

competencies are
setting the pace . . .

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SIEMENS

Annual Report 2003
India



Competencies @ setting the pace

In today's fast changing world, our competencies are our winning edge, setting the pace of progress, shaping the future. In Manufacturing or R&D, in Software or Engineering services, we have the ability to integrate technologies across businesses and deliver complete solutions. Our unique portfolio, combined with our innovativeness and know-how, gives us a clear competitive advantage, enabling us to grow profitably.

It is, therefore, our goal to be the 'best in class' in our fields and to create value for our customers, wealth for our shareholders and a future for our employees while giving back graciously to society a piece of our success.

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committed
employees



progressive
society

Financial Highlights

Siemens Ltd.

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
• Orders Received	8383	12740	12071	10836	11547	16754
• Sales	9959	10506	11157	11572	12905	14245
• Profit before Tax	-466	381	946	964	1304	1968
As % of Sales	5%	4%	9%	8%	10%	14%
• Profit after Tax	-560	351	840	687	865	1394
• As % of Sales	-6%	3%	8%	6%	7%	10%
* Net Worth per Share	63.55	68.50	79.89	95.46	114.58	148.18
* Earning per Share	-19.73	12.37	24.11	19.49	26.10	42.06
• Dividend	-	-	224	133	182	249
% Dividend	-	-	65%	40%	55%	75%
Debt/Equity Ratio	1.3:1	0.52:1	0.15:1	0.01:1	0.02:1	0.01:1
• Investment in Fixed Assets	342	317	86	119	117	243
No. of Employees	5228	4604	4342	4167	3896	3811
No. of Shareholders	44012	46434	50796	49188	43791	39197

• Rupees in millions

* Rupees

contented
shareholders



satisfied
customers





satisfied customers @ unmatched value

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Our customers are the reason for our existence. We are committed to exceed their expectations and strengthen their competitiveness in the market with our wide range of world-class products, systems, services and solutions. Our long-standing partnerships, built on the basis of mutual understanding and benefit, lead to a win-win situation for both.





committed employees @ enrichment

Our employees are the power behind our success. They are the drivers of our business. We present avenues to strengthen their capabilities by providing opportunities for further learning and growth. Our corporate culture motivates them to excel in their fields of specialization, while encouraging creativity and innovation. We nurture an environment of openness based on co-operation and trust.





contented shareholders @ optimum returns

Report



Journal

We are committed to enhance the company's value through profitable growth, endeavoring to provide a optimal returns on investment for our shareholders. Stringent adherence to Corporate Governance and sound financial management, with emphasis on transparency in our reporting, has enabled us to earn and maintain the trust of our stakeholders.





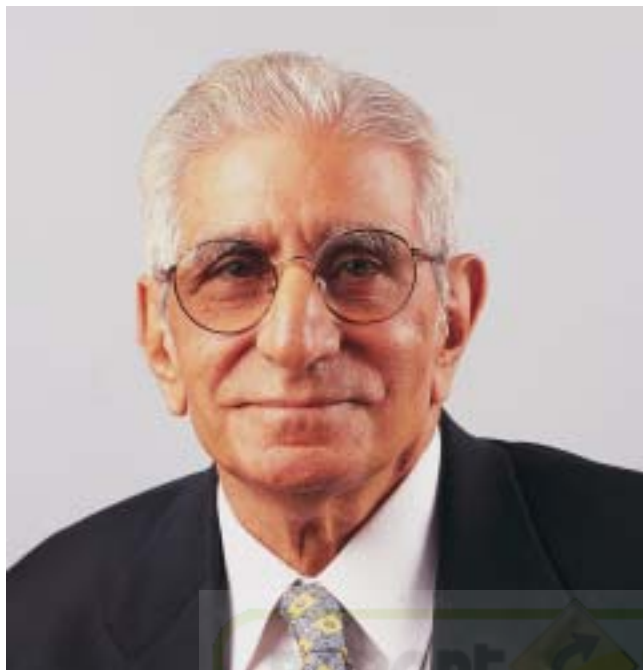
progressive society @ corporate responsibility

Our aim is to be a good corporate citizen by graciously giving back to society a piece of our success. We participate in social and cultural arenas, supporting initiatives and organizations that share our values. Committed to sustainable economic development, our ideas and environmental friendly technologies help to create a modern, progressive society.

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Chairman's Statement



The year under review ending on September 30 2003 was a great year for the Indian economy, but it was a glorious year for our company, Siemens Ltd.

- Our company posted its highest ever profit after tax, of Rs. 139 crores, an improvement of 60 per cent over the previous year.
- New order inflow increased impressively by 45 per cent over the last year and the unexecuted order value as at the end of the year also rose by 43 per cent indicating hopefully another good year in the making.
- Bearing in mind that our operational profits have been rising year by year for the last four years, it was creditable that it rose by 28 per cent, in the year under consideration. To recall, our turn-around took place five years ago, unlike the turn-a-rounds of most Indian companies in the last year. This increase in the operational profits was not by chance but by design so that all the business units worked on various measures to reduce costs and improve the overall productivity. Indeed, a feat they accomplished successfully.

- On the back of such a superior performance, the earnings per share improved by 61 per cent (however, after adjusting for a one-time special gain of the cancelled order, it increased by approximately 27 per cent). In light of this performance, the Board of Directors have recommended a special dividend of 10 per cent, which takes the total dividend for the year to 75 per cent.

Last year, I had mentioned that we are a cash surplus company. We deployed some of this surplus to increase our stake in subsidiary company, Siemens Information Systems Ltd. (SISL) to 100 per cent, and also purchase the entire stake in Siemens Building Technologies Ltd (SBT). These twin acquisitions helped us to further augment our offerings basket, as also provide opportunities for participation in the fast growing sectors of IT and software services and building automation.

These developments helped enhance the consolidated performance of the Siemens Ltd Group for the financial year ended September 30 2003. The consolidated New Order Value of the Siemens Ltd Group for the twelve months ended September 30 2003 stood at Rs. 2032 crores. The Sales turnover recorded was Rs. 1719 crores while Profit Before Tax stood at Rs. 223 crores and Profit After Tax was Rs. 166 crores.

No doubt, the turn-around in the Indian economy itself has supplied a number of beneficial stimuli to the Indian Corporate Sector as testified by the sharp improvement in its profitability. At the macro level, almost every index speaks of a vibrant and shining economy, though it must be borne in mind that the anticipated GDP rate of growth is somewhat exaggerated by the lower base of the last year. With the conspicuous exception of the Fiscal Deficit, almost every single index carries a promise that the tempo will be sustained in this year for the Indian economy as a whole and the Corporate Sector in particular. After nearly five grueling years, GDP is on the verge of rising to more than 7 per cent in this year. Agriculture is in fine form; manufacturing industry is now enjoying the fruits of increased utilization of its capacity; inflation is at the welcome level of 4-4.5 per cent; and the foreign exchange reserves are mounting. But for the Damoclean Sword of the Fiscal Deficit every index proclaims

the emergence and the resilience of the Indian Economy.

We have every right to hope that at long last the investment famine will end. How sharply Investment has declined can be seen from the fact that from the high of nearly 12 per cent annual growth in the mid-nineties, it has declined to 5.5 per cent in the last six years. This is not on for a growth-economy, particularly when contrasted with China's 35 per cent. But now we expect that in the next six months to a year with the help of a booming stock market and with the demand now catching up with supply, Investment should see a distinct improvement. It is true that the Fiscal Deficit is proving to be a great impediment to increase governmental activities, but the overall tempo of Investment will pick up – hopefully with a vengeance.

The recent State elections have many economic and political lessons for all of us to learn. Fiscal deficit is not only an economic hindrance; it is also emerging as a political danger. One valuable lesson that has emerged is that now it is not only the educated classes, but also India's teeming masses that now want power, not just political power, but the power to light their homes and run their agriculture. They now want the maintenance and the building of roads. They now want housing. This is clearly an area where enormous efforts and enormous expenditures will have to be made. The new Chief Minister of Madhya Pradesh said on the very day of her victory: *"from where will I get the resources to give the people the roads, the water, the housing and the employment they now need"*. Clearly, privatization will have to play its role; foreign private capital will have to come not just into the Indian stock market, but into the creation of economic assets in India. May be, what the masses want will encourage our political leaders to have a more hospitable treatment of foreign capital. May be, Indian politics and not just Indian economics will demand more and more of foreign private investments, and more and more of privatization.

If in this emergent and benign environment, Investments, particularly in the Infra-structure sectors (health included !), start moving up, then let us proudly assert that few companies are so well positioned to take advantage of this continued boom as is Siemens Limited, India. In terms of managerial strength and strategy, Siemens Limited has proved itself, particularly during the last five years, to be an 'AAA' company, but simultaneously, Siemens Limited, India is also a triple 'I'

company – we are in Industry; we are in Infrastructure; and we are in Informatics. In each of these areas our contribution has been to galvanise, to modernize and to upgrade several areas of the Indian economy. Thanks to the dramatic changes in the position of its products and services it has magnificently diversified, and all credit is due to the excellent strategic planning done by our top management, with particular stress on Implementation. So that we are in Power (both generation and transmission); we are in Transportation (both road and railways); we are in Telecommunication; and we are in Health-care, with the bouncing growth in medical equipment. We are, of course in Electronics and Automation; and now we have emerged as a first rate Informatics Company.

The excellent performance this year of Siemens Information Systems in which we now hold a 100 per cent share is the logical fruition of the difficult route we took. We wanted the long-term gains in the highly sophisticated and high value-added areas of the Software Technology. It is heartening that its Board of Directors now consists of some of the top managers of our Parent Company, which will help SISL serve as a Centre of Global Excellence for a growing number of the activities of the Parent Company.

Given our high level of excellence, it is not surprising that Siemens India has emerged as a strong partner in the Siemens global network, having won the 3rd prize as the "Best Regional Company" among nearly 100 other companies in the world-wide network. We can proudly claim to have established world-class "centers of competence" in several segments such as power and medical solutions, and the quality of products and services sourced in India match global standards. Having recognized our capabilities, Siemens AG now increasingly looks at Siemens India operations as a significant partner for cost-efficient sourcing of products and services. Also, with the positive growth prospects in the domestic market, India, along with China, has been pronounced as a strategic market in the region by our CEO and President Dr. von Pierer in a recent public announcement.

The collective result of all these developments point to improved business prospects in the foreseeable future. Last year, I had indicated that we would follow our future strategy of "creative pessimism" combined with exploring areas for achieving "profitable growth" to combat the limited opportunities offered by the external environment. Now that

this situation shows signs of improvement, "profitable growth" takes greater precedence, and we have now embarked on a program of "alert dynamism". We will no doubt continue to implement the learning out of our experiences of these past years and move ahead dynamically to tap full opportunities to grow profitably. At the same time, we will be "alert" to fast-changing economic scenarios.

Going forward, our basic strategy that has helped us grow so far will not change. We will follow the dual strategy of greater domestic involvement and increasingly as a part of the global network. However, this challenge will also require a greater degree of all-round involvement than was experienced ever before.

India now has the potential to emerge as a great economic power (we shall forget super power for the time being). Things are beginning to happen in India which two years ago were either not dreamt of or were a source of great fear. Who two years ago, predicted the appreciation of the Indian rupee? Two years ago the fears of the WTO on the one side and of China on the other side were paramount. But after the painful restructuring that a number of Indian companies went through – and Siemens was foremost among them – several Indian industries, particularly the basic industries, are now prepared to compete globally. We still require the economies of scale and no less importantly a great upsurge in our R&D. Likewise the fear of China about to destroy Indian industry has now been replaced by India looking upon China as a great market and also a fit place to start new industries. What was seen as a threat is now seen as an opportunity. The massive literature on India as a potential 'out-sourcing' country with all its exaggerations is now an opportunity to be grasped.

We know however, that there is a danger that our hopes may turn into hypes, and our hypes into hysteria. The massive investment boom of the mid-nineties, based on fanciful demand estimates will this time hopefully not occur. Siemens India will have a strategy of growth that will exploit opportunities yet not succumb to euphoria.

As we said before, and say it now in conclusion, few companies in India in their range and quality of their

products and services will be able to rival Siemens Limited, India, not only because we are an 'AAA' Company, financially and managerially, but also because we are a triple 'I' Company serving Industry, Infra-structure and Informatics. In all our activities and achievements, we shall as in the past be beholden to our Parent Company, SIEMENS AG, but from whom we more legitimately expect greater and greater recognition of the role we can play with our new competencies in their global network.

We can, therefore, legitimately look forward to an area of great promises and great fulfillments. Our top management led by Mr. J Schubert and Mr. H Gelis, actively supported at every stage by their fellow Executive Directors and indeed, the entire staff deserve both our congratulations and our gratitude.

Mumbai
December 12, 2003



Dr. F. A. Mehta
Chairman