

OPTO CIRCUITS (INDIA) LIMITED



Company Background

Opto Circuits Limited, headquartered at Bangalore in India, was established in 1992. It offers a wide range of electronic devices and monitoring products in the healthcare segment such as digital thermometers, pulse oximeter, pulse oximeter sensors, fluid warmers, cholesterol monitors and stents. It is one of the major suppliers to original equipment manufacturers (OEMs) in the medical electronics field.

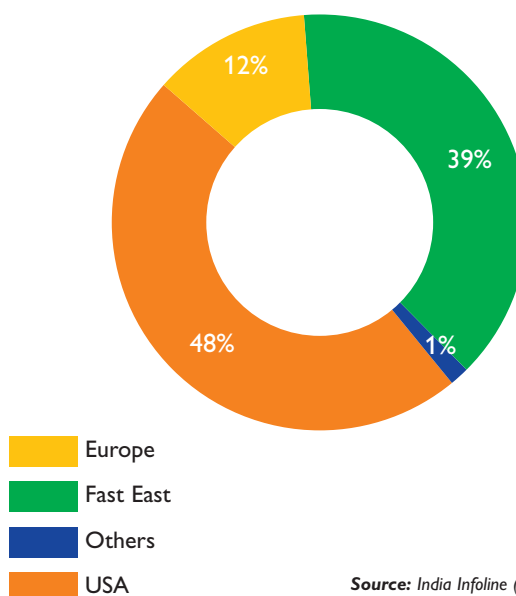
Opto Circuits has its international operations in the USA, Germany and Dubai, through its wholly owned subsidiary, Mediaid Inc.; and in France, Germany and Poland through another wholly owned subsidiary, Eurocor. It also has a 60-per cent stake in Advanced Micronic Devices Limited, a Bangalore-based company dealing in cardiac care and other healthcare equipment. Opto Circuits has well-equipped manufacturing and R&D facilities at Bangalore. Owing to the company's prominence in exports, it has been awarded 2 Star Trading House Status by the Government of India; this accreditation gives certain import/export privileges to the company.

Opto Circuits generated revenues of EUR 21.6 million in the financial year ending 31 March 2006. Following the acquisition of Eurocor in January 2006, the company's revenues surged to EUR 5.4 million for first quarter (Q1) of FY 2007, as compared to EUR 3.7 million for the same quarter in the previous year.

Opto Circuits Limited in the European Union (EU)

Opto Circuits Limited is present in the EU through its subsidiaries Mediaid Inc. and Eurocor GmbH. Mediaid was incorporated in 2002 in the USA and has its distribution network spanning the USA, Latin America and Europe. In 2006, Opto Circuits acquired Eurocor to diversify its product portfolio and expand its base in the EU. The geographical break-up of Opto Circuits' revenues in FY 2006 is depicted in the figure below:

Opto Circuits' Revenue Break-up
by Geography : FY 2006



Source: India Infoline (1 August 2006)

Opto Circuits Limited in Germany

Eurocor, a subsidiary of Opto Circuits, is headquartered in Germany and deals in a variety of cardiac and peripheral stents. It is based at Bonn, Germany. Opto Circuits is also present at

Grevenbroich in Germany through the office of its subsidiary, Mediaid Inc.

Opto Circuits Limited in Other EU Countries

Eurocor has its branch offices in France and Poland. The company has a wide distribution network in the EU spanning Germany, France, the UK, Italy, Spain, Portugal, Austria, Poland, Czech Republic, Slovakia, the Netherlands and Belgium.

Factors for Success

Strategic Acquisitions

The recent acquisition of Eurocor has provided the company with a diversified portfolio along with an established widespread presence in the EU. Eurocor has its presence in over 36 countries across the globe and covers most EU regions.

Innovation

Innovation has driven the growth of Eurocor and given it an edge over its competitors. Eurocor is one of the few companies offering stents that are biodegradable-coated and anti-allergic.

Economies of Scale`

Opto Circuits benefits immensely from its widespread manufacturing and distribution network. This network gives it the advantage of economies of scale over its competitors, thereby reducing its manufacturing expenses per product and thus making its products cost competitive. The company's manufacturing, as well as administration and marketing expenses reduced by 4.2 per cent and 0.8 per cent, respectively, in the first nine months of FY 2006. This increased the operating profit margin by 510 basis points (bps) to 31.6 per cent.

Future Plans

Organic and Inorganic Growth

Opto Circuits is in an expansion phase. It is

considering both organic and inorganic routes to achieve this target. After its recent acquisition of Eurocor, it is looking forward to more acquisitions in the USA and Europe.

Investments in R&D

Eurocor's success in the past can be attributed mainly to its R&D activities, and the company will continue its focus on R&D. It will invest heavily to develop second-generation and third-generation stents. The company plans to develop new stents at lower costs and earn better margins in the market. It is also targeting joint R&D with other leading companies.

Aggressive Marketing

Eurocor wants to increase its visibility in the international as well as domestic market and is therefore coming up with an aggressive strategy for marketing its products. The company has plans to organise press meetings and seminars, and advertise its brand by advertising through television and magazines.¹¹ The company is aggressively marketing its products by opening new offices, thereby reducing its dependence on a single geography.

Stents – A Huge Opportunity

The recent acquisition of Eurocor is helping Opto Circuits gain a strong foothold in the global stents market, which was valued at EUR 4.8 billion in 2004 and has been estimated to grow to approximately EUR 8 billion by 2008. It is expected that in 2008, the US, Europe, and the Far East and Latin America will account for approximately 50 per cent, 30 per cent and 20 per cent, respectively, of the global stents market. Opto Circuits plans to leverage the capabilities of Eurocor to garner a 5-per cent share in the European stents market

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