

Opto Circuits (India) Limited

Initiating Coverage Report
Recommendation: BUY

CMP: INR 297.60
July 1, 2011

Script Information			
BSE Sensex	18,845.87		
Financial year-end	March 31		
No of Equity Shares (Mln)	186.4		
Market Cap. (INR Mln)	55,472.6		
Face Value	10.0		
One Year Avg. Vol.	100,251		
52 Week High / Low (INR)	327.9/225.0		
Listed on	BSE, NSE		
BSE Code	532391		
NSE Code	OPTOCIRCU		
Reuters Code	OPTO.BO		
Bloomberg Code	OPTC:IN		
Shareholding Pattern (%) as on March 31, 2011			
Promoters	28.05		
Institutions:			
FIIs	38.24		
DIIs	1.30		
Non-Institutions	32.41		
Total	100.00		
Valuation Parameters			
Fair Valuation (INR)	382.0		
Potential Upside to CMP (%)	28.0%		
Statistics	FY11	FY12 E	FY13 E
EV/EBIDTA	14.6	13.2	10.5
P/BV	4.0	3.3	2.6
P/E	15.1	13.8	10.9
Meaning:			
Invasive/Interventional: A medical procedure which penetrates or breaks the skin or a body cavity, i.e., it requires a perforation, an incision, a catheterization, etc. into the body.			
Non-Invasive: A medical procedure is defined as non-invasive when no break in the skin is created or internal body cavity beyond a natural or artificial body orifice.			
CE: Conformité Européen (CE) is a mandatory conformance mark in the European Economic Area (EEA) which ensures that the product is in conformity with the essential requirements of the applicable EC directives.			

Opto Circuits (Opto) is engaged in design, manufacture and marketing of USFDA-listed, CE-marked healthcare equipments and medical interventional products such as cardiac and vital signs monitoring systems, anesthesia and respiratory care equipment, automated external defibrillators (AEDs), stents, catheters, body implants etc. The company has grown around 11 times in terms of turnover from FY06 to FY11 owing to its rapid acquisitions in Europe and US.

VALUE DRIVERS
Medical Devices – A Rapidly Expanding Market:
The medical equipment market which is about 50% of the world pharmaceutical market in terms of size has been growing much faster than its drug counterpart since the past few years. The demand for healthcare services in emerging nations, the need for reducing hospital stays and the ageing world population are the some of the key drivers. Opto Circuits, with a strong geographical presence and diversified product portfolio, is set to benefit from this increased focus.

Non-Invasive Business Offers Strong Revenue Visibility:
Non-Invasive segment is the key contributor (about 75–80%) to Opto's revenue. The recent strategic acquisitions of Unetixs Vascular (Unetixs) and Cardiac Science Corporation (CSC) will further widen Opto's medical devices portfolio and help to strengthen its foothold globally, particularly in USA & Europe. The CSC transaction will not only open many new global markets but also enhance its product offering and presence in US. Thus, this business will continue to provide strong revenue visibility.

Invasive Business – Key Long Term Growth Engine:
The acquisition of NS Remedies will reduce manufacturing costs of bare metal stents significantly, thereby reducing the company's dependency on external agencies. Also, Eurocor's innovative product pipeline will aid Opto in achieving a deeper market penetration in India & emerging markets over the years as minimally invasive treatments, which save patients a lot of time and costs, are increasingly preferred over full surgeries today.

Driving Growth through Diverse Products:
From having 49 patents and 34 trademarks in FY10 the company grew to have to 168 patents and 53 pending patent applications as on Dec., 10, 2010. Hence, through R&D and acquisitions & alliances, the company built an extensive product range which is most preferred by the customers as it allows them to procure everything under one roof. This not only gives Opto better bargaining power but also translates in additional sales of more products, thus improving the net earnings.

Extensive Marketing & Distribution Network:
The newly acquired Unetixs and CSC offers cross-selling opportunities to Opto as it can market the products by Medaid and Criticare in key US healthcare establishments. Also, the company has been sharpening its focus in LATAM and South Asian markets facilitates in developing longstanding relationships with its target customers as strong customer base remains a key strength for Opto.

VALUATION: At the CMP of INR 297.60, the P/E ratio works 15.1x based on FY11 EPS of INR 19.8. On basis of P/E ratio of 14x and FY13E EPS of INR 27.3, the fair value per share works out to **INR 382**. Considering its presence in fast-growing niche business segments and strong earnings growth, investors can buy the stock from 9-12 months perspective for a potential upside of around **28%**.

Financial Highlights - Consolidated

(INR in Mln)

Particulars	Net Sales	Op. Profit	OPM (%)	Net Profit	NPM (%)	EPS (INR)	CEPS (INR)	Dividend
FY09	8,185	2,878	35.2%	2,093	25.6%	13.0	13.82	40%
FY10	10,776	3,593	33.3%	2,604	24.2%	14.2	15.8	40%
FY11	15,856	4,242	30.0%	3,685	23.2%	19.8	22.5	45%
FY12 (E)	21,561	4,911	22.8%	4,020	18.6%	21.6	25.6	40%
FY13 (E)	25,697	6,074	25.0%	5,081	19.8%	27.3	32.6	40%

Varied Product Profile:

Non-invasive	Invasive
Patient monitors:	Cardiac:
<ul style="list-style-type: none"> Oximeters Vital Sign 	<ul style="list-style-type: none"> Bare Metal Stents Coated Stents & Balloons
<ul style="list-style-type: none"> Cardiology Respiratory Anesthesia Care 	
Defibrillation (AEDs)	
PAD Diagnostics	Replacement implants
Consumables	Catheters

BACKGROUND

Opto Circuits (Opto), headquartered in Bengaluru, India, started operations in 1992 as an Original Equipment Manufacturer (OEM) of optical sensors, medical electronics, security systems and chip-on-board assemblies for recognized companies around the world. The company was promoted by Mr. Vinod Ramnani Mrs. Usha Ramnani, Mr. Jayesh Patel and Mr. Thomas Dietiker along with Elekon Industries, Singapore. Subsequently, Elekon divested its stake in the business. The company has been in this specialized technology oriented industry over 18 years.

Today, Opto Circuits is an umbrella company with 14 subsidiaries engaged in designing, developing, manufacturing and marketing healthcare equipment and medical interventional products. Some of Opto's well-known brands are Cardiac Science, Criticare, Eurocor, Ormed, Mediaid and Unetixs Vascular.

The product profile includes USFDA-listed, CE-marked cardiac and vital signs monitoring systems, anesthesia and respiratory care equipment, automated external defibrillators (AEDs), stents, catheters, body implants and consumables. It also provides information technology consulting, global positioning systems and electronic design automation services in India.

Opto has customers in more than 150 countries including in USA, Europe, Middle East, Far East, South Africa, North America, BRIC, etc. To service these customers it has offices through its subsidiaries in USA, Germany, Singapore and Dubai. As on December 10, 2010, it had 168 patents and 53 pending patent applications.

Worldwide Manufacturing Facilities:

11 facilities

USA:

- Wisconsin
 - Deerfield
 - Waukesha
- Rhode Island

India:

- Bengaluru
- Chennai
- Vizag
- Kolkata
- Parwanoo

Malaysia:

- Johor

A chronology of some key events.....

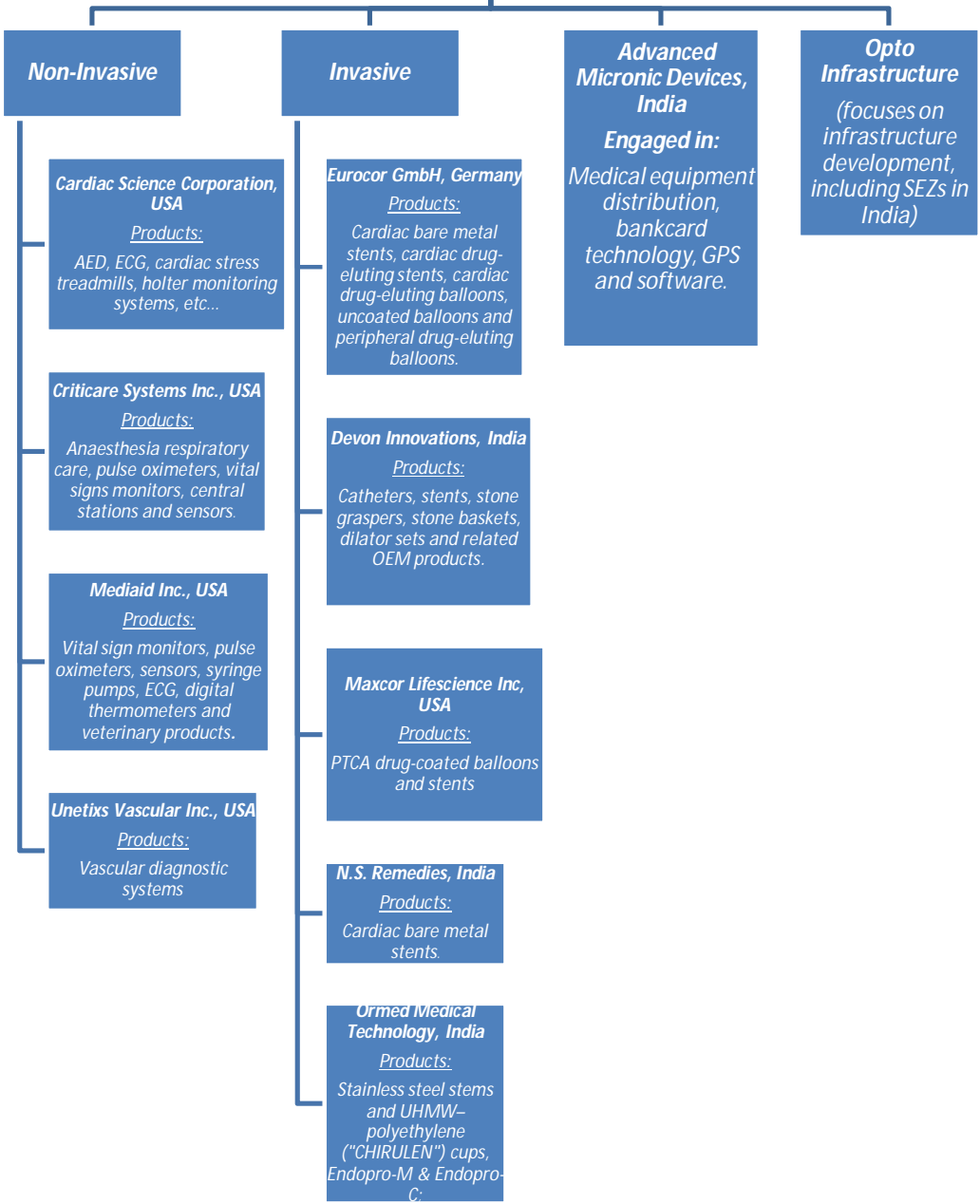
- **2000** - The Company went public.
- **2001** - Acquired a majority stake in **Advanced Micronic Devices**.
- **2002**
 - Acquired the patient monitoring line of products from **Palco Labs** in Santa Cruz, CA
 - Acquired the division of digital thermometers from Hindustan Lever.
 - Set up a 100% subsidiary, **Mediaid**, in the US.
- **2004** - Acquired 100% stake in Altron Micronic Devices.
- **2006** - Acquired 100% stake in **Eurocor GmbH**, Germany to enter the invasive healthcare segment.
- **2007** - Expanded its medical technologies portfolio by acquiring **Devon Innovations and Ormed Medical Technology**, India.
- **2008**
 - Acquired **Criticare Systems Inc.**, a leading US based healthcare company to expand its non-invasive business products line and global presence.
 - Incorporated a new subsidiary, **Opto Infrastructure**.
- **2010** Acquisitions of USD 100 Mn funded through debt
 - Forayed into manufacturing of cardiac stents by acquiring Kolkata based **N.S.Remedies** for about USD 1.3 Mn.
 - Established a manufacturing facility in Johor (a tax free zone) in Malaysia.
 - Acquired **Unetixs Vascular Inc.**, leading peripheral arterial disease (PAD) measurement equipment maker to strengthen its US presence for about USD 9.6 Mn.
 - Acquired **Cardiac Science Corporation (CSC)**, USA, a global non-invasive medical device company with operations in Europe, Asia, and the Americas for about USD 89 Mn.

Extensive R&D Facilities:

6 facilities

- **USA:**
 - Wisconsin
 - Washington
 - California
- **Germany:**
 - Bonn
- **India:**
 - Bengaluru

Opto Circuits
(A conglomerate of 14 companies)





BRIEF PRODUCT OVERVIEW:

Key Medical Equipments (Non- Invasive) Offerings:

Cardiac monitoring systems:

Cardiac monitoring systems, crucial to cardiovascular care, are used by clinicians to assess the presence and severity of cardiac disease and to evaluate the efficacy of treatments such as drugs, interventions, operations and device implants.

Brands: Burdick & Quinton



Automated External Defibrillation (AED):

Defibrillation is the delivery of electrical current to the heart to restore a normal heartbeat. Defibrillation systems enable the detection and identification of life-threatening arrhythmias which can lead to death from Sudden Cardiac Arrest and when appropriate, deliver a shock to restore the normal heartbeat.

Brands: Powerheart



Respiratory and Anesthetic Care:

Respiratory and anesthesia monitoring have become a standard of care in the operating room. Their utility has been extended, in recent times, to emergency rooms, endoscopic suites, X-ray rooms and even on-site at emergency and trauma fields.

Brands: Poet IQ



Vital Signs Patient Monitors

Vital Signs Patient monitoring equipment measure and display a patient's vital signs in inpatient and outpatient conditions and give medical personnel an indication about the patient's condition and enable them to evaluate treatment options. The measurements usually consist of pulse oximetry, ECG, noninvasive blood pressure and temperature. Other parameters such as cardiac output, carbon oxide measurement, invasive blood pressure, respiration and anesthetic gas measurement can also be configured into the monitor.

Brands: nCompass; nGenuity; nGenuity; VitalCare Series; eQuality



PAD Devices

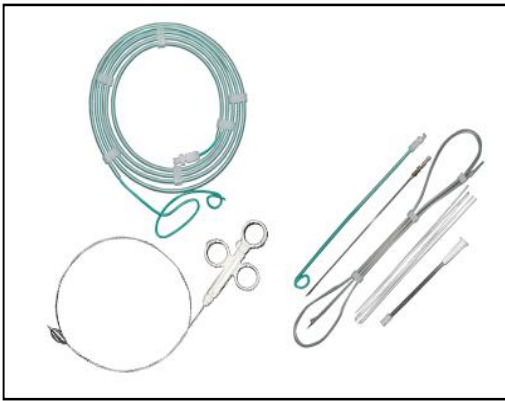
Peripheral Arterial Disease (PAD) occurs when arteries in the legs become narrowed or clogged with fatty deposits, reducing blood flow to the legs. This may cause leg muscle pain when walking, disability, amputation and a generally poor quality of life. Blocked peripheral arteries can also be a sign that arteries in the heart, kidneys and brain might also be blocked -- increasing the risk of a heart attack or stroke. Opto offers technically advanced non-invasive vascular diagnostic systems that help early detection of PAD.

Brands: Revo; MultiLab Series

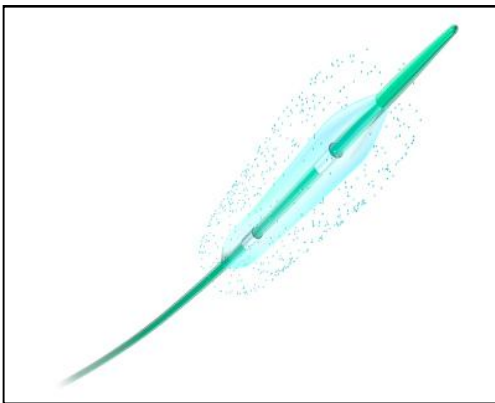
BRIEF PRODUCT OVERVIEW:**Key Interventional (Invasive) Offerings:****Cardiac Stents**

A stent is a wire mesh that helps prevent arteries from re-narrowing after an angioplasty. Coated stents, popularly called as DES – drug-eluting stents, are coated with an anti-proliferative agent or an immunosuppressant drug for the prevention of restenosis.

Brands – Genius MAGIC, Genius MEGAFLEX, E-MAGIC and E-FLEX

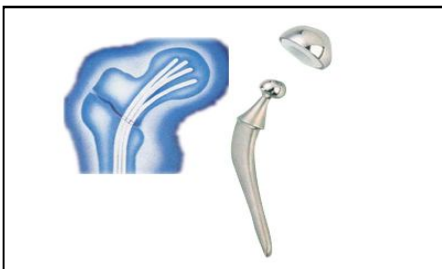
**Catheters and Disposables**

A catheter is a tube that can be inserted into a body cavity, duct, or vessel. It allows drainage, administration of fluids or gases, or access by surgical instruments. Its product basket includes double-J stents, dilator sets, guidewires, stone baskets and various other products.

**Percutaneous transluminal angioplasty(PTA) Balloons**

DEB (drug-eluting balloon) are polymer-free drug coated balloon catheters that decrease the stimulus of chronic inflammation and trigger for late thrombosis and have been proven to reduce the duration of post-procedure antiplatelet therapy.

Brands: DIOR; FREEWAY; AMADEUS SUPERCROSS

**Replacement Implants**

Orthopedic implants are used to surgically replace damaged or troubled joints. An implant procedure involves removal of the damaged joint and an artificial prosthesis replacement. Opto manufactures Total Hip Replacement items, both Stainless Steel Stems and UHMW- Polyethylene Cups alongwith certain surgical consumables like endernails and wound suction drainage systems.

Brands: ENDOPRO-M & ENDOPRO-C; ARTROMOT

INDUSTRY OUTLOOK

The medical equipment market is growing faster than its drug counterpart.....

Tremendous upside for medical devices industry

Medical devices constitutes a vast category of devices used in hospitals or for personal care like diagnostics, imaging, cardiovascular devices, surgical devices, and orthopedic devices. The medical equipment market is about 50% of the world pharmaceutical market in terms of relative size, but is also growing faster than its drug counterpart.

According to Kalorama Information*, a leading publisher of market research in medical markets, device innovations, demographics and hospital austerity will drive the global medical device market over USD 300 Bln in the year 2011. The global device market will witness a growth rate of around 4-6% for the next few years which was valued at USD 290 Bln in 2009. (*www.kaloramainformation.com)

Indian medical equipment industry is likely to touch USD 7 Bln by 2012.....

According to ASSOCHAM, the size of medical equipment supplies industry in India is likely to touch USD 7 Bln by 2012 from the current size of around USD 3 Bln as number of public and private healthcare facilities are coming up in different locations, especially in metros and other emerging satellite town with concentration for economic activities.

Overall Patient Monitoring Market to see faster revenue growth:

Patient monitoring is one of the biggest occupants of the medical technology pie. The global market for Patient Monitoring Systems was valued at around USD 7 Bln in 2008. According to Global Markets, the patient monitoring industry is forecasted to exceed USD 8 Bln by 2015 with a CAGR of 3%.

The patient monitoring systems will see a robust uptrend.....

The worldwide market for Anesthesia Devices is projected to grow by a CAGR of 7% during the period 2006-2015 to reach USD 7.3 Bln by 2015 with the growing safety awareness, increased government funds and technology enhancements.

According to iData Research, the U.S. Peripheral Vascular Device market is expected to grow over USD 5.3 Bln by 2016. Increased detection and treatment peripheral arterial disease (PAD) are the main drivers of this segment.

According to Frost & Sullivan, the current overall value of the External Defibrillation Market is USD 600 Mln which probable to touch USD 842 Mln in 2016 growing at a CAGR 7%. The Cardiac Monitoring Devices segment will gradually grow at a CAGR of 3.5% from USD 635 Mln in 2010 to USD 754 Mln by 2016.

The patient monitoring systems will see a robust uptrend on account of broadening health awareness-the incidence of sudden cardiac arrest, increasing acceptance of remote and continuous monitoring technologies and mandatory government legislation promoting or requiring external defibrillator installation.

Global coronary stents market – Formidable growth ahead

The cardiac stents, with a share of about 45%*, represents the largest segment of the world interventional cardiology devices market. The global coronary stents market was valued at USD 5.4 Bln in 2009 and is forecast to reach USD 6.5 Bln in 2016. The growth in this market is primarily being driven by the increase obesity rates, the emergence of bio absorbable stents, growing appeal of less invasive percutaneous coronary intervention and the introduction of drug eluting stents (DES). The overall DES segment lead the global coronary stent market, with a contribution of 83% in 2009 and is expected to reach USD 5.6 Bln in 2016. The international value Drug Eluting Balloon (DEBs) is ready to soar from USD 80 Mln presently to USD 1.3 Bln in 2016.

Worldwide coronary stents industry to reach USD 6.5 Bln in 2016.....

The global catheter market is expected to reach USD 32.1 Bln in 2014 growing at a 12.3% CAGR*. And the urology segment is expected to touch USD 13.2 Bln in 2014, with a CAGR of 17.1%*.

The demand for healthcare services in emerging nations, the need for reducing hospital stays and the aging world population are the some of the key drivers. Also, the rising number of chronic diseases, technological advancement, medical insurance, rapidly improving standard of living and rising patient awareness are expected to generate great amount of revenues for this sector.

Thus, companies like Opto Circuits with a strong geographical presence and diversified product portfolio are also increasingly focusing on India, keeping in mind the regulatory requirements and the cost dynamics, as the domestic market is gradually maturing.

INVESTMENT HIGHLIGHTS:

Medical Devices – A Rapidly Expanding Market:

The global medical device market is set to witness a growth rate of around 4-6% for the next few years with USA leading the race, as it is the largest market for medical equipment and supplies in the world. The US market was valued at around USD 94.9 Bln in 2010, constituting 38.6% of the global market and is expected to have CAGR of 2.8% by 2015 taking the market value over USD 100 Bln.* Opto generates over 60% of its revenues from the American region as it has 6 subsidiaries located in the US. The rapidly growing US medical devices market provides Opto substantial headroom for further augmenting its revenue base from this region.

Non-Invasive Business Offers Better Revenue Visibility:

Patient monitoring space, one of the biggest occupants of the medical technology pie and Opto has been in the non-invasive since inception. The strategic acquisitions of Criticare Systems, Unetix Vascular and Cardiac Science in the non-invasive segment have widened its product base and helped Opto in establishing its name in the medical devices sector globally, particularly in USA & Europe. Lately, the company has also sharpened its focus on emerging markets like APAC and Latin America (LATAM) which opens up new avenues for its revenue stream.

Also, Unetix Vascular's acquisition creates high synergies between Criticare's vital signs monitors and Unetix's vascular diagnostics systems, opening up new opportunities for both subsidiaries in the global acute and primary-care markets which ultimately leads to sustainable business expansion.

Opto further expanded its presence in diagnostic monitoring by recently acquiring CSC which develops, manufactures, and markets a family of advanced diagnostic and therapeutic cardiology devices and systems. Through CSC, Opto entered into the high-growth automated external defibrillation (AED) market which is expected to open many new global markets and greatly enhance Opto's product offerings and presence in the United States. This is evident from the numerous orders won by the company in the recent past. Going ahead, CSC's good presence in the Noninvasive segment is expected to complement the overall profit, since there is huge demand for its products in Europe and the US.

Some major orders include:

- CSC won a large contract to deploy 650 AEDs in Spain.
- CSC was awarded a global AED Contract by Tyco Division
- CSC was awarded a contract to deploy Powerheart AEDs at U.S. Postal Inspection Service sites across the United States.
- Criticare Systems won government hospital tenders in Brazil and Mexico

Recently, Criticare Systems and Unetix established agreements with large national distributors in US for distribution of products in physician offices. Also, government-initiated healthcare reforms like the ones mentioned below offers Opto additional avenues to augment its revenue pie.

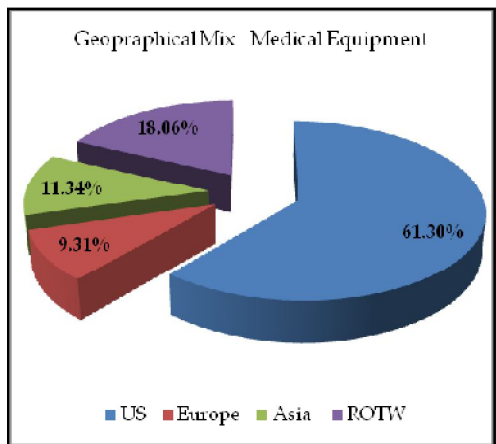
Some of the recent government regulations include:

- USA - New AED bills introduced in 11 states covering a range of requirements focusing on health clubs, schools, dental offices, and assisted living facilities.
- Canada- Prime Minister Stephen Harper initiated a USD 10 Mln plan to place AEDs in hockey arenas and recreation centers across Canada.

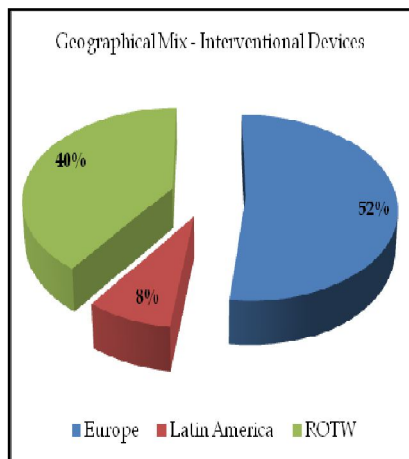
Opto Circuits will continue to benefit on account of well-balanced revenue mix from its Invasive and Non-invasive products, as the invasive business assures of robust growth while the non-invasive operations gives the company much required revenue visibility.

Unetix acquisition creates high synergies with Criticare.....

CSC to complement the overall profit.....



Major Player in the European DEB market....



Invasive Business – Key Long Term Growth Engine:

Opto has a presence in invasive business through its alliances and acquisitions in Germany and India. Opto forayed into the rapidly developing global stents market by acquiring Eurocor in 2006 after foreseeing a significant potential in this business. The growing preference of less invasive treatments over full surgeries will provide the company with a strong revenue visibility.

The company's invasive products are CE-marked and are registered in more than 50 countries, making them the preferred choice by the majority of interventional cardiologists across Europe, Asia, Latin America and Africa. Currently, Opto is the major player in the global DEB market, especially Europe and it also has a significant share in the continent's Bare Metal Stent segment. In India, it enjoys a lion's share in the stents space.

Eurocor's product pipeline also includes some innovative cardiovascular and peripheral devices, which would aid the company in achieving deeper market penetration over the years in key markets like US, Europe and Asia-Pacific, which represent the largest markets for DES along with Asia-Pacific being the fastest growing.

N.S. Remedies' advanced facility for producing CE marked stainless steel and cobalt chromium stents will not only enhance Opto's manufacturing capacity, but also significantly reduce the cost of manufacturing bare metal stents, thereby reducing the company's on dependency on external agencies.

Devon's Innovations, which specializes in the manufacturing of catheters, used mainly in the field of Urology, Gastroenterology & Gynecology, is likely to benefit from the encouraging growth in the catheters market.

N.S. Remedies to reduce the manufacturing cost.....

Through more efficient technologies, Opto has enhanced its market share in the invasive treatment space. The highly profitable interventional business is set to provide the required momentum to allow the company to maintain its strong revenue growth over the next few years.

Driving Growth through Diverse Products:

The company's technically advanced R&D centers located in USA, Germany and India constantly design, innovate and develop products with new and better features. This is evident from growth in company's patents: From 49 patents and 34 trademarks in FY10 to 168 patents and 53 pending patent applications as on Dec., 10, 2010. A strong product pipeline implies better and higher revenue growth in the coming years.

Enhanced product portfolio to elevate price-realizations.....

Also, various acquisitions done by the company over several years, starting from Palco Labs in 2002 to the most recent ones (2010) – N.S. Remedies, Unetixs and CSC - have enabled Opto to augment its existing product portfolio. This helps Opto to elevate the customer-profile and price-realizations of its offerings.

Some of the latest products launched by the company are:

- Criticare Systems released its CO2/N2O module, a compact version of Poet® series CO2 detection technology.
- CSC added two ECGs under its Burdick brand, available only in the U.S.
- Eurocor GmbH globally launched FREEWAY, an invasive product.

Some of the recent approvals obtained by the company are:

- Eurocor GmbH received CE mark on coronary bare metal stent brands eMagic and eFlex.
- Eurocor GmbH received registration from Drug Controller General of India for its PTCA drug-coated stent delivery balloon–MAGICAL.

An all-inclusive platter of products improves net earnings.....

An enhanced product portfolio puts the company in a better position to offer an all-inclusive platter of products to its clients. An extensive product range is preferred by the customers as it allows them to procure everything under one roof. This not only gives the company better bargaining power but also translates in additional sales of more products, thus improving the net earnings. And also helps to withstand the competition from bigger players.

Unetix and CSC offer opportunity to market Eurocor & Criticare products.....

Extensive Marketing & Distribution Network:

The strong customer base of physicians, specialists, hospitals, military clinics and government offices built by the company over the years is a key strength. The acquisitions in India and abroad have enabled Opto to enhance its sales & distribution network leading to a wider client base and expand its business operations across geographies. The recent acquisitions of Unetix and CSC offer Opto the opportunity to market treatment products provided by Eurocor along with Criticare range of patient monitors in key US healthcare establishments, thereby keeping costs under control.

Today, through a combination of direct sales personnel & independent distributors the company has customers in more than 150 countries. Its subsidiaries, Advanced Micronic Devices, have been a medical equipment distributor in India whereas Mediaid, USA distributes its medical devices internationally as a result of its wide reach in key markets. Such extensive distribution, sales and service network allows Opto to be closer to end-users & enables the company to respond quickly to local market demand.

Extensive sales & distribution network leads to robust sales growth.....

Additionally, in order to showcase and promote its latest products, Opto conducts and participates in various seminars and trade shows that are attended by hundreds of people from the medical industry. These events give Opto an opportunity to convince physicians regarding the safety and viability of its products to drive revenues and expand markets and market shares, lower marketing costs, whilst still leading to robust sales growth.

CONCERNS

Considerable Competition:

Though the company has no listed peer in India, it faces direct competition from global giants like GE Healthcare, Siemens and Phillips in the non-invasive space and Johnson & Johnson, Medtronic, Abbott Laboratories in the invasive business.

Regulatory Approvals & Litigation:

Delay in new product launches due to hurdles in obtaining approvals from regulatory authorities (mainly from highly regulated markets like US & Europe) could affect the Opto's growth plans. It operates in an industry, which is not only exposed to litigation risks arising out of patent infringements but also product obsolescence.

FINANCIAL HIGHLIGHTS:
ANNUAL PERFORMANCE (CONSOLIDATED)
(INR in Mln)

Particulars	FY07	FY08	FY09	FY10	FY11	FY12E	FY13E
Net Sales	2,516	4,681	8,185	10,776	15,856	21,561	25,697
Y-o-Y Growth	80.0%	86.1%	74.9%	31.7%	47.1%	36.0%	19.2%
EBIDTA	862	1,543	2,878	3,593	4,750	5,661	7,074
Y-o-Y Growth	83.0%	78.9%	86.6%	24.8%	32.2%	19.2%	25.0%
Margin (%)	34.2%	32.9%	35.1%	33.3%	29.9%	26.2%	27.5%
Depreciation	24	63	138	278	508	750	1,000
Financial Expenses	74	109	537	382	321	443	429
PBT	764	1,371	2,203	2,933	3,921	4,467	5,645
PAT	733	1,313	2,093	2,604	3,685	4,020	5,081
Y-o-Y Growth	89.9%	79.3%	59.4%	24.4%	41.5%	9.1%	26.4%
Margin (%)	29.1%	28.1%	25.6%	24.2%	23.2%	18.6%	19.8%
EPS	11.9	13.9	13.0	14.2	19.8	21.6	27.3
CEPS	12.3	14.6	13.8	15.8	22.5	25.6	32.6
BVPS	34.5	35.1	32.0	55.8	73.9	91.5	114.7
Equity	616.2	941.7	1,614.7	1,829.0	1,863.9	1,864.0	1,864.0
Reserves	1,509	2,364	3,551	8,369	11,911	15,186	19,521
Loan Funds	645	1,010	5,379	2,328	8,844	9,275	8,501

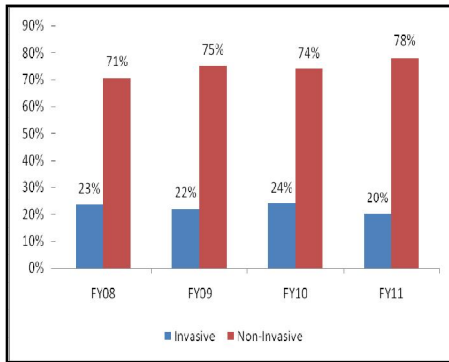
QUARTERLY PERFORMANCE (CONSOLIDATED)
(INR in Mln)

Particulars	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11
Net Sales	2,304	2,557	2,570	3,345	2,920	3,314	4,177	5,445
EBIDTA	775	911	820	1,087	1,065	975	1,333	1,378
Margin (%)	33.6%	35.6%	31.9%	32.5%	36.5%	29.4%	31.9%	25.3%
Depreciation	44	69	65	99	91	115	153	150
Interest	135	104	72	71	52	62	88	119
PBT	596	737	683	917	922	799	1,091	1,110
PAT	593	669	658	661	824	774	957	1,111
Margin (%)	25.7%	26.2%	25.6%	19.8%	28.2%	23.3%	22.9%	20.4%
Equity	1,614.7	1,829.0	1,829.0	1,829.0	1,832.7	1,832.7	1,832.7	1,864.0
EPS	3.7	3.7	3.6	3.6	4.5	4.2	5.2	6.0
CEPS	3.9	4.0	4.0	4.2	5.0	4.8	6.1	6.8

On account of three acquisitions prior period figures are not comparable to this year numbers. The consolidated numbers include CSC figures for 4 months.

FINANCIAL HIGHLIGHTS

Revenue Mix...



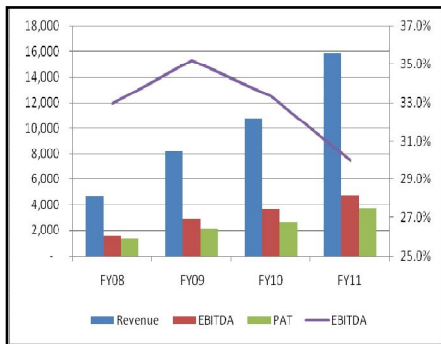
The company derives over 75% of the consolidated turnover from the Non-invasive business whereas the remaining 20% is derived from invasive field. Geographically, USA contributes around 60% to the total non-invasive income whereas the large chunk of over 40% of the invasive income is attributable to the European region. The subsidiaries contribute over 60% to the total revenues of the company with Eurocor, Criticare Systems, Medi-Aid and Cardiac Science Corporation being the main revenue providers.

Opto Circuits reported remarkable set of numbers for FY11. The consolidated revenue grew to INR 15,856 Mln recording a CAGR of 50% for FY08-11. The non-invasive segment grew at a CAGR of 55% to INR 12,370 Mln whereas the invasive segment contributed INR 3,963 Mln clocking a CAGR of 43%.

The Operating Profit improved substantially to INR 4,750 Mln for FY11 from INR 1,543 Mln in FY08. However, EBITDA margin dipped to 30% from 33.3% in FY10 due to higher employee and raw materials costs as the company acquired 3 companies which shall take sometime to bring about operational synergies.

The Net profit rose to INR 3,685 Mln registering a CAGR of 41% for FY08-11. Due to higher depreciation, Net Profit Margin decreased to 23.2x% from 24.2% in FY10.

Strong financial performance.....



Opto acquired CSC in December 2010 for USD 64 Mln, a loss-making entity. In four months, the company managed to get a PAT margin of 9% from a negative 7%. So, CSC seems to be on the path of strong growth.

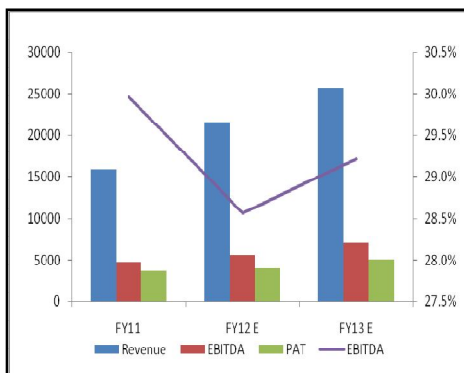
Opto's balance sheet is leveraged by around 0.6 times, which is healthy. And most of the debt is working capital loan, with a lower interest rate.

OUTLOOK

We expect the company to maintain its growth momentum as the full impact of the acquisitions will be realized from FY12 onwards. The company could possibly see its revenue grow by around 20% for the next 2 years. Also, we see good amount of cost rationalization as the company has been shifting some of its manufacturing bases to India from the US.

Opto owns government-notified SEZ land in Mysore on which it plans to build a manufacturing facility. This shifting of manufacturing bases will help in to leverage the benefits of proximity to customers and suppliers (e.g.: new manufacturing setup in Malaysia for servicing the SEA and MENA countries); enjoy tax benefits; lower manufacturing costs and help offer affordable products in emerging market economies.

Opto to maintain its growth momentum....



It also intends to invest around INR 1,500 -2,000 Mln in building additional fixed assets like plant, infrastructure and intangibles which is expected to largely be funded via internal accruals as currently the company has cash balance of INR 2,342 Mln.

Therefore, Opto Circuits is likely to grow strongly in the invasive and stabilize its non-invasive businesses due to a huge market opportunity, expanding distribution network and geographical spread and new product launches.

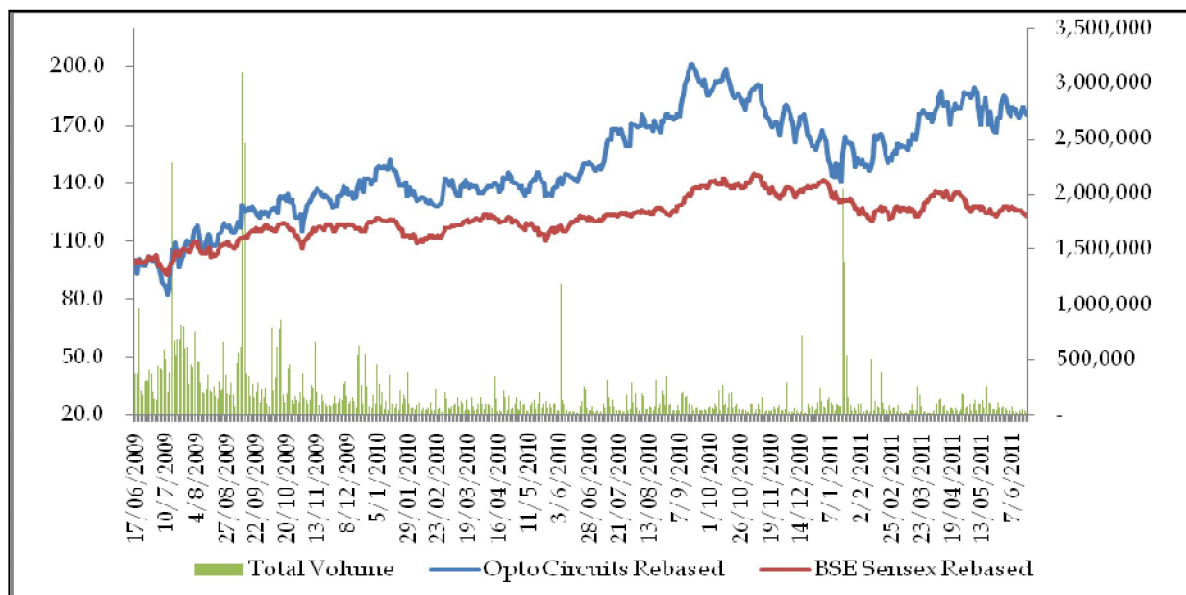
VALUATION:

At the CMP of INR 297.60, the P/E ratio works 15.1x based on FY11 EPS of INR 19.8. On basis of P/E ratio of 14x and FY13E EPS of INR 27.3, the fair value per share works out to **INR 382**. Considering its presence in fast-growing niche business segments and strong earnings growth, investors can buy the stock from 9-12 months perspective for a potential upside of around **28%**.

Public and holding more than 1% of the Total No. of Shares as on March 31, 2011.

Sr. No	Description	No. of Shares	% Holding
1	Genesis Indian Investment Company Ltd - General Sub Fund	10,675,789	5.73
2	HSBC Global Investment Funds	8,294,481	4.45
3	Citigroup Global Markets Mauritius Pvt Ltd	3,451,987	1.85
4	Veenus Thermocol Pvt Ltd	5,447,871	2.92
5	Anna Thomas Chacko	4,972,679	2.67
6	Royal Bank of Scotland Plc as Trustee of the Jupiter India Fund	3,542,014	1.90
7	Valiveti Bhaskar	2,356,467	1.26
8	Allianz RCM BRIC Stars Fund	2,753,000	1.48
9	Pushpa Bose	2,160,471	1.16
10	Raiffeisen Eurasien Aktien Fonds	2,200,000	1.18
11	Kuwait Investment Authority - Fund 205	1,956,245	1.05
	Total	47,811,004	25.65

Two Year Daily Share Price Chart



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