Osel Devices

Operator: Ladies and gentlemen, good day and welcome to the H2 FY26 earnings conference call of Osel Devices Ltd. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements do not guarantee the future performance of the company, and they may involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. We have with us from the management, Mr. Rajendra Ravishankar Mishra, Managing Director; Mr. Mukesh Kumar Sinha, Whole-time Director; and Mr. Dipankar Goshal, Chief Executive Officer. I now hand the conference over to Mr. Dipankar Goshal. Thank you and over to you, sir.

Management: Thank you. Good afternoon to all and thank you for joining us today. To give a brief overview of the company, our company operates across three distinct high-growth industries: LED display, hearing aids, and mobile devices. We have full ownership of the value chain from design and R&D through manufacturing and quality certification, all the way to installation, after-sales, and now clinic-led retail.

What makes Osel Devices Ltd. structurally different is a combination of three things that are hard to replicate. First, we hold the US FDA registration, ISO 13485, and CDSCO MD5 certifications. Second, recurring revenue — our proprietary CMS platform and SFL clinic network mean we are not purely dependent on hardware sales cycles. And third, forward integration — we are not just a manufacturer supplying someone else's brand; we are moving into the highest value endpoint in each vertical.

Financial year 2026 was a strong year. Revenue grew 56.9% to 292.7 crores. EBITDA expanded 57.9% to 53.3 crores at a margin of 18.2%. Profit after tax grew 45.7% to 29.2 crores. Importantly, this growth was not concentrated. All three verticals contributed, and our export revenues crossed 23 crores. We are looking forward to our JNPA SEZ hub, with commercialization expected from April 2027. This will significantly expand our exports and OEM capacity from India's business port. The SEZ tax benefits, combined with our US FDA registration, will unlock the US hearing aid market. We believe the next phase of growth will be both large in scale and higher in quality. Thank you.

Operator: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Pratiti Khara from Param Capital. Please go ahead.

Pratiti Khara – Param Capital: Hi, am I audible?

Operator: Yes, you are.

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Pratiti Khara – Param Capital: Hi, sir. I just wanted to clarify a financial aspect. In our September cash flow statement, I could see a line item which said "increase or decrease in short-term borrowings," which was classified under cash flow from operating activities. This was around 50 odd crores for the period ending September 2025. Ideally, short-term borrowings are classified under financing activities. If that were the case, the operating cash flow would be negative 40 crores instead of positive 10 crores. I just wanted to know your thoughts on the same.

Management: Hi. This came to our attention as well, and I believe we have rectified this in the current financials. The new financials are based on these corrected parameters.

Pratiti Khara – Param Capital: Okay, alright. And regarding the funds raised in the IPO, which were raised for working capital terms, why are these now being drawn down as a CC line of 30 crores while the IPO money is invested in mutual funds and shown under investing activities? Why weren't we using that money directly for working capital?

Management: At the time when the money was raised, it was indeed for working capital. However, working capital requirements are not always static. At that particular time, we parked the funds in mutual funds. We then took limits against those mutual funds, which allows for interest arbitrage. It is not costing us anything, and it gives us the leverage of utilizing funds as and when required, while the idle money continues to earn from the mutual fund.

Pratiti Khara – Param Capital: Okay. So going ahead, this line item will be in financing activities, right?

Management: Correct, yes.

Pratiti Khara – Param Capital: Okay, thank you. That is all from my side.

Operator: Thank you. A reminder to all participants, you may press star and 1 to ask a question. The next question comes from the line of Nishtha Sankhalhesha from Sapphire Capital. Please go ahead.

Nishtha Sankhalhesha – Sapphire Capital: Yes, hello. I wanted to understand the reason our interest cost has almost doubled in H2 FY26. What is the steady-state interest cost we can expect? Our debt has also increased quite a lot.

Management: I am sorry, you were not very clear.

Nishtha Sankhalhesha – Sapphire Capital: Am I audible now?

Management: Yes, you are audible. Nishtha, I would request you to use your phone on handset mode if you are on hands-free.

Nishtha Sankhalhesha – Sapphire Capital: Yes, sure. Am I audible right now?

Management: Yes, go ahead.

Nishtha Sankhalhesha – Sapphire Capital: I wanted to understand why our interest cost is almost double in H2 FY26 and what sort of interest cost we can see on a steady-state basis going forward.

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Management: The interest cost shown in the books has increased for a few reasons. First, because we have taken funds against mutual funds, interest is being incurred while the mutual fund earnings are not yet reflected, as they will only show when the mutual funds are closed. That is the additional interest we are incurring right now. Additionally, our working capital limits have increased, contributing to the cost. Going forward, we are working to improve our working capital utilization. Instead of just using cash credit, we are trying to convert it into LC and other instruments, which will reduce our interest costs. We will be better utilizing the funds and limits available to us.

Nishtha Sankhalhesha – Sapphire Capital: Understood. My next question is on capex. Are we looking for any capex in FY27? If so, what is the amount and what will it be used for?

Management: As mentioned, we have a project at JNPA where we are setting up our own manufacturing hub. This will certainly require capex. We have recently received the Letter of Intent for it and are working on the plan. Once we have complete clarity, we will know the specific numbers required for that capex.

Nishtha Sankhalhesha – Sapphire Capital: What is the update on this project? Where exactly are we right now?

Management: Last month, we received the Letter of Intent from JNPA regarding the allotment. We are already working on the project preparation. Once the planning is finalized, we will know the actual costs to be incurred and the specific timelines.

Nishtha Sankhalhesha – Sapphire Capital: Understood. We have seen around 57% revenue growth in FY26. What sort of growth do we expect in FY27 and FY28? Regarding margins, is the 18% margin sustainable for the long term?

Management: Business growth is progressing well across all three verticals. The Philips vertical just started last year and has contributed well; we expect it to grow much faster. We intend to maintain or even improve this growth rate. Regarding EBITDA margins, we expect them to remain similar or improve because we are entering retail with the SFL acquisition. The retail hearing aid business is a high-margin sector, so we expect both growth and EBITDA margins to improve over the next 4-5 years.

Nishtha Sankhalhesha – Sapphire Capital: Regarding the retail front, will we see any revenue contribution starting from FY27?

Management: Yes. SFL is already generating revenue; they closed last year with approximately 26-27 crores. We intend to improve from there. That revenue is already available to us. We did not include it in this year's balance sheet, but it will be consolidated starting next year.

Nishtha Sankhalhesha – Sapphire Capital: Understood. Thank you.

Operator: Thank you. The next question comes from the line of Achut, an individual investor. Please go ahead.

Achut – Individual Investor: Hello sir. I am new to the company. I want to understand the mobile side — are we manufacturers, assemblers, or are we trading mobile phones?

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Management: We are licensed by Philips to manufacture mobile phones, and we handle the end-to-end business from manufacturing to final retail sales. In the current scenario, we have outsourced the job work to another manufacturing company. Once the scale is large and stable, we plan to invest in our own manufacturing setup. Currently, the manufacturing is handled by a third party.

Achut - Individual Investor: What is your margin on the mobile phone business since you are outsourcing the job work?

Management: We are not outsourcing the phones themselves, just the job work. We pay them job work charges. To give you an idea of the margins, a basic phone that costs us around 650 to 667 rupees has a realization or distributor sales price of around 850 rupees. The margins are good, approximately 25-30% depending on the features.

Achut - Individual Investor: Since the cost is low, are you mainly selling basic feature phones?

Management: We started with feature phones, or keypad phones, to play it safe and establish a stable sales base. Once that was achieved, we moved into smartphones. Our smartphone shipments started in March, so we have now entered that market as well.

Achut - Individual Investor: In the current financial year, what percentage of revenue do you plan to get from mobile phones? Long term, do you want to focus more on hearing aids or become a major mobile manufacturer?

Management: That is a difficult question because all three segments are important and have different advantages. The mobile segment will contribute more to the top line because it is a massive market. The smartphone market is over 4 lakh crores and the feature phone market is around 10,000 crores. However, in terms of the bottom line and profitability, hearing aids are our most favored product. The margins are very good, and there is less competition. Hearing aids will be the leader in profitability, while mobile phones will lead in revenue.

LEDs will provide us with the reach we need in corporate scenarios. Each of the three verticals has an important role to play.

Achut - Individual Investor: You mentioned starting smartphone manufacturing this March. Have you tied up with any major mobile companies or local ones?

Management: We are producing Philips brand smartphones. We have the brand license from Philips, so for the mobile phone category in India, we essentially act as Philips. We are not manufacturing for third parties; we are manufacturing Philips-branded products for our own sales.

Achut - Individual Investor: Do you have a target for how many units you will manufacture this year?

Management: We have created our own network of dealers and distributors. Last year, we put over 4.5 lakh feature phones into the market, and we expect that to grow. We expect strong numbers this year as well, with the phone segment seeing significant growth.

Achut - Individual Investor: What is your guidance for FY27?

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Management: For FY27, we expect to continue the growth momentum we achieved this year. In terms of both EBITDA and top line, we aim to exceed our performance from this year.

Achut – Individual Investor: Thank you so much.

Operator: Thank you. The next question comes from the line of Dipanshu Bhatia with Finviz. Please go ahead.

Dipanshu Bhatia – Finviz: Hello sir, am I audible?

Management: Yes, please go ahead.

Dipanshu Bhatia – Finviz: Congratulations on the 57% growth. I am tracking the company for the first time. It seems hearing aids are a more certified, higher-margin category. Is export a big part of the hearing aid revenue? Over the next 3 years, will growth come from deeper Indian integration or export markets?

Management: Hearing aids are indeed high-margin because of technology entry barriers. We stand out in India. Internationally, we compete with established "Big Five" brands. We are focusing on strengthening our business in India first because it is an untapped market. There is less than 3% penetration of the Total Addressable Market. Data suggests around 88 million people in India need hearing aids, but total annual sales are less than 9 lakh units. To tap into this, we acquired SFL, which operates audiology clinics. This starts our retail journey where margins are significantly better than our current wholesale and government business.

Dipanshu Bhatia – Finviz: Out of those 8 to 9 lakh units sold in India today, what is our market share?

Management: We currently supply primarily to the wholesale market and government tenders. This accounts for a large volume but at a low average selling price. We are not yet dominant in the B2C segment.

Dipanshu Bhatia – Finviz: So you have not really started B2C yet?

Management: It has mostly been B2G. We are the largest supplier to the Government of India.

Dipanshu Bhatia – Finviz: And you did the acquisition to penetrate the private market?

Management: Correct. For private market penetration, we have acquired SFL.

Dipanshu Bhatia – Finviz: What is the footfall for this subsidiary? How many unique people do they cater to?

Management: Since their establishment in 2014, they have a customer database of over 100,000 people. We intend to build on that. To give you some context, while we sell to the government at 2,500 to 3,000 rupees per unit, the average selling price in these clinics is 35,000 to 40,000 rupees.

Dipanshu Bhatia – Finviz: Is that for the same product or an upgraded one?

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Management: It is an upgraded product. In the multi-brand segment, hearing aids can go up to 4.5 or 5 lakh rupees per unit.

Dipanshu Bhatia - Finviz: Do we have the ability to manufacture those higher-end versions?

Management: Not exactly. We are currently ready with entry-level segments that are at par with top brands. We are starting by targeting that 20,000 to 35,000 rupee segment.

Dipanshu Bhatia - Finviz: In the LED segment, is the profit driven by the hardware sale or recurring SaaS revenue?

Management: So far, it has been LED sales. Our content management system (CMS), which is a SaaS application, was launched this year. We have onboarded over 300 locations so far. We expect to reach 100,000 units for this platform over the next 2-3 years.

Dipanshu Bhatia - Finviz: So that revenue has just started?

Management: It has just started. We have already onboarded a major national bank and a large chain of malls. Once we reach 50,000 to 100,000 units, the monthly recurring revenue will contribute significantly.

Dipanshu Bhatia - Finviz: Your presentation mentioned 700 to 800 rupees per month. Is the system working well so far?

Management: It is working well. A top bank would not allow our application in their branches unless it was well-established. We have a long-term agreement with them to digitize approximately 1,800 to 2,000 branches.

Dipanshu Bhatia - Finviz: Is it mandatory for the client to use your LEDs to get the service?

Management: No, our application can work with third-party LED systems as well.

Dipanshu Bhatia - Finviz: Thank you.

Operator: Thank you. The next question comes from the line of Kailash Shah, an individual investor. Please go ahead.

Kailash Shah - Individual Investor: Hi. I noticed significant regrouping in the financials for FY25, especially the cash flow statement. Short-term borrowings were previously included in operating cash flow. Could you explain the reason for this and share the background of the CFO?

Management: The reclassification occurred to correct previous erroneous reporting. We have corrected that, and things have moved accordingly. I am not a finance specialist, but that is the reason for the reclassification.

Kailash Shah - Individual Investor: Can you share the CFO's background so we can be sure these clerical mistakes won't happen again?

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Management: Our current CFO has an MBA in Finance from a reputable institution and over 10 years of experience in the banking sector. We also have Chartered Accountants assisting with financial reporting. We are strengthening our accounting systems to avoid such errors in the future.

Kailash Shah – Individual Investor: If you remove short-term borrowings from operating cash flow for FY25, it looks very negative. Are there more changes coming, or is this the final policy?

Management: We will continue to see improvements in our operations and reporting. We were previously a small startup, but we are now building a more experienced team. We have a new CEO onboard, and things will continue to improve from here.

Operator: Thank you. The next question comes from the line of Nishita Shankalesha from Sapphire Capital. Please go ahead.

Nishita Shankalesha – Sapphire Capital: Thank you. Can you provide a segmental margin breakup?

Management: I can provide the specific numbers via email. Holistically, hearing aids provide the best bottom line because they are medical devices. With retail consolidation, those margins will improve further.

Nishita Shankalesha – Sapphire Capital: You mentioned we currently have entry-level hearing aids. Are we planning to move into the mid-range or high-end segments?

Management: Yes, our in-house R&D team is continuously working on product enhancement. We intend to become a top international brand. Our current "entry-level" products are already technologically at par with international brands for basic hearing needs. High-end features like AI, which aren't always mandatory but are premium, are what we are working on next.

Nishita Shankalesha – Sapphire Capital: With the acquisition of SFL, will we only sell our own brand or other brands as well?

Management: SFL clinics are multi-brand centers. Different customers have different needs that require different products. We intend to keep them multi-brand to maintain revenue and footfall. This also gives us a platform to pitch our own products to that same consumer base.

Management: To add to that, while we will remain multi-brand, we will be adding our own products very soon. This allows us to give customers access to everything from entry-level to premium levels.

Nishita Shankalesha – Sapphire Capital: Hearing aids are 42% of the revenue mix. Will that increase after consolidating SFL?

Management: While SFL will contribute more revenue, our LED and mobile segments are growing much faster in terms of scale. So, the percentage contribution of hearing aids to the overall top line might shrink, but they will contribute more heavily to the bottom line and PAT margins.

Nishita Shankalesha – Sapphire Capital: So the revenue mix will tilt toward mobile phones?

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Management: Correct. We expect higher volume from mobile phones, which might technically tilt the top-line mix, but the bottom line will not shrink because the retail hearing aid sales occur at much higher margins.

Operator: The next question comes from the line of Rajesh, an individual investor. Please go ahead.

Rajesh – Individual Investor: How is JNPA positioned for growth and what segments are you targeting there?

Management: JNPA is an industrial land we secured in Navi Mumbai. It will be an SEZ (Special Economic Zone), meaning we will be exempt from GST and import/custom duties. We are targeting international markets in North America, the Middle East, and Africa. It will serve as a manufacturing, logistics, and warehousing hub. We expect better margins there than in the domestic market.

Rajesh – Individual Investor: Which segments are you targeting specifically?

Management: Primarily the LED business, as many international clients are looking for a "China plus one" strategy. Being at the port saves significantly on logistics and increases the speed of transformation for imports and exports. Furthermore, under the new budget, we can sell to the domestic Indian market from the SEZ at a better duty rate than companies currently importing directly from China.

Rajesh – Individual Investor: How has the mobile phone segment progressed and what is the penetration strategy?

Management: It is doing well. In 6-7 months, we have reached over 200 distributors and 13,000 retail touchpoints. Feature phones are performing well in rural areas and Tier 2 and Tier 3 cities. With the Philips brand, acceptance and feedback have been very positive. We have started smartphones and will soon target online sales to increase visibility.

Rajesh – Individual Investor: How significant is the export opportunity for mobile phones?

Management: Currently, our agreement with Philips is for the Indian market only.

Rajesh – Individual Investor: And regarding SFL, how does it granularly increase margins?

Management: In the government segment, our margins are lower. In retail, if we sell a product for 4,500 to 5,000 rupees that we previously sold to the government for 2,500 rupees, the margins effectively double or triple.

Operator: The next question comes from the line of Rohit with RMS Growth Fund. Please go ahead.

Rohit – RMS Growth Fund: Congrats on the 60% growth. Given you closed at around 300 crores, can we assume a top line north of 500 crores for FY27?

Management: If the math suggests so, we should be able to achieve that.

Rohit – RMS Growth Fund: You recently hired Captain Vivek for the government and defense segment. What is the strategy there?

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Management: We previously lacked a dedicated sales team. Captain Vivek comes from a defense background and will spearhead our outreach. LEDs are used extensively in defense command centers and border monitoring outposts.

Rohit – RMS Growth Fund: Do you have a pipeline or existing orders in that segment?

Management: We already have customers like the Indian Military Academy, the Naval Academy, and the Air Force. DRDO and ISRO are also customers. We have the pre-qualifications; now, with a dedicated outreach program, we expect to see more growth.

Rohit – RMS Growth Fund: H2 revenue was somewhat flattish compared to H1. Was there an impact from global conflicts or revenue deferment?

Management: There were logistics and supply chain delays due to the war. Approximately 25-30 crores of revenue that should have been booked in March were pushed to April.

Operator: The next question comes from the line of Ankur Agarwal with Motozak LLP. Please go ahead.

Ankur Agarwal – Motozak LLP: Out of the 29 crore PAT, how much was actually collected? What is the credit period for your customers?

Management: Our terms are generally within 90 days. However, our LED business is project-based. Even if we supply the goods, we often have to wait for site readiness and installation before we can finalize the invoicing. This can sometimes extend the cycle to 120 days.

Ankur Agarwal – Motozak LLP: Any bad debts in the books?

Management: No significant bad debts. We have about 10-12 lakh rupees that have been outstanding for over a year, which we are trying to recover, but everything else is within a 6-month window.

Ankur Agarwal – Motozak LLP: You sold 4.5 lakh units. Do you have sell-through data on how many were actually activated?

Management: I can get that data and get back to you.

Operator: The last question is from Jaydeep Ray, an individual investor. Please go ahead.

Jaydeep Ray – Individual Investor: What are your current monthly mobile sales?

Management: We have reached a stable sales volume of over 60,000 to 70,000 feature phones per month. Smartphones were just added, so we will see those numbers in the coming months.

Jaydeep Ray – Individual Investor: You mentioned 4.05 lakh units for H2. Was that for the second half or the full year?

Management: We started sales around September, so the majority of those sales occurred in H2. That figure represents the total for the financial year. Total mobile revenue was about 55 crores.

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Jaydeep Ray – Individual Investor: What is the target for export sales this year?

Management: We did about 23 crores in exports last year across LEDs and hearing aids. This year, we are targeting 50 crores in export sales.

Operator: I would now like to hand the conference over to Mr. Rajendra Ravishankar Mishra for closing remarks.

Management: Thank you everyone for joining the Osel Devices Ltd. team. We have been able to achieve this growth with your support. We are very positive about our future and expect to maintain this growth momentum. We are working hard on new product development and the JNPA hub. We are also targeting providing quarterly reports starting from Q3 of this year to provide more transparency to our shareholders. Thank you everyone.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of Osel Devices Ltd., that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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