitable way. "The only man I know who behaves sensibly is my tailor," wrote Shaw, "He takes my measurements anew each time he sees me. The rest go on with their old measurements and expect me to fit them."

Proactive and rapid change

You can either embrace change proactively or follow it on a reactive note. In our world, there is only one way to go. Proactive and rapid change. The 3/3/3 rule authored by Stan Shih in the IT sector is well known. That is 3 months to conceive and introduce a product; 3 months to make money, and 3 months to get out. While optical discs do not face the same pressures as semiconductors and memory chips, the parallels are striking. Time to market is the over-riding consideration.

The future beckons

The thrust of consumer demand continues to push us towards continuous investment in technology to try and attain the highest speed and the largest capacities possible. It is our constant endeavour to attain the leadership status in our core focus area. Additionally, having established an early headstart into the digital world, we have a unique opportunity to exploit our skill sets by leveraging them to drive value in a broader sense.

Synergy and growth

The knowledge economy is a specialized domain and our expertise in precision manufacturing, process intensive and knowledge intensive technological applications is clearly established. It would provide us immense advantage if we were to explore synergistic areas for seamless avenues of growth beyond our current portfolio.

Historically, this has been the way forward once you attain critical mass in a particular area. Moser Baer has displayed foresight and sharp business acumen in investing in the right products at the right time. It is perhaps time to probe the future by an intense but broader look at synergistic avenues, keeping in mind the right mix of investment, risk and market potential and stability.

Without a doubt, the avenues should be on the cutting edge of technology with global market potential and perhaps requiring high quality, low cost mass production. Moser Baer has expertise and experience broadening its basket and will leverage its considerable core competencies to broaden its portfolio and balance risk for future growth.

Small steps for Large strides

Small steps forward that redefine and upgrade our everyday experiences come together to change our world. From diskettes to videos, from CDRs to DVDs, from red laser to blue laser, from 8X to 16X, and before you know it, the world has changed around you. On a broader level, the move from analog to digital meant simply a move from reading curves to reading dots and dashes.

And what a world of a difference that has made!





ratul puri

EXECUTIVE DIRECTOR



New Rules for a New Game

New Rules for a New Game

Every once in a while, the market throws up the cards and sends the players back to the starting line. It changes the rules of the game forcing each contestant back to the drawing board to flesh out game-plans anew.

The successful takeover of the analog world by digital technology has resulted in something similar. It has brought all the players back to the starting gate and continues to do so with regularity.

Previous credentials or experience provide little advantage without foresight and agility. The digital market bows only to new leaders who play the new game by its fresh rules. Victory will embrace players who display speed, strength, ability, innovation and anticipation.

Timing is everything

In this new world timing is everything. The right time to invest, the right time to market, the right time to enter a product and the right time to exit and move forward.

At Moser Baer, this is our strength. We have cultivated the foresight to predict market movements and embrace change.

We first invested in optical discs at a time when the market was in a downturn by correctly anticipating the underlying growth drivers and long-term market potential. At the same time, we accurately foresaw the very powerful long-term competitive advantage that an India based enterprise could offer in an evolving industry; a highly skilled workforce, a competitive cost structure, and a differentiated manufacturing option.

We have consistently synergised our research, engineering, manufacturing capabilities to our marketing network to optimize our time to market and maximize return on investment and emerge as a market leader and the most profitable player in the removal storage media industry.

The multiple avatars of Change

Change is the only constant in our industry and manifests itself in many varied forms. It could emerge in the form of format changes, speed changes, process changes or market changes.

We, at Moser Baer, have been prepared. Moving into digital technology early, we have made a headstart with the right levels of investment and have captured a significant international market share in the optical storage media industry.

The lowest common denominator

With the industry becoming increasingly commoditised, the market today has moved everything to the lowest common denominator. Yet, we have maintained our leadership by converting the art of playing the commodities game into a science. We took the value route when volume was the mantra. We stayed nimble-footed and agile despite catering to a mass-scale global market.

Destination Next

As a prominent player on a worldwide canvas, Moser Baer understands its leadership responsibilities. We recognise the need to make the most of our strong research, development and engineering capabilities to deliver even higher value added products to markets, while continuing to focus on increasing production efficiencies and yields to further increase our cost leadership globally.

The exploding global market in DVD and the growing disposable income levels within the domestic market presents immense scope ahead and we are well positioned to exploit this emerging opportunity. We intend to leverage our manufacturing base, expanded capacities, customer relationship and the explosive growth to significantly enhance our global share and not merely retain, but further improve our leadership position within the industry. In addition, we intend to utilize our core mass manufacturing capabilities, especially in high technology process driven industries to capitalize on the growing global trend towards outsourcing. Our strong core expertise in thin film coating provides us multiple opportunities in a number of high growth areas both within and outside storage media industry. Together, this canvas represents Destination Next at Moser Baer.



 p m pai
PRESIDENT

From Technology Leadership to Process Leadership

Moser Baer is well known for its technology leadership. It has established with agility and speed its ability to stay ahead of the curve in a fast growing and rapidly transforming industry. In addition to investment in technology, Moser Baer has continuously gained market share by maintaining a sharp focus on cutting edge products, world-class quality, cost leadership, and customer satisfaction.

Ensuring continuity in Technology, Quality and Cost Leadership

This year, we have taken a big step forward in establishing systems internally to attain the critical ingredient for continuity of success - process leadership.

We have adopted this year the Balanced Scorecard, in order to ensure that each and every individual in our organization continues to stay aligned to the collective corporate goals even as the organization grows by a monthly average of 150 new hires a month.

Strategic Themes

The Moser Baer corporate scorecard rests on five broad strategic themes of Long Term financial stability, Customer first, Process standardization, Operational excellence and Employee engagement.

These, in turn, flow into the strategic objectives. It goes without saying that long term financial stability would require strong pillars of ROCE, revenue growth, profitability, asset utilization and cost leadership for sustenance.

Similarly, a customer first choice orientation would require a first to market approach, relentless focus on customer satisfaction and relationship management. Having entered the branded segment in the domestic market, it would also need sustained effort in maintaining leadership.

Process standardization needs to be all encompassing. Not only in the manufacturing processes, but also in our financial processes including budgeting and control. In addition, we are focusing on standardization of our supply chain management processes as well as our HR processes. This is symbiotic with operational excellence, which would focus on process improvement, supply demand balancing and cycle time reduction.

Flowing across the organization

All of the above need to rest on a foundation of a skillful and motivated workforce. Employee satisfaction, skill building, a culture of ownership and knowledge management have been the foundations on which Moser Baer has built its success and we will continue to focus on improvement in these areas through engagement, alignment and recognition.

The strategic themes and objectives identified are now flowing down to each and every level of the organization, aligning and sharpening focus on our collective direction. Each function has formulated strategic measures by identifying critical processes and resources central to their success. Function and unit scorecards have been finalized flowing down to individuals with appropriate KRAs with the right weightings.

Maintaining the lifeline

We, at Moser Baer, are clear about our success drivers in the past and at no point will our internal process focus take away from the established priorities of technology, quality and cost leadership. Process leadership is intended to only seal these with a stamp of continuity in success. ■

Change... in speed

At the macro level, the global storage market is transitioning from analogue to digital. Our Optical disk world, not only evolves from one format to another, but within formats we see continuous change, with write speeds increasing by as much as 10 fold in short periods of time. Working hand in hand with drive manufacturers we have built a strong capability to deliver cutting edge products to our customers, allowing us to command a premium position for our products in the marketplace.

Change before you have to
- Jack Welch



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