



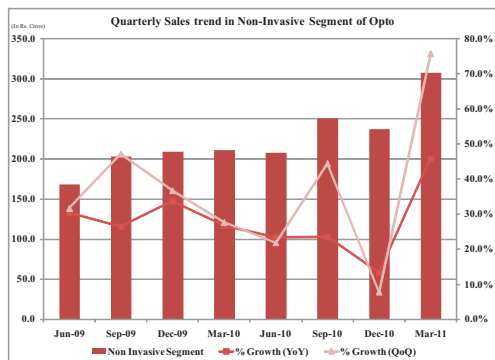
Segment wise Financial Performance - Opto Circuits India Ltd.

Units: Rs. Mln	Mar 11	% Growth	Mar 10	% Growth	Dec 10
Invasive Segment	57.0	-46.7%	107.0	-45.4%	104.4
% to Net Sales	10.5%	-	32.0%	-	25.0%
Non Invasive Segment	307.2	45.8%	210.7	29.8%	236.7
% to Net Sales	87.8%	-	63.0%	-	72.0%
Others	9.3	-44.6%	16.7	-26.0%	12.5
% to Net Sales	1.7%	-	5.0%	-	3%
Net Sales	373.5	11.7%	334.5	5.6%	353.7

Note: Non Invasive Revenue is Excl Cardiac Science

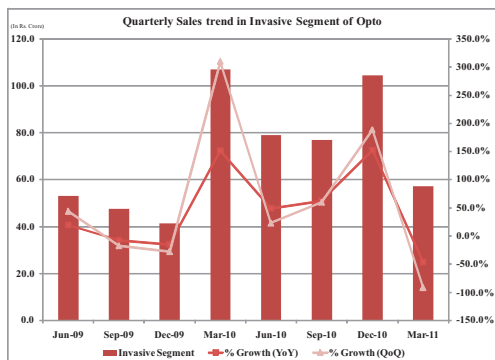
Cardiac Science acquisition boosts Top-line performance

During the quarter, Opto's Net Sales jumped up by nearly by 63% YoY and 30% QoQ to Rs 545 Crore (Q4, 11). Noted that, Quarterly and FY numbers are not comparable as Opto's strong Sales growth was led by its new acquisition Cardiac Science which added Rs 171 Crore for Q4, 11. The company management clarified that Cardiac recorded strong year-end sales and similar run-rate might not be possible in future quarters. Leaving the numbers from Cardiac, Opto's Mar 11, Net sales grew modest 12% YoY and 6% QoQ to Rs 374 Crore (Q4, 11).



Source: Company Data, JRG Research
Note Data Excl Revenue contribution from Cardiac Science

Non Invasive Segment (without Cardiac) continued to be the main growth driver for the company clocking a growth over 45% YoY and 30% QoQ to Rs 307 Crore (Q4, 11). After accommodating the addition from Cardiac, segment's growth propelled by solid 127% YoY to Rs 478 Crore (Q4, 11) as compared to Rs 210 Crore (Q4, 10). Following this Non Invasive's % share in Net Sale jumped up to 87.8% (Q4, 11) as against 63% (Q4, 10). Management is anticipating the Segment to grow around 20% for the next 2 to 3 years (Leaving Cardiac).



Source: Company Data, JRG Research

On other side, Invasive Segments growth was lower than anticipated as

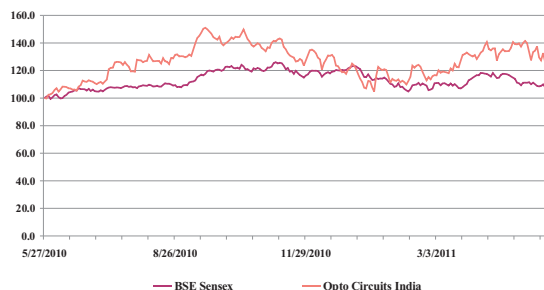
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Industry: Medical Equipment

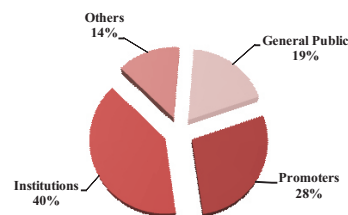
Current Price	279
Target Price	315
Market Cap (Cr.)	5197
52 Week H/L	328/213
FV	10
Book Value/Share	74
BSE Sensex	18045
NSE Nifty	5412
BSE Code	532391
NSE Code	OPTOCIRCU
Reuters Code	OPTO.NS
Bloomberg Code	OPTC:IN

1 Yr Stock / Index Performance



Stock/Index Performance %	3 M	6 M	12 M
Opto Circuits India Ltd.	12.1%	2.1%	29.9%
BSE Sensex	1.2%	-7.0%	8.3%
BSE Health Care	6.5%	-7.0%	14.1%

Share Holding Pattern as on Mar 31, 2011

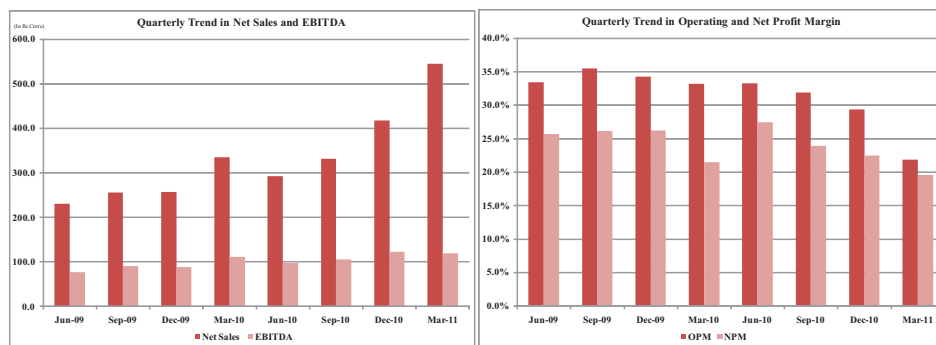


Particulars (In Rs. Crore)	FY 10	FY 11	FY 12E	FY 13E
Net Sales	1077.6	1585.6	2223.4	2620.9
Operating Exp	710.7	1100.0	1700.3	2016.0
EBITDA	366.9	485.6	523.1	604.9
Net Profit	260.1	408.2	387.3	445.4
EPS	14.2	21.9	20.6	23.7

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Sales almost halved to Rs 57 Crore (Q4, 11) as compared to Rs 107 Crore (Q4, 10). Segments % share in Net Sale fell to 10.58% (Q4, 11) as against 32% (Q4, 10). Despite a weak quarter, management expects FY 12E growth in the Invasive segment to be around 35% to 40%.

For FY 11, Sales growth on a like-to-like basis remained healthy at around 25%. After adding the contribution from the newly acquired companies, the same actuated by over 47% to Rs 1586 Crore as equated to Rs 1078 Crore (FY 10). Since its acquisition in Dec 10, Cardiac has contributed Rs 235 to the Top-line while its NPM's stood at 9%. For FY11, Net Sales constituted of Non-Invasive (78%), Invasive (20%) and Others 2%.

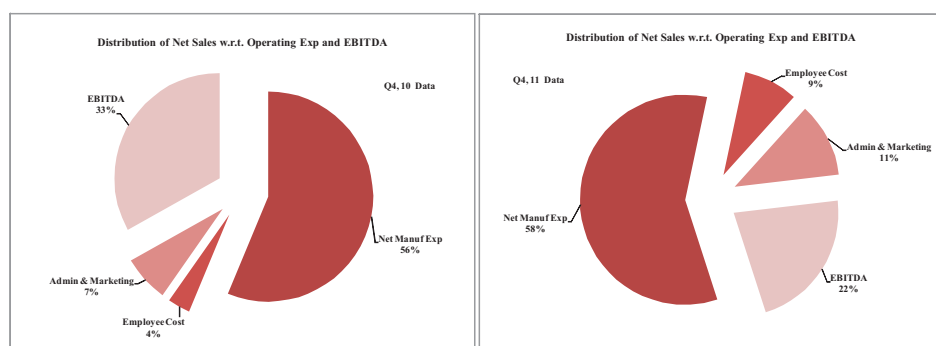


Source: Company Data, JRG Research

Quarterly OPM's slide to 22% levels, thanks to recent acquisitions

The margins of the company declined to low 21.9% (Q4, 11) from 33.2% (Q4, 10) and 29.4% (Q3, 11) as its Employee expenses scaled higher by around 300% (YoY) to Rs 46 Crore whereas Admin and Marketing costs shot higher by 160% (YoY) to Rs 62 Crore. Cost pressure was enhanced by increase in Net manufacturing exp, which as a % of Sales moved up to 58.4% (Q4, 11) as compared to 56.2% (Q4, 10) and 55.2% (Q3, 11). EBITDA grew modestly by 7% YoY and dropped 3% QoQ to Rs 119 Crore (Q4, 11).

Despite all this, the Bottom-line performance was prompted by some forex gains and lower tax out go leading it to surge by 55% YoY and 15% QoQ to Rs 110 Crore (Q4, 11).



Source: Company Data, JRG Research

From over 30% OPM's enjoyed by the company earlier, primarily reason for drop in margins can be imputed to the increase in expenses due to the newly acquired company Cardiac Science. During the quarter, Cardiac (Rs 171 Crore) made for more than 31% in the Net Sales of Opto; however, its NPM's stood at low 9% levels.

Without taking the numbers from Cardiac, Opto's OPM's stood above healthy 30% level for the quarter under review.

For the Full year too, Operating margins fell to 30.6% (FY 11) as against 34.0% (FY 10) led by higher growth in operating expenses specifically in the second half of FY 11. Higher rise in expenses eclipsed the strong performance in the Top-line front of over 47%. Yearly Operating Exp mounted by 55% to Rs 1100 Crore, while EBITDA rose by 32% to Rs 486 Crore (FY 11).

Note: Opto acquired three companies during FY 11, namely N.S. Remedies, Unetixs Vascular and Cardiac Science Corp; therefore, both the quarterly and full year financials are not comparable to prior numbers.

Consolidated Quarterly and Yearly Financial Performance - Opto Circuits (India) Ltd.						
Units: In Rs Crore	Mar 10	Mar 11	% Growth	FY 10	FY 11	% Growth
Net Sales	334.5	544.5	62.8%	1077.6	1585.6	47.1%
Other Income	-2.3	18.8	-930.1%	-7.6	30.4	-501.2%
Total Income	332.2	563.3	69.6%	1070.0	1616.0	51.0%
Stock in Trade & WIP	-1.0	-5.4	448.1%	0.9	-41.0	-4780.3%
Man Expenses	189.1	323.3	70.9%	597.8	935.8	56.5%
Net Man Expenses	188.1	317.9	69.0%	598.7	894.8	49.5%
% of Sales	56.2%	58.4%	-	55.6%	56.4%	-
Employees Cost	11.5	45.7	296.1%	49.7	110.3	121.9%
Admin & Marketing	23.9	62.0	159.8%	61.5	135.8	121.0%
% of Sales	7.1%	11.4%	-	5.7%	8.6%	-
Operating Expenses	223.5	425.5	90.4%	710.7	1100.0	54.8%
EBITDA	111.0	119.0	7.3%	366.9	485.6	32.4%
OPM	33.2%	21.9%	-	34.0%	30.6%	-
Depreciation	9.9	15.0	50.9%	27.8	50.8	82.7%
Interest	7.1	11.9	66.9%	38.2	32.1	-16.1%
Profit Before Tax	91.7	111.7	21.8%	293.3	433.2	47.7%
Tax Expense	20.4	0.6	-96.9%	29.9	24.9	-16.7%
% of Tax	22.2%	0.6%	-	10.2%	12.5%	-
Adj Net Profit	71.3	110.4	54.9%	260.1	408.2	57.0%
NPM	21.5%	19.6%	-	24.3%	25.3%	-

Standalone Quarterly and Yearly Financial Performance - Opto Circuits (India) Ltd.						
Units: In Rs Crore	Mar 10	Mar 11	% Growth	FY 10	FY 11	% Growth
Net Sales	135.6	173.6	28.0%	471.5	603.2	27.9%
Other Income	-3.2	30.3	-1057.3%	-10.6	35.8	-438.8%
Total Income	132.5	204.0	54.0%	460.9	639.0	38.6%
Stock in Trade & WIP	-1.2	-18.5	1430.2%	0.5	-48.8	-9760.7%
Man Expenses	63.7	126.0	97.8%	241.3	393.0	62.9%
Net Man Expenses	62.5	107.5	72.0%	241.8	344.2	42.3%
% of Sales	46.1%	61.9%	-	51.3%	57.1%	-
Employees Cost	1.3	1.9	46.6%	5.3	6.6	24.2%
Admin & Marketing	4.8	3.7	-22.9%	11.0	10.9	-1.0%
% of Sales	3.5%	2.1%	-	2.3%	1.8%	-
Operating Expenses	68.6	113.1	64.9%	258.1	361.7	40.1%
EBITDA	67.0	60.5	-9.7%	213.4	241.5	13.2%
OPM	49.4%	34.9%	-	45.2%	40.0%	-
Depreciation	0.9	1.5	66.2%	3.1	5.9	90.7%
Interest	6.0	8.6	42.8%	34.5	24.9	-27.8%
Profit Before Tax	57.0	80.8	41.8%	165.2	246.5	49.2%
Tax Expense	11.5	1.6	-86.2%	16.6	2.7	-83.9%
% of Tax	20.3%	2.0%	-	10.1%	1.1%	-
Adj Net Profit	43.9	79.8	82.0%	146.9	244.1	66.2%
NPM	33.1%	39.1%	-	31.9%	38.2%	-

Financial Valuation and Projections

Following the financial and operating performance of Opto in FY 11, we are fine tuning our estimates for FY 12 E and also introducing FY 13E. We expect the Top-line of the company to record a CAGR growth of around 28% over the next two years and rise to Rs 2621 Crore (FY 13E) as against Rs 1586 Crore (FY 11). While the newly acquired Cardiac is expected to boost the Sales growth, Operating margins are set to decline to 23% levels from over 30% enjoyed by the Opto in the past.

As per company management, Cardiac should clock Sales of around \$140-\$150 Mln for FY 12 whereas it is expected to operate at OPM's of 10-12% respectively. The company is taking necessary steps to rationalize the operating expenses of Cardiac like by shifting production activities to India and Malaysia, though it will take some time to happen. We expect Cardiac Sales to be in the range of \$140 Mln however, it will be hard to maintain margins above 9% range .

Financial Projections - Opto Circuits (India) Ltd				
Units: Rs. Crore	FY 10	FY 11	FY 12E	FY 13E
Net Sales	1077.6	1585.6	2223.4	2620.9
Operating Exp	710.7	1100.0	1700.3	2016.0
EBDITA	366.9	485.6	523.1	604.9
OPM	34.0%	30.6%	23.5%	23.1%
Depreciation	27.8	50.8	58.8	62.5
Interest expenses	38.2	32.1	43.3	56.8
Taxes	29.9	24.9	43.1	49.6
% of Tax	10.2%	5.7%	10.0%	10.0%
Adjusted Net Profit	260.1	408.2	387.3	445.4
NPM	24.3%	25.3%	17.3%	16.9%

Accounting for the higher operating expenses in its subsidiaries, Opto's Operating margins are seen declining by nearly 700 bps to 23% levels for FY 12E and FY 13E respectively. Imputed by lower margins, EBITDA is expected to grow at a CAGR of around 12% for the period under review to Rs 605 Crore (FY 13E) as compared to Rs 486 Crore (FY 11).

Increase in Debt, which currently stands at 884 Crore on a consolidated basis is expected to take its toll on the Interest cost for the company. Over the next two year, Depreciation and Interest Costs are anticipated to rise at a CAGR of 11% and 33% to Rs 63 Crore (FY 13E) and 57 Crore (FY 13E) respectively. Aided by lower Tax out-go at around 10%, the Bottom-line is expected grow at a CAGR of over 5% to Rs 445 Crore (FY 13E) as equated to Rs 408 Crore (FY 11).

Recommendation

Opto's recent acquisition in the Non-invasive segment (Cardiac) is expected to strengthen its portfolio in the cardiac business over the long term; however, the same will remain an overhang on the company's margins over the coming 4-6 quarters.

At the Trailing market price of Rs 279, Opto is trading at a 13.3X and 11.6X its FY 12E and FY 13E EPS. Considering the company's leading position in the high growth healthcare equipment market, we maintain our Rating and Target price of Rs 315 on the stock.

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