



“OSEL Devices Limited

H1 FY '26 Earnings Conference Call”

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MODERATOR: **MS. PALAK AGRAWAL – TWENTY EIGHTH CONSULTING**



Moderator: Ladies and gentlemen, good day, and welcome to the H1 FY '26 Earnings Conference Call for OSEL Devices Limited, hosted by Twenty Eighth Consulting. 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 the conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

From management today, we have in the call Mr. Ravi Mishra, Promoter; Mr. Mukesh Sinha, Whole-Time Director; and Ms. Deeksha Singla, Company Secretary. I now hand the conference over to Ms. Palak Agarwal from Twenty Eighth Consulting for opening remarks. Thank you, and over to you.

Palak Agrawal: Thank you, Yashashvi. Good morning, everyone. Thank you so much for joining us today for the conference call. We are really pleased to share our financial performance for H1 FY '26 across all verticals. The company's tiered product portfolio in the hearing aid segment reflects its commitment to serve a diverse customer base and offer solutions across various price points and technologies to achieve both volume growth and value realization.

Collaborations with reputed international partners such as Frye Electronics Inc. continue to strengthen company's technological capability and market credibility. In India, the company is developing a clinical network supported by trained audiologists to reinforce its focus on quality and customer trust. The company also initiated pilot export orders and plan to gradually expand into private market channels like retail, wholesale, and digital platforms.

Coming to LED display segment, the company is building international partnerships with established OEMs to enhance its global reach, while domestic collaborations with national banks are supporting wider scale installations. The client engagement strategy is focused on enabling enterprise-wide deployments and fostering long-term relationships.

Coming to mobile division, it continues to show steady progress evolving from an initial pilot order of 1 lakh units to a follow-up order exceeding 3 lakh units supported by encouraging market feedback. The company anticipates continued momentum in this segment exceeding orders above 5 lakh units guided by its emphasis on operational efficiency and responsiveness to the market needs. Together, these initiatives reflect its steady pursuit of sustainable growth, innovation, and long-term value creation for all these stakeholders. Thank you.

Over to you, Yashashvi.

Moderator: Thank you very much. We will now begin the question-and-answer session. We'll take a first question from the line of Vivek Patel from Ficom Family Office. Please go ahead.

Vivek Patel: Very good morning, everyone. Am I audible?

Moderator: Yes, please go ahead.

Vivek Patel: Thank you. So, firstly, just a bookkeeping question. For this half year FY '26, what would be the revenue -- very good morning. Is the voice clear from my end now?

- Ravi Mishra:** Yes, Vivek. Please go ahead. Good morning.
- Vivek Patel:** Thanks a lot for the opportunity. Very good morning. First question, I wanted to understand about this half yearly. What is the segmental revenue breakup for listening devices, LED and mobile phones? And what were the margins for these segments for this half of the year? And also, I noticed there is a very sharp increase in other expenses and interest costs for this half. If you could throw some light on these two things.
- Ravi Mishra:** We have basically segmental data for three things. One is hearing aids, LED display and then mobile phones. So, in current terms, we have around 35% in hearing aids and 48% in LED, and then a small bit in our mobile phones, around 15% in mobile phones. That is the number that we have done so far.
- Vivek Patel:** And what about the margins for these segments?
- Ravi Mishra:** Margins in terms of gross, we don't have the actual numbers here, but in terms of gross, normally, when it comes to hearing aids, our gross would be around 30% to 35% and then for - - okay. So, for hearing aids, we have 30% to 35%. For LED display, it would be around 15% to 20% and then phone is also around 15% to 20%.
- Vivek Patel:** And what about this cost increase for this half year, other expenses and interest costs? And also, was this one-off and do you expect this same level to continue?
- Ravi Mishra:** No, interest cost will certainly go down, but essentially, we have some working capital requirements and all those things. So, we have using bank limits and all. So, we have interest arrangements in that basically because we have orders for Philips and all those things which we still need to pay in advance and all. So, those take some interest cost in that. But this will not continue with that. Once we have regular business and rotation cycle starts for all these new businesses that we have added up, things will be better.
- Vivek Patel:** Okay. And second question is about hearing aids. So, of the four lakh units are note down, is that annual capacity for hearing aids? What was the number of units in hearing aids sold in, say, FY 2024, FY 2025, and in this half, if you could get that number? And if I'm not wrong, we have large commodities from the government and the schemes. What was that portion of units being sold to the government as well?
- Ravi Mishra:** Do we have this data ready now? I think we'll have to get back to you with the number of units sold for hearing aids with the comparative data for last year and this year.
- Vivek Patel:** No worries, sir. And in the opening remarks, it was mentioned that they are making inroads in retail or D2C hearing aid segment. What is the progress like as of now, and what are the strategies that we are employing to increase that share of our revenue of private retail hearing aids?
- Ravi Mishra:** So, in those lines, we are already in touch with a lot of clinics and audiologists to start with our retail product sales. And we have got some good advancement in that, and very soon we'll have some good announcements on those lines.



- Vivek Patel:** Are we penetrating just in terms of direct retail, or are we going via the audiologists?
- Ravi Mishra:** We will have both the channels, actually. So, our audiologist channel will also be there, and there will be also an online channel that will be through for the OTC products, because there are certain products which need audiologist interventions, which is in terms of fitting programs and all those things. So, that will go through audiologists only. But the OTC channel, which is over-the-counter product, which will go through online channels. So, we'll be attending to both the channels.
- Vivek Patel:** Okay. So, do we have in our mind about, what revenue share that we would like to target over the next two, three years of this retail or non-bulk sort of segment for hearing aids? Any rough estimates that we can have?
- Ravi Mishra:** We do have some estimation, but it all depends on how the market feedback comes in, because we have already developed the products already, and they are tested. And some pilot testing along with these clinics and audiologists are already in place.
- So, we have got reasonable feedback from there, but we still have to see how the consumer, the end consumer, because final customer is that only. So, we still have to see how the end-consumer reacts to the product or what is their feedback in terms of users' prices and all, so, once we have those basic understandings, we'll be able to estimate the volume that we'll be able to do.
- Vivek Patel:** Thanks sir. And sir, lastly, I just wanted to understand our capital allocation strategy. Right from the time that we have raised funds from IPO and further preference issues, the company has invested a total of roughly about INR60 crores in working capital, excluding the INR41 crores that we have invested in mutual fund this half. During the same time, our short-term debt has increased from INR48 crores in FY 2025 to almost double in INR98 crores in this half.
- And while this cash is actually remaining on the book, we have INR73 crores that is already still on the books. Just wanted to get some dynamics on why are we raising short-term debt while we still have, we have already invested a lot in working capital, plus we already have cash on book. So, this is a good extreme capital allocation strategy, why we raise debt, you know, expand on that.
- Ravi Mishra:** So, we basically recently got additional CC limits, because we are expecting higher volume of business. And so, we need to be prepared for that. And that's why we have added up the working capital limit with the bank also, and we are utilizing that. We got the mutual funds done when we got this, what do you call that, preferential money.
- So, when the money came in, we had additional funds available to us for short-term. So, we put it into mutual funds for short-term, which will basically be encashed again. So, these higher, that imbalance that you see, we have cash in hand, and then we have debt also, so that we nullify it.

- Vivek Patel:** And is there any capex that we have planned for the mobile phone division's expansion? Because you mentioned a 5 lakh order, so there might be some capex that we're expecting over the next year or two.
- Ravi Mishra:** Not exactly right now. We will have some capex requirement once we have stable and regular orders coming in. So, right now, it's just the start of business and we are trying to grow it. So, once we scale up to a level where there is some stable orders every month, so we know there's three lakh units or five lakh units every month is coming up, then we will have our own set up to do manufacturing in-house. Currently, we are using the third-party manufacturing base to produce the products.
- Vivek Patel:** Okay. Thanks a lot for answering the questions, sir. I'll get back to you. Thank you.
- Moderator:** Thank you. We'll take our next question from the line of Abhishek Bansal, a Retail Investor. Please go ahead.
- Abhishek Bansal:** Hi, sir. Very good morning and congratulations on a great set of numbers. So, I wanted to understand that for your mobile phone division, you guys have hired a distributor, so I wanted to understand their capabilities and the reach they bring to us. And they also have an existing business of smartphones. So, will that compete with what we are trying to do with Philips? And how do we plan to leverage on their network and scale up others? So, that'll be my question.
- Ravi Mishra:** So, they were already into the phone business, basically. So, now we are leveraging their capability on that. So, but now they are only focusing and exclusively focusing on Philips sales across the country. For now, within the last 3, 4 months of our effort, we have reached out to 120-plus distributors and around 600-plus retail outlets, basically, across the country.
- Along with 600, we have already appointed 650-plus locations for services. So, those things are there. And while it is distributor-driven, we are continuously monitoring the distributor process and sales, and even the team members and everything is monitored. Continuous monitoring is there from our side also. So, there is no distraction in terms of their own mobile phone being in the market.
- Abhishek Bansal:** And so, what is their current, I mean, the sub-distributors they have appointed, how many do they have under their umbrella? And right now, this is the uptake we have. Like, you mentioned that we are now targeting a 3-rack order for more phones. How has been the average distributor uptake till now and the repeat ratio from whatever we have done till now?
- Ravi Mishra:** Fine. So, basically, we initiated with the pilot numbers for 1-lakh unit, which we got good feedback. And as you are aware, we are starting with the feature phone market only. So, product feedback, quality feedback from even the end customer is very good for this product and compared to the other products available in the market, we have been treated as a better one. That is the feedback from the people right now.
- So, as I mentioned, in terms of number of distributors, we have already appointed 120 distributors under Philips' brand, and they are already working continuously with us. And they



are regular and repeat orders through them also. So, we are not targeting 3 lakh units order. It is already there with us. Now, we are targeting the next 5 lakh units order by December.

Abhishek Bansal: Okay, sir. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Mahaveer, an Individual Investor. Please go ahead.

Mahaveer: Sir, can you just explain us what is the utilization of the funds that were raised? So the preferential issue that we raised, how are we utilizing those funds? First was by the promoter and the second one was -- the second time that happened. And the second question is in terms of medical equipment, are we planning to venture into new products? Or are we only going to stick to hearing aids?

Ravi Mishra: Okay. So let me take the first question. In terms of working capital requirement, in terms of the funds raised that it has gone to working capital requirement only. And apart from preferential, the other fund that was raised is INR3.24 crores only because it's what we call these are warrants basically. And only INR3.84 crores was raised in that because the rest of the money would come later on the stage. So they are all utilized currently in the working capital.

Mahaveer: Okay, got it. And what about...

Ravi Mishra: Yes, second question what you had, if you can repeat that, please?

Mahaveer: Yes. So in terms of medical devices, are we planning to venture into other products? Or are we only going to stick in with hearing aids?

Ravi Mishra: Right. So we have mentioned earlier also, we are basically a technology company, and we have got in-house R&D team, which continuously keeps working on new product lines. So yes, once we establish and stabilize our hearing aid product line, we are certain to get into other products as well, which will be more into medical and to be precise, more into assisted medical devices.

Mahaveer: Okay. Got it. Sir, what about the JNP port? Any update on that?

Ravi Mishra: Yes, we have got all the approvals in place for the JNPT thing. There were some additional requirements, which we are expecting to get the approval from the competent authority within this month itself. That's what we have been committed. And then we are good to go with the setup there.

Mahaveer: Okay. So just wanted to know a little more. So JNPT will be basically used for LED screen export, correct?

Ravi Mishra: Yes. So JNPT, we have around five acres of land there, and we are targeting to have warehousing as well as manufacturing setup there. And both will be utilized for domestic and international business and especially the re-export business that may be possible with Middle East and other things. We were also excited about using the U.S. thing, but current tariff is actually blocking it up. But once the tariff settled down, even the U.S., North American market will start for us.



Mahaveer: Okay. Okay. Got it. Thank you, sir.

Ravi Mishra: Thank you.

Moderator: Thank you. We will take the next question from the line of Abhishek Bansal, a Retail Investor. Please go ahead.

Abhishek Bansal: Hi, sir. Thank you for the opportunity again. Sir, now my question is more towards the hearing aid business. Like up till now, we were focused more towards the government business and the government tenders, and now we are venturing out into the retail segment. I was reading through a few reports that globally, the hearing aid business is centered with around three, four major players, one being the star, and they have a monopoly over that business.

Now as we venture into the retail side of the business, how do we plan to tackle that monopoly? And what exact differentiation or price or product differentiation that we bring -- that we bring to the table that will allow us to penetrate deeper into that market. So I would appreciate your views on that as well.

Ravi Mishra: Perfect. So basically, yes, I would not say monopoly, but it is more managed by these big fives of the hearing aid industry. Basically, those big five, including Starkey is one of them. Starkey one is Siemens, these guys are there in that. So this is currently -- especially when we talk about Indian market, Indian market is currently driven by a recommendation from the audiologist or ENT specialist basically. So that's the same. Anybody who is having any ear problem first approach the ENT and then ENT will send it to an audiologist who will do the test and recommend some hearing aids or solutions.

So the whole market currently works is on their recommendation, what they recommend, which brand they recommend and which they do based on the influence they have from the brand in terms of the margins they are making, the audiologists would make, the money they are making, the support they're getting from the brand and all. So in this case, what is happening is the price range for these products because everybody is interested into selling the higher range of product and make more margins, which is obvious for everyone.

So everybody is trying to sell out a higher range of product, which at times most of the consumers at a lower end would -- are not able to afford. So there's a lot of underprivileged people who are not able to afford to buy that hearing aid at that cost. So with us, basically, we are trying to target with our product line, we are trying to keep our margins very much in control, but still which will be good margin compared to what we are doing now in the B2B business.

And we will try to open up a new segment of customers whom they are not able to cater to right now. So, the same setup would be able to bring in more business for us also, while not really competing with those existing brands.

Abhishek Bansal: Understood. And sir, in terms of pricing, how much value proposition we plan to offer compared to the next best player that we have like, in terms of our pricing, how much cheaper we are planning to do while keeping our margins and product quality intact? What is the range that we are looking upon at, some broader sense on that?

Ravi Mishra:

Hearing aid is a very niche product, actually, and the margins with everybody, even whoever is selling currently are been sold a very high margins basically. From production to sales price, it's a huge difference. So, from INR15,000 to INR20,000 per unit to even 4 lakh units per unit products are available. So, we can basically still be economical in terms of 30%, 40% cheaper than what they are, and then still be better than what we are doing currently. So, we can still increase our margins to 100%, but still be cheaper than the other products by 30%, 40%.

Abhishek Bansal:

Understood. Thank you. And one last question on the hearing aid itself. I saw that we partnered with Earkart as the distributor, and they are building their own distribution channel and partnering up with the audiologists and setting up centers, and they are doing a mix of strategy, like selling their own internal hearing aids, which they are manufacturing, as well as partnering with third parties.

So, how has been the distribution partnership with them been channeling out? What are the inroads that we have made to them and they venturing out into their own hearing aid? Is it a concern for us or can it be potentially dampen our business that we are expecting in the future?

Ravi Mishra:

That is not exactly a concern, actually, because we have got strong partnership with them as well. And they are building up their network, which is going ahead with good connections basically and their network is also growing. And with the grown up network, as they mentioned, everybody needs a different level of products. So, when we get into the same network, we are not competing with the existing supply chain.

We are actually adding up to additional market cap, market potential, basically, that is not being catered to right now. So, with our products offering, we do not see a challenge with that. And in fact, they will have one more product to actually fill up the gap with what they have right now.

Abhishek Bansal:

Understood, sir. Thank you so much.

Moderator:

Thank you. Next question is from the line of Suman Kumar, an Individual Investor. Please go ahead.

Suman Kumar:

Hi, sir. Good afternoon. Am I audible to you?

Moderator:

Yes, please go ahead.

Suman Kumar:

I just heard from you saying that you already have a definite order of 3 lakh units and you are looking to get another 5 lakh unit orders by December. Is this for the mobile phone?

Ravi Mishra:

Yes, these are for the mobile phones, yes.

Suman Kumar:

Okay, sir. And I am assuming that we have the sales and distribution and marketing right for India, right?

Ravi Mishra:

Right.

- Suman Kumar:** So, when you are saying that you are getting these orders, who are these orders coming from? So, are they coming from the distributors or the dealers that we have appointed? And hence, are they really about filling the pipeline for now? Do you have any sense on offtake and how it is moving so far that you may have placed in the past?
- Ravi Mishra:** Right. So, based on the activation data which we are tracking, which is not actually accurate, but still it gives us a sense of what is being happening. So, activation data is when a user buys the final phone from the retail shop and then they put in their SIM card and then they start to use it. So, based on that activation data, we have reached around -- or I think 800 units per day of activation is currently there for that. So, which gives us a basic sense that, okay, yes, a good level of activation is happening. so, and the mobile phones are reaching to the end customer's hand.
- So, that tracking is already there with us. And when we say 600 in numbers, it would be basically, we can say we are only getting 20%-25% of the activation data with us, because all the data would not come to us. So, we are assuming it would be around 1,800 to 2,000 units per day is being activated now. So, whatever happens to the market...
- Suman Kumar:** 2,000 units per day?
- Ravi Mishra:** Kind of, yes.
- Suman Kumar:** Okay. 2,000 means about 60,000 units per month and probably 7 lakh units per year. Is that how it is? I mean, am I reading it right?
- Ravi Mishra:** Correct. And this will increase further.
- Suman Kumar:** And what is the kind of realization that we expect per phone, sir?
- Ravi Mishra:** So, currently our realization of per phone is around INR850.
- Suman Kumar:** Okay. So, these are basic phones, right, not...?
- Ravi Mishra:** These are feature phones, yes.
- Suman Kumar:** These are the feature phones. Okay. And you said the gross margin is 15% to 20% or it is the EBITDA margin?
- Ravi Mishra:** EBITDA margin.
- Suman Kumar:** Okay. Good. Thank you so much. I appreciate your response.
- Moderator:** Thank you. We will take our next question from the line of Mahaveer, an Individual Investor. Please go ahead.
- Mahaveer:** Thanks again. Sir, I have a question regarding our collaboration with Philips. Are we going to manufacture or supply other products of Philips in near future?



- Ravi Mishra:** Yes, we have started with feature phone while we have the complete range of mobile phones with us. So, we will soon be launching smartphones as well. And then tablets and other products are there in pipeline. So, basically, we already have all that with us, but we are going slow because we have to establish one product and then we add another.
- And we have to understand the market that dealer network is already there. Then we will add other things into the same thing. So, initially, we have to create the inroads and the network. And once we have that in place, bringing in other products will be much easier. And we will already know what to invest, what not to invest in.
- Mahaveer:** Okay. And will we be manufacturing all these products in near future, like the smartphones and LED screens and laptops and other electronic products?
- Ravi Mishra:** Whatever products we go in, we will be ensuring that we are the manufacturers for that. We will be manufacturing the product here. We will not be just doing a trading business. We don't want to get into that.
- Mahaveer:** Okay. So, when we start manufacturing, I suppose our margins will reduce in this segment or how will it be?
- Ravi Mishra:** Exactly not, because right now also we are manufacturing it, although we are using a third-party, but we are still manufacturing it. So, it is the same position. The only thing is the manufacturing will come in-house later on.
- Mahaveer:** Okay. Got it. Thank you.
- Moderator:** Thank you. Next question is from the line of Nalini Kant from Finviz Capital. Please go ahead.
- Nalini Kant:** Congratulations on a very good set of number. So, in the hearing aid segment, we are flat on...
- Moderator:** I am sorry, your voice is getting muffled.
- Nalini Kant:** Let me try again. Is it better?
- Moderator:** A little better.
- Nalini Kant:** Okay. So, my question was, in the hearing aid segment, on a Y-on-Y basis, we were almost flat. So, if you could just give us a reason why we were not able to grow? What were the major reasons for a flat growth in the hearing aid segment?
- Ravi Mishra:** You are not very clear about -- so are you asking if the growth in hearing aid segment is flat compared to the last year's thing.
- Nalini Kant:** Yes.
- Ravi Mishra:** Yes. Yes. There is certainly a growth in hearing aids also. 35% is the -- what is the growth. So, this was -- because, see, in hearing aid business, we are into government -- mainly through government tenders and all. So, what happens is, at times, the government tenders have

deviations in terms of delivery and other things. So, we still have good orders in hand. So, going forward in the next six months, these numbers will have good increment on that line.

Nalini Kant: All right sir. And sir, in the mobile phone segment, what kind of a timeline we are looking to start our manufacturing? When can we start the manufacturing of the feature phones and what would be the timeline for smartphones? And if you could give a sense of what is the timeline to launch the smartphone business as well?

Ravi Mishra: We already have smartphones in pipeline, actually. So, probably by December -- sometime towards end of December, -- of December we will have the smartphones coming in to the market for trial supplies. And as I mentioned earlier, we would get into production once we have stable -- once we are confident about the stable business coming every month, so, then only we will be entering into that. Probably, we are expecting -- well, we are very positive about it. So, we are expecting by March, we should be having some clear picture on the monthly sales volume that will be regular for us. And then we will get into production ourselves.

Nalini Kant: And so, one last question. In the smartphone segment, what kind of the price range we are looking in which we would be bringing our products?

Ravi Mishra: We are targeting a range which -- there will be two, three range, basically. One will be under 10 and then other two, three products claim will be under 20.

Nalini Kant: All right, sir. Thank you. That's all from mine.

Moderator: Thank you. Next question is from the line of Akshay, an Individual Investor. Please go ahead.

Akshay: Hello. Am I audible?

Moderator: Yes.

Akshay: Yes. Hi. My question is -- so in terms of order book and order pipeline, can you throw some light?

Ravi Mishra: So, I can give you an example.

Akshay: Any of the segments.

Ravi Mishra: Right. So, we currently have around 70 to 80 in-hand, basically, orders that is in pipeline to be closed before or to be delivered before March '26.

Akshay: Okay. And anything in order pipeline, any new tie-ups which are we looking for or even the existing ones?

Ravi Mishra: There are things in pipeline, basically, in terms of some alignments with the international businesses. And what we have missed telling you here is we have already started in the first financial half-yearly also. We have already started doing some OEM business and a good portion of LED sales is coming from OEM business also, which is basically we are producing for some good brands. So those tie-ups are also already -- more tie-ups are in pipeline. So, more



international MNC brands will be added into our customer base and we will be producing it for them, especially the LED part, LED displays.

Akshay: Okay. And from when do we expect this to ramp up well, this OEM business one?

Ravi Mishra: I am avoiding to say, take names here, basically, before the brands. But...

Akshay: No, just the ramp up that we feel will be good in terms of a particular percentage on revenue or something of that sort.

Ravi Mishra: Correct. So as I remember, we have already done in the first quarter, first half yearly, we have already done around INR20 crores of business with the US display brand, basically, we have done that for their domestic supply. And also, we have some additional orders to be supplied now, which will be export orders. So those things are already in place. And for other three brands, we have audited and everything is already done. So, we will have those things – those orders also adding up into our business.

Akshay: Okay. And my next question is, with respect to whatever fundraisers you have done till now and plus the short-term debt you have taken predominantly into working capital. So, are we good in terms of fundraisers for now, weekly equity debt for working capital, let's say for the next one and a half years, or even if there's anything, and anything on capex also?

Ravi Mishra: So in terms of working capital for the current requirement, we are pretty good. But as I said, if we are thinking positive, and which we are sure to achieve, we will have additional working capital requirements, which we have good banking support also. But working capital requirements continue to grow because we are expecting the business to grow as well.

Akshay: Okay. So just to quantify in a longer-term, or let's say in a year to two years term, what do you think will be your receivable cycle in terms of number of days once things are stable?

Ravi Mishra: Receivable cycle, we are expecting it should, like in general, our business does not go beyond 90 days. So that is what we are targeting, our receivable cycle will be within 90 days of the business.

Akshay: Okay. I guess currently it is around that, right? Okay. Thank you so much. And thank you for the great questions. Thank you.

Moderator: Thank you. Next question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

CA Garvit Goyal: Hi. Am I audible?

Moderator: Yes.

CA Garvit Goyal: Sir, I joined the call a little bit late. Hello, hello, am I audible?

Moderator: Yes, we can hear you. If you can use your handset more, Garvit?



CA Garvit Goyal:

Hi, good afternoon. I'm saying I joined the call a bit late. So I just want to understand what is the growth trajectory that we are targeting, particularly for FY '26 and next two to three years in terms of top line and bottom line? And also, what are the drivers that are going to drive that?

Ravi Mishra:

See, in terms of top line, the growth driver should be obviously the Philips Mobile phone sales, which we are expecting when the smartphones will add a good volume to the total revenue. So, that will be there. And after that, of course, it will be LED because that has got a huge potential in the market and we are well positioned to capture that.

Also, with the OEM orders coming in and we are also expecting export sales for that. So, LED will be driving the second thing. And hearing aid will have steady growth of 20%-25%. I'm guessing that. And with retail coming in, maybe the top line will not increase, but bottom line will get better with the hearing aid retail sales coming up.

CA Garvit Goyal:

And this 20%-25% growth, are you saying is it the overall growth or the segmental?

Ravi Mishra:

I'm talking about the overall growth.

CA Garvit Goyal:

Overall growth, we are targeting 20%-25%. And sir, one more question, like our existing business is more towards the B2B segment, right? And in the Philips, we are entirely going into the B2C model. So, I just want to understand like why this shift is happening and why are we confident that being a B2B company, we will be able to get that kind of success in such a shorter period of time in B2C model? I just wanted to understand on that, sir.

Ravi Mishra:

Right. So, we understand that it's a different market altogether. But when it comes to our business, we are still electronic manufacturing that we are doing for whether it is a mobile phone or hearing aid or LED, it's all electronic manufacturing for us. So, from the backside of it, we are still in the same business.

And in terms of sales, we are still talking to dealer distributor network, which again is B2B for us. And then further is being sold to the next customer. And yes, we need to get into enticement promotion and brand promotion and all those things, which we will eventually get into. But right now, that's the very reason why we started with the feature phone, which does not require a lot of promotion and a lot of sales and marketing activities.

So, with this, we have easy penetration into the market because Philips is a well-known brand and it has got a very good brand recall. We don't have to put in much effort into letting people know that Philips is there. It's a brand.

CA Garvit Goyal:

So, that -- Philips as a phone is not a market, isn't it? In the mobile space category, which is already very much competitive. So, there is no space for the Philips in India, right? So, don't you think it is not going to be that easy, like Philips as a different category? I can understand there is a brand, but Philips as a mobile device, how we are pretty sure this will be able to, like in a shorter period of time, people will be adopting this thing?

Ravi Mishra:

Correct. So, in terms of mobile phone, Philips does have some presence in Europe market. It is there. And with -- see, right now, as we have already sold 1 lakh unit and we already have 3

lakh units in pipeline. In fact, more than 1 lakh units we have sold already. So, we have seen the good acceptance for Philips brand because, see, these feature phones are more on to the price and Tier 2, Tier 3 cities, wherein economically weak people would be basically buying these. So, we have got good traction from there. And the feedback from dealers and the retailers and distributors, we have got very good and positive feedback.

So, I don't see that difficulty. And when it comes to feature phone market, which also is around INR9,500 crores to INR10,000 crores, except for Nokia, there is no international brand available in that segment. So, people get to get Philips as a brand, at least in that. So, that also gives us a good acceptance in that. So, it would not be right to say that Philips don't have a space in phone market or especially the feature phone market. They can actually be the leader in that. At least in the feature phone market, they can be leader.

When it comes to smartphone, smartphone, yes, it is being led by Samsung and Apple, actually. So, apart from Samsung, Apple, you only have most of the Chinese brands like Xiaomi, Mi, Vivo, Oppo and all those things in that place. So, there is still a huge gap between Apple, Samsung and other brands which are not MNC brands, basically.

So, Philips can still be promoted and can squeeze in even for a smaller portion. So, smartphone market is almost INR4 lakh crores market annually. So, even if 1% or 0.5%, we are talking about very big numbers of that market segment and we are a very small company.

- CA Garvit Goyal:** You mentioned the 1 lakh units we had sold. What is the price range for this model?
- Ravi Mishra:** So, the cheapest model, so we have launched four models so far in that. So, the lowest price model is, the retail price is around \$1000, \$999, and our realization is around INR850 per phone.
- CA Garvit Goyal:** Sorry -- how much is our realization, sir?
- Ravi Mishra:** Around INR850.
- CA Garvit Goyal:** INR850, okay. And how much -- okay, INR150 is the royalty that we are paying to?
- Ravi Mishra:** No, no, no. I am saying the retail price, the customer buys at 999, the dealers or retailers would sell that, but the rest of the margin is for the network.
- CA Garvit Goyal:** Okay. And how much royalty are we paying on this sale price?
- Ravi Mishra:** We do not pay any royalty as such, that is not the agreement that we have with them. We are buying the BOM from them, basically.
- CA Garvit Goyal:** So, how Philips is going to earn via this model, sir?
- Ravi Mishra:** Right, so the BOM is coming from Philips, so they may be making profitability on that. BOM means the bill of material, which is required for producing the phones.
- CA Garvit Goyal:** Okay. I think that is from my side. Sir, all the best.

Moderator: Thank you. We will take our next question from the line of Vivek Patel from Ficom Family Office. Please go ahead.

Vivek Patel: Thanks a lot for the follow-up question. I just wanted to get some insight on the LED side of the business. Who are our key competitors, both domestically and internationally, firstly? And secondly, what is the competitive intensity of this space? Is it concentrated? Are there too many players? Is it organized, unorganized? If you could throw some light on these two aspects, your competitors and the intensity of the space?

Ravi Mishra: Great. So, LED is still in the initial stage of its business in India, actually. Internationally, it has done well, especially in the US and all. So, to give you a basic idea, if you talk about Times Square or Las Vegas, you would see the whole city is filled up with LED displays. Even if you go to China, Shenzhen and all, 40-storey, 50-storey buildings have the whole wall is LED display.

But in India, it is very, very small. But India is also a growing country, and we are expecting India to grow with that segment, and a lot of requirements on the LED side would come in. All the digital hoardings that you see, all the hoardings or advertisement hoardings that you see in Mumbai or any other places need to get converted into digital for obvious reasons, because digital is more dynamic and people have to have that acceptance. Also, with government curbing onto the pollution, the vinyl prints and all those things will get into that.

So, there is a huge demand and potential for LEDs in the country, and yes, there is competition, but the thing is, currently, it is not an organized sector. I would still consider this as a very unorganized sector. There are a lot of players out there, and a lot of different kinds of products are available in the market. But at the same time, LG and Samsung are also into the same business. They are also doing these sales, and then there are other domestic players who are into this market. So, competition is there.

But when it comes to big brands like LG and Samsung, we have a huge price advantage for a similar quality of product range, basically. And there are a lot of Chinese importers that are in competition, but we have got leverage in terms of our recognition in the market, our brand establishment within the industrial segment. So, we have got good recognition because our client base -- like we have worked with all industrial vertical clients and top names are there in our client list.

So, if you say retail sectors, we are working with Adidas, we are working with the Skechers, UCB, and all. If you talk about broadcasting, Doordarshan, India TV, they are already our customers. In terms of what we call entertainment, PVR is our customer. So, all the good names are there. So, in the government sector, research and development, ISRO and DRDO is our customer. ONGC, HPC, we have worked with them.

So, all kinds of top names in the industrial verticals -- all different verticals, top names, we have already worked with. So, we are coming up with those credentials. So, we obviously have a benefit compared to what other competition brings in, basically.

But yes, in a lower segment where it's mostly price-driven, we may have some challenge with Chinese importers. But otherwise, in the organized sector, where people are looking for established players and who can sustain, because these LEDs would require, their life cycle is 8 to 10 years. So, any good buyer or organized sector buyer would need to see that life cycle of the product also. So, that's when people don't go in for the Chinese product or Chinese importers then we have an advantage in that.

Vivek Patel: Understood. And you had mentioned just now about the price advantage that we have versus Samsung and LG. If you could throw some light on where this advantage comes from? Is it from the lower labor cost, lower raw material costs, or is it something that we do, that's more technically better than Samsung and LG?

Ravi Mishra: Okay. So, of course, all the things basically comes into that when it comes to lower, because we are producing ourselves, so it's a production cost is certainly lower. And product, what you call the raw material cost is also lower for us.

And then we have less management cost, which other brands have to add basically, because they have a lot of expenses into selling the same product. So, their marketing sales cost is much higher than what we have.

And of course, they want to keep more margins compared to what we have, because they can actually claim that premium for their brand names, which we currently cannot compare to them. So, those things basically bring in the price difference.

Vivek Patel: Understood. And what is the progress on, I think there was a large order of Kotak that we were doing. Have you started delivering or is that finished, just some sense in that?

Ravi Mishra: Yes we have already done almost 100 plus branches for them. And we are continuing to do that. In Mumbai, Delhi, all across the country, we are doing that.

Vivek Patel: Okay, understood. Thanks a lot for your time, sir. All the very best, thank you.

Moderator: Thank you. We'll take the next question from the line of Suman Kumar, an Individual Investor. Please go ahead.

Suman Kumar: Hi, sir. So, when we are talking about the handset business, right, you are saying today it is around 2000 activations that are happening per day. What is the true potential? So, when you would have gotten into business, there would have been some scenario planning that you would have done. What is your estimate of where the business is going to be from, let's say, today to a year down the line and maybe years down the line?

Ravi Mishra: Correct. So, I have mentioned that the market size for, there are two segments in mobile phones, basically. One is feature phone, one is smartphone. So, I'll tell you about this feature phone market first.

So, feature phone is around INR9,000 crores - INR10,000 crores market currently, which accounts to a volume of around 50 lakh - 55 lakh units a month. So, that is the kind of sales that is happening for feature phone, which is there.

And with Philips brand and with the initial inputs and feedback that we have from the market, we can capture a good percentage of this, basically. We can even name the leading name in this market in the coming two-three years.

Suman Kumar:

Okay. I'm sure you would know about the complexity of building a brand there. First, when you say a good percentage of market, what is the aspiration? And how do you think you have a right to win in the segment? What are the marketing strategies that you have in place that you hope and expect to achieve whatever that you are trying to achieve?

Ravi Mishra:

So, when it comes to feature phone market, it is more price driven market. So, people just need a product which they can utilize at a reasonable price. So, in terms of pricing, even though we are having the good brand name with us, we are very, very competitive in terms of pricing.

We are not very costly compared to other products available in the market. So, that gives us a leverage, there is basically, if anybody has to pay INR50 or INR70 extra compared to any other name that is not very known, people are happy to pay that money to Philips. So, we have kept our prices very much in competition with what is available in the market. So, that gives us a leverage.

And since it's a price driven market, we don't have to do much of the effort into marketing and sales because when people are getting a reasonable price product and a Philips brand with it, it's an easy sale actually. So, once the product is available across the country with all the dealer distributors and retailers, the sales would, easily would be coming up.

Suman Kumar:

And which are the other significant players in this segment? And where all have you all been expanded to? Are you focusing on a particular geography or you are going all India right now?

Ravi Mishra:

So, other brands that I would say basically one dominant brand is Nokia in that. So, Nokia is there, which is selling around 15 lakh phones approximately a month. And then we have iTel, which is leading. iTel is another brand, which is not an MNC brand, but it's there. So, that is leading the thing. And other brands are domestic Indian brands basically, which is having a small share of the business. So, that is there.

Suman Kumar:

Got it.

Ravi Mishra:

And I did not understand your second question, come again.

Suman Kumar:

So you reached around 18 states right now across the country.

Ravi Mishra:

So, as far as distribution is concerned, we are already reached around 18 states all across the country and we are targeting to reach all across the country basically. So, we will be available in all the cities and all the states. But right now, we have reached up to 18, 120 distributors in 18 states.



Suman Kumar: Got it sir. Can I ask one more question, please?

Ravi Mishra: Yes, please.

Suman Kumar: Yes. So, the final question is, sir, see, the kind of expertise that is required as a manufacturer, which has been one of the core strengths that you have, is very different from being a retailer or ensuring sales and distribution of a brand, right? The further complexity in this business is that there is also some degree of service provider requirement role that is expected of it because phones, there would be some complaints coming somewhere.

And hence, I'm assuming that even in feature phone market, there will be some service component, which is there, right? So when you are already trying to expand in the manufacturing segment, right, do you have the confidence that you would be able to do justice with the capability required for ensuring marketing, sales, sales and distribution? Would it not have been a much better idea to probably go with a ready-made retailer, somebody like Reddington, and I'm assuming there will be more such players.

What made you take a decision in going and doing this sales and distribution and service by yourself? Where did you get this capability and how do you think you have the capability to do justice here? And there are other issues also, so working capital, probably there would also be risk of the trade receivables not coming back to you. So, I mean, how do you plan to sort of navigate through all these complexities?

Ravi Mishra: Okay. So we are very much aware of all these concerns, basically, and we have already worked out on that. So when it comes -- and that's the very reason why we started with feature phone and not with smartphones. So all the concerns that you have put in are very much true when it comes to smartphone market because smartphone market is a push sales consumer needs to know the phone, they need to be marketed well, they need to be aligned with it, it is a brand, it is a phone, there is a feature in the phone, and then they do the buying decision.

But when it comes to feature phone, it's a different market altogether, it's a very mature market, and it's mostly price driven, as I mentioned. And the whole segment of dealer, distributor, retailer network is there in place. So when it comes to service, yes, it becomes a challenge, but when it comes to feature phone, there are already players who are providing service players. So we have already signed up with a third-party to provide the services, and they already have a network of 650 locations for services.

So that is already in place, and we are not operationally involved in providing services. We provide them spares to these people, these third-parties, and then they take care of the rest of the things with them, and they obviously charge us for any service call that comes in.

So far, with whatever sales have happened for Philips, we have got around 0.2% service issues, and that has been rectified by them. So, our presence, we are already present, before even we sold one single phone, our presence with the service was across 600 cities, 600 locations basically, 650 locations.

So, that service part is taken care of, and we don't need much of marketing and sales when it comes to feature phone, and once we have that feature phone penetration in the market, a basic level of marketing, as Philips being a phone brand, is already done, and then we will be building up the smartphone market on top of it. So, that's the strategy we are currently working on.

And by the time we come up with the smartphone thing, feature phone sales profits would also be supporting the expenses that would come in marketing and sales in that. And yes, we are a manufacturing company, so we should be focusing on manufacturing, and that's exactly what we are doing. And with that reason only, we have Zenotel as our national distributor. So, the rest of the things, we are pushing up onto them. So, they are...

Suman Kumar:

And what is the kind of cash conversion cycle that you foresee in this business?

Ravi Mishra:

So, when it comes to feature phone, we don't have much of the credit provided or passed on to the dealers or distributors. Within 30 days, we get all our money. But yes, it will still be different when it comes to smartphone, because smartphone, we will be dealing with all these big retailers, shopping chains. So then we will have some different credit cycle. But right now, with feature phone, we are very much within control, basically.

Suman Kumar:

And you are also present on the e-commerce websites?

Ravi Mishra:

We will be entering into that right now. I think just one partner is doing it, doing some online sales. We will be going up in that once we have our dealer-distributor network set, then we will definitely get into the online sales.

Suman Kumar:

Thank you, sir. Thank you so much for all your time.

Moderator:

Thank you. Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to Mr. Ravi Mishra for closing comments. Over to you, sir.

Ravi Mishra:

Thank you. So, I would just like to say that we are doing our efforts to bring in the best business possible for us, and we are utilizing all our capability to add up more product partners and business tie-ups that would basically enhance our business and growth that will support us in our growth.

So, we are expecting to have good results coming also in the coming future, and let's hope for the best. I would not like to say any numbers and all, but we are expecting maybe we will be doing good because the kind of efforts we are doing and the kind of tie-ups we are happening, we are expecting good outcomes.

Moderator:

Thank you, sir. On behalf of OSEL Devices Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Ravi Mishra:

Thank you.