

MOSER BAER



Moser Baer is the second largest optical media manufacturer in the world and supplies to all the top 12 global brands.

Background

Moser Baer is one of India's leading technology companies and is ranked number two among the top three optical media manufacturers in the world. Incorporated in 1983, it started its operations as a Time Recorder unit in technical collaboration with two foreign companies - Maruzen Corporation, Japan and Moser Baer Sumiswald, Switzerland. It diversified its product range in 1985 by entering the data storage industry to manufacture floppy disks. Its initial capacity was only 60,000 floppy disks per month, hampered by the shortage of licenses given by the Government of India for manufacturing. Its growth was thus constrained by the insufficient capacity to handle large orders from international customers. The late 1980s continued to be challenging times for the company as it grappled with issues like technological changes, higher cost of production, slower demand and limited in-house R&D and engineering capacity.

In 1999, Moser Baer ventured into manufacturing of recordable optical media and set up a 150-million unit capacity plant to manufacture

recordable compact disks (CD-R) and recordable digital versatile disks (DVD-R). The facility was in conformity with global standards of size, technology, quality, product flexibility and process integration. The company is currently the largest Indian manufacturer of magnetic and optical media data storage products, with exports comprising approximately 75 per cent of total revenues. It has attracted and retained best-in-class global strategic investors, including the International Finance Corporation and Electra Partners Mauritius Ltd.

The company's business model remains predominantly OEM-centric with more than 80 per cent of revenues accruing from sales to OEM in the global markets. Over the years the company has leveraged its strong R&D and engineering capabilities to deliver higher value-added products. It has focused on increasing production efficiencies and yields to improve upon its cost-leadership in global markets. This is manifested in the company being a supplier to all the top 12 global brands. To further strengthen its research capabilities the company has entered into an agreement with the Indian Institute of Technology, Delhi to work jointly for the next five years in the frontier areas of thin film sputtering technology suitable for optical data storage devices.

Moser Baer is headquartered in New Delhi and has four state-of-art plants in Noida (Uttar Pradesh).

Company	Products	Established	Founder	Distribution	Production plants
Moser Baer	Optical media	1983	Puri family	82 countries across the globe	India



The company has a strong marketing network with offices located across India (Mumbai, Bangalore, Kolkata) as well as across the globe in Japan, Taiwan, USA, The Netherlands and Dubai.

The promoters, mainly the Delhi-based Puri family, hold 16.4 per cent of the shares in the company. The company has been able to attract significant foreign direct investment (about 40.4 per cent) from bodies like International Finance Corporation, Warburg Pincus, Electra Partners, Bloom Investments, Ealing Investments, Randall Investments and Woodgreen Investment. Foreign institutional investors have also evinced interest in the company with an investment of 23.7 per cent of total shares. The Indian public, non-resident Indians, domestic financial institutions, private corporate bodies, trusts and foundations and others hold the balance shares.

Moser Baer's products

Moserbaer Pro CD-R	First and only 52x CD-Rs to be launched in India with high thermal sensitivity and capability to maintain data integrity without degradation in any way
Moserbaer Pro CD-RW	These CDs can be written over and over while maintaining high durability and are designed for writing at speed of 4x-10x
Moserbaer Pro DVD	These DVDs can hold up to 4.7 gigabytes of data and can be written at speeds up to 8x for DVD-Recordables and 2.4x for DVD-Rewritables
Moserbaer Pro Mini CD-R	These provide better portability, while maintaining superior recording and playback characteristics and compatibility
Magnetic Data Storage Media	These include compact cassettes, micro-floppy disks and digital audio tapes

Products and brands

While the company is the preferred supplier to the all the top 12 global optical media brand, in India the company sells under its own brand – 'Moserbaer Pro'. This range uses the 'Protection Plus' technology developed by Moser Baer to ensure extra protection and long shelf life. The products are protected through a unique scratch-resistant coating that offers extra protection during handling and usage. Going forward it is fully prepared to launch the next generation high density optical storage formats including Blu-ray, HD-DVD and Holographic Storage.

Financial analysis

Subsequent to the difficult market environment over the past two years, the global optical storage media industry is now on a steady path to recovery, driven by consolidation of capacity, continued growth in consumer demand and signs of softening of prices for key inputs. The company further consolidated its position and according to Techno System and Research (TSR), Japan, has emerged as the largest and second largest manufacturer of CDR/RW and DVDR/RW format respectively.

Moser Baer is gradually reverting to normal levels of operational & financial performance, as reflected



in an increase in sales by 28% to Rs 1732 cr as against a drop in growth of 15% for FY 04-05. While DVDR/RW shipment volumes continued to grow at a fast clip, it's was a sharp recovery in CDR/RW shipments which contributed to this robust growth in optical media shipments.

Moser Baer's contribution in making “Made in India” global

Moser Baer has always had a global perspective to its business and has entered each international market with a long-term strategic plan. As a result, along with a strong presence in over 82 countries spread across six continents, it has built an international reputation for quality and long-lasting relationships with all its customers. With its supplies to all the top 12 tech global optical media brands, the company has a market share of 16 per cent in the global market.

The company has created a global footprint of

marketing offices, subsidiaries and logistical and distribution centres to enable it to quickly react to customer requirements. Marketing offices outside India are located at Japan, Taiwan, USA, The Netherlands and Dubai and are staffed by multi-lingual and multi-cultural sales teams. The initial foray into global markets was through two overseas companies, Capco Luxembourg S.a r.l. and Glyphics Media Inc. which were actively involved in developing sales to all major CD-R brands and duplication houses in North America, South America and Europe as well as handle technical issues. Currently Capco Luxembourg S.a r.l. ceases to be a subsidiary whereas in Glyphics Media the company plans to divest its stake to a joint venture formed with Imation Inc.

A subsidiary has been established in Germany by the name European Optic Media Technology GmbH with an objective of addressing high-end niche markets. This subsidiary will establish manufacturing facilities in Europe that will create research and

development, marketing and distribution and logistics capabilities to service the requirements of their OEM, retail and enterprise customers.

The year 2003 was a landmark in Moser Baer's history when it entered into a strategic long-term sourcing deal with Imation Corp, one of the largest players in the optical media industry world-wide. This deal is estimated to be worth over US\$ 100 million per annum. In addition to sourcing media, the companies have entered into a strategic joint venture to carry out R&D as well as market optical storage media products in growth markets like Africa, the Middle East and South America, and also address new market segments. This has significantly enhanced Moser Baer's global reach and presence by helping grow its market share in the US, which is one of the largest and most lucrative markets for optical storage media.

Moser Baer has also tied up with Hewlett-Packard (HP) to manufacture optical media, using the latter's 'LightScribe' technology and has the

licensing rights to manufacture and market the HP brand of disks in the SAARC region. In addition, it is also working with USA's National Aeronautics and Space Administration (NASA) for developing discs for use in space shuttles.

Factors fuelling Moser Baer's global initiatives

The company's continuous emphasis on efficient and integrated manufacturing, coupled with the India-specific advantage of high-quality low-cost manpower has enabled it to become the lowest cost producer of optical media in the world. Its manufacturing costs are 20 per cent lower than the next best competitor. This is complemented with the strong links and technology partnerships that it enjoys with the OEM to which it supplies. Other factors that have enabled success in the global markets are as follows:

Cutting edge technology and research

The company has a strong focus on R&D





employing nearly 100 people in this area. The capabilities of its engineering and design, production lines, processes and manufacturing facilities allow it to move quickly from the concept stage to the finished product. Its process-intensive high-quality precision manufacturing conforms to the standards specified by both the American National Standards Institution (ANSI) and the European Manufacturers' Association (ECMA). R&D capabilities have fuelled innovation and helped in investing in the right products at the right time - the company was among the first in the world to launch the 52x CD-R. Similarly it was among the first media manufacturers to launch the high-speed 16x DVD-R, the highest possible speed in the DVD-R space as per current technology parameters.

Large potential in markets outside India

The company has always concentrated on the global markets for growth as the domestic market offered limited potential till recently. Today it earns nearly 75 per cent of its revenues from exports, the biggest customers being the USA, Europe and Japan. These countries are the world's leading

consumers of optical media accounting for over 80 per cent of the world market.

Emphasis on quality

The company's consistent ability to deliver quality products has been its key strength. Its processes are certified under ISO 9001:2000 Quality Management System Standard, ISO 14001:2004 Environment Management System Standard and OHSAS 18001:1999 for Occupational Health and Safety Management System Standard. The company usually has several quality implementation and cost reduction programs running simultaneously across their operations.

Strong logistics backup

The company has a comprehensive logistics and supply-chain system built around its international and domestic vendor base, manufacturing facilities and global distribution centres. The entire logistics supply chain function is integrated using an in-house IT system that is integrated at the back-end with major shipping lines, freight forwarders, suppliers and customers. The entire supply chain is continuously tracked on an "order to delivery" basis. Being one of the largest shippers of containerised cargo in India, the company matches its inward and outward logistic movements to minimise cost and maximise turnaround efficiency. Over the last few years, it has managed to reduce its shipment lead-time by over 20 per cent and reduced delayed shipments due to logistical reasons to less than 0.1 per cent of overall despatches.





Future plans

According to Mr Deepak Puri, Chairman and Managing Director, "The strong growth expected in the DVD-R space will continue to spur our company along the next expansion phase. This is in sync with our stated objective of attaining 20 per cent market share in the global recordable optical storage media industry. This will entail an investment of approximately US\$ 105 million in the year 2006 to increase the DVD production capacity from 2.4 billion to over 2.8 billion discs annually. Our near-term strategy is to leverage our manufacturing base, expanded capacities, customer relationship and growth expected in the recordable optical media segment to significantly enhance global share and improve our leadership position in the industry. As part of our export enhancement strategy, we are focusing on the development of newer geographies as well, including Latin America, Russia, Poland, Australia, New Zealand and Japan".

Recently, Moser Baer commenced shipping HD DVD-R (recordable), a next generation format, to its global OEMs customers. This was another landmark for the company as it became the first

company in the world to have this distinction. Beyond, HD DVD-R, the company, in conjunction with drive and recorder availability, expects to be the first to market in a majority of these next generation formats.

It has also announced its plans to enter the photovoltaic business by manufacturing solar cells and modules and is targeting a capacity of 80 MW by 2007. The initial project cost is expected to be USD 60 million. The project will be done by a new wholly owned subsidiary company with Moser Baer investing USD 25 million in the new venture.

Globalisation at a glance

- Strong presence in 82 countries, with exports from India constituting nearly 75 per cent of total sales
- Supplies to all the top 12 global brands, with a market share of 16 per cent in the global market
- Marketing offices in Japan, Taiwan, Dubai, The Netherlands and USA
- Subsidiary in Germany, European Optic Media Technology GmbH to establish manufacturing facilities in Europe

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