



## IPO Note

# Osel Devices Limited

Recommendation: **AVOID!**

### Company Background -

- Osel Devices Limited was originally formed and incorporated as “Innovative Infratech Solutions Private Limited” on Aug 14, 2006. The registered office is located at New Delhi, India.
- The company manufactures comprehensive range of LED display systems.
- They also manufacture latest hearing aids commonly known as assisted healthcare devices.
- The company had 68 permanent employees as of March 31, 2024

### Objects of the Issue -

- Prepayment/ repayment of all or portion of certain loans availed by the company.
- To meet Working Capital Requirements
- General Corporate Purposes

### Promoters Name -

Rajendra Ravi Shanker Mishra and Jyotsna Jawahar

### Rationale for recommendation -

- ✓ The PE ratio is 19.77 times post-issue which makes it slightly highly priced.
- ✓ The top line, bottom line and profitability margins have seen a sudden increase and might not be sustainable in the long run.
- ✓ The concentration of customers and suppliers is high.
- ✓ The company had negative cash flow from operations for FY2023.
- ✓ The industry is highly fragmented.

### IPO Details

Opening Date	Sep 16, 2024
Closing Date	Sep 19, 2024
Allotment Date	Sep 20, 2024
Listing Date	Sep 24, 2024
Stock Exchange	NSE SME
Lot Size	800 Shares
Issue Price Per Share	₹155 to ₹160
Issue Size	70.66 Cr.
Fresh Issue	70.66 Cr.
Offer for Sale	-
Application Amt	₹ 1,28,000 (800 shares)

### INDUSTRY - Electronics - Consumer

P/E Average - 38.50

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	6,524.53	8,188.68	13,223.35
EBITDA	433.77	861.47	2,243.11
Net Profit	212.31	466.00	1,305.20
RoCE	40.04%	59.32%	63.17%
ROE	27.83%	37.92%	51.50%
P/E	14.02	6.39	14.15

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
98.50%	71.53%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	11.31	8.09
BVPS	21.96	59.52
P/E	14.15	19.77
P/BV	7.28	2.69
Mkt Cap (In Cr)	187.41	258.07

### Lead Managers -

Horizon Management Private Limited

### Registrar -

Mas Services Limited

## Business Overview -

Osel Devices Limited manufacture comprehensive range of LED display systems. The systems are enabled with content management system which allows it to connect to phone or computer and display on screen. The LED display systems manufactured by them have been used by corporate for commercial usage such as advertising media, billboards, corporate meeting rooms, presentations, display promotions, command control centre and front sign boards.

The company also manufacture latest hearing aids both digital programmable and non-programmable, commonly known as assisted healthcare devices. These are designed to support individuals with disabilities, elderly person and chronic patients, who are having low hearing level, in performing everyday activities more effectively to enhance quality of life. Their major client for hearing aids is Artificial Limbs Manufacturing Corporation of India.

## Products:

### LED Systems -

They cater to various governments and corporates by supplying LED display system tailored to the precise specifications of their requirement. Their products include -

1. Indoor LED System
2. Outdoor LED System
3. Transparent LED Solutions
4. Customized LED Solutions



### Manufacturing Unit and Capacity Utilization -

The Company has manufacturing and assembling setup in Greater Noida having production capacity of 15,000 square feet of LED display per annum and 4,00,000 units of Hearing Aid per annum. The capacity utilization for FY 2024 remained at 42.48% for hearing aids and 47.50% for LED display system.

### Major Customers -

1. **Government** - NALCO, Indian Oil, Gauhati High Court, BPCL, NBCC (India) etc.
2. **Broadcasting** - India TV, Doordarshan, Akashvani etc.
3. **Education** - Sharda University, IIT Roorkee, NIET etc.
4. **Hospitality** - Sharda Hospital, Dr. Baba Saheb Ambedkar Medical College and Hospital etc.
5. **Religious Institutions** - Iskcon and Shri Mata Vaishno Devi Shrine Board
6. **Entertainment** - PVR, Lulu Mall, Star Cinema etc.
7. **Retail** - Levi's, Giant, Adidas etc.

### Hearing Aids -

They cater to various governments through tender offer and also undertake white label manufacturing for others. Their products include -

1. Standard Behind-the-Ear (BTE) Hearing Aids
2. Mini Behind-the-Ear (BTE) Hearing Aids
3. Receiver-in-the-Ear (RITE) or Receiver-in-Canal Behind-the-Ear (RICTE) Hearing Aids



### Revenue Bifurcation segment-wise -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Hearing Aid	2,699.24	41.37	6,339.03	77.41	8,461.52	63.99
LED Display	3,825.29	58.63	1,849.65	22.59	4,761.83	36.01
<b>Total</b>	<b>6,524.53</b>	<b>100.00</b>	<b>8,188.68</b>	<b>100.00</b>	<b>13,223.35</b>	<b>100.00</b>

### Utilization of Net Proceeds -

The net proceeds of the issue will be utilized for prepayment/ repayment of all or portion of loans availed by the company (Rs. 600 lakhs), funding working capital requirements (Rs. 4,400 lakhs), and remaining for general corporate purposes.

### Competition -

1. **Market Competition:** The electronic industry is highly competitive where the key factors of competition primarily comprise of availability of product, price and product range. The preventive healthcare industry is also highly competitive and the basis of competition are quality and price of healthcare products.
2. **Geographic Competition:** The company faces competition in regional, national, and international players from large and small niche players.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.
6. **Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

### Business Strategies -

1. **Expand geographical reach:** The company intends to enter new markets internationally. They are targeting metropolitan areas with high demand for LED displays, such as emerging markets in the Middle East and North America. Also, they intend to enter into retail segment by offering hearing aids through audiologist clinics across the country.
2. **Diversification of products:** The Company intends to develop new variants of LED display systems such as interactive screens, eco-friendly materials and lower power consumption products. The following are in the development stage –
  - In-the-Ear (ITE) Hearing Aids
  - Completely-in-the-Canal (CIC) Hearing Aids
  - Invisible-in-the-Canal (IIC) Hearing Aids
  - Receiver-in-Canal (RIC) Hearing Aids
  - Aids In-the-Canal (ITC) Hearing Aids

### Risk Factors -

The company's significant portion of revenue is dependent on top 10 customers which contributed to 90.76%, 93.89% and 97.96% for FY2024, 2023 and 2022 respectively.

The company is largely dependent on top 10 suppliers which contributed to 93.58%, 90.67% and 99.72% for FY2024, 2023 and 2022 respectively.

The company has 1 outstanding case against it for tax matters amounting to Rs. 34.71 lakhs.

The company had negative cash flow from operations for FY 2023.

The company has contingent liabilities of Rs. 53.86 lakhs.

### PEER ANALYSIS -

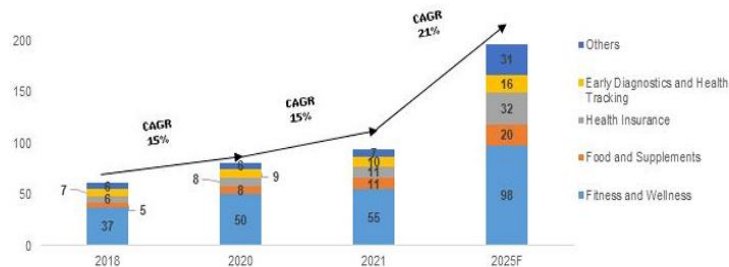
The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

**INDUSTRY OVERVIEW -**

**Preventive Healthcare in India -**

The preventive healthcare sector, which includes exercise, wellness, foods and supplements, early diagnoses, and health tracking, is estimated to reach US\$ 197 billion by 2025, growing at a CAGR of 22%. Healthcare start-ups in India have attracted investments totalling more than US\$ 150 million. These start-ups are transforming healthcare delivery in categories such as nutrition, wellness, cancer, genomics, and others..

**Estimated Market Size of Preventive Healthcare**



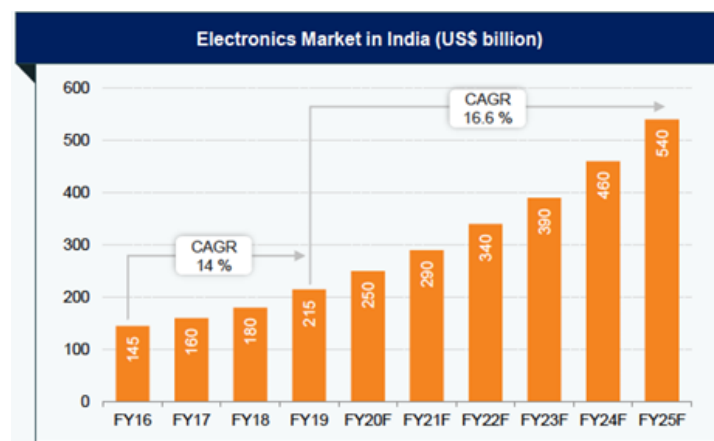
(Source: RHP)

**Government Initiatives -**

- 1. Ayushman Bharat Digital Mission:** The goal of Ayushman Bharat Digital Mission (ABDM) is to build a national digital health ecosystem that supports universal health coverage in an effective, affordable, timely, inclusive, and safe manner.
- 2. National Health Mission (NHM):** The National Rural Health Mission (NRHM) and the National Urban Health Mission (NUHM) are two sub missions of the National Health Mission (NHM). The primary components of NHM are Health System Strengthening, Reproductive-Maternal-Neonatal-Child and Adolescent Health (RMNCH+A), and Communicable and Noncommunicable Diseases (NCD).
- 3. National programme for Control of Blindness and Visual Impairment (NPCBVI):** The National Programme for Blindness Control was established with the purpose of reducing the prevalence of blindness from 1.4% to 0.3%. Initially, it was a completely government-sponsored scheme.

**Electronics Market in India -**

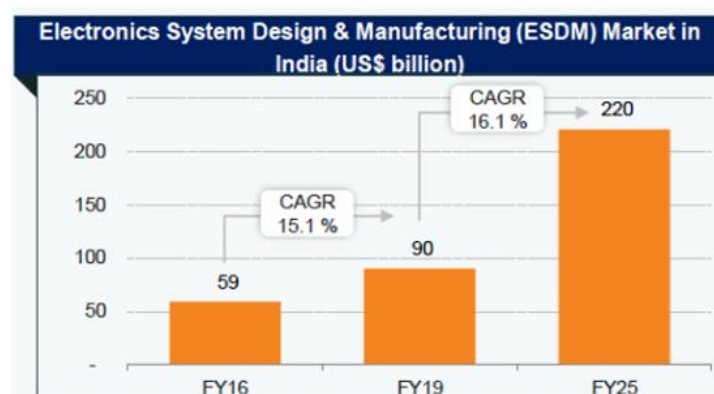
The electronics market has grown at a CAGR of 14% from 2016-19 and is expected to accelerate at a CAGR of 16.6% in 2020-25, with the total demand likely to account for US\$ 540 billion in FY25.



(Source: RHP)

**Electronics System Design & Manufacturing -**

The Electronics System Design & Manufacturing (ESDM) industry includes electronic hardware products and components relating to information technology (IT), office automation, telecom, consumer electronics, aviation, aerospace, defence, solar photovoltaic, nano electronics and medical electronics.



(Source: RHP)

The Electronics System Design & Manufacturing (ESDM) market in India is anticipated to increase at a CAGR of 16.1% between 2019 and 2025, owing to strong demand, supportive government policies and increased digitalisation.

**Key Management -**

- The overall management of the company is satisfactory.
- The promoter and management have good experience in healthcare and electronics industry.



<b>Key Management Persons Name -</b>	<b>Rajendra Ravi Shankar Mishra</b>
<b>Age</b>	47
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 18+ years of experience in manufacturing and development of LED screens and hearing aid development
<b>Qualification</b>	Diploma course in computer science
<b>Responsibility</b>	Responsible for overall supervision, risk assessment and business development of the Company
<b>Other Directorships</b>	Limitless Mobility Solutions Private Limited, Osel Technology Private Limited and Arte Global Skills Recruitment Private Limited

<b>Key Management Persons Name -</b>	<b>Jyotsna Jawahar</b>
<b>Age</b>	34
<b>Designation and No. of years of experience</b>	Promoter, Whole-Time Director and CFO, 10+ years of experience in accounts and finance management
<b>Qualification</b>	Bachelor's degree in business management and Post graduate diploma in management (marketing & finance)
<b>Responsibility</b>	Heads the Accounts and Finance division of the Company
<b>Other Directorship</b>	Osel Technology Private Limited and Osel Technology INC

<b>Key Management Persons Name -</b>	<b>Mukesh Kumar Sinha</b>
<b>Age</b>	55
<b>Designation and No. of years of Experience</b>	Whole-Time Director, 30+ years of experience healthcare, med tech and electronic industry
<b>Qualification</b>	Bachelor's degree in science and diploma in industrial relations & personnel management
<b>Responsibility</b>	Heads the hearing-aid division and is responsible for technology development, client management and project management in the said division
<b>Other Directorship</b>	DPLR AI Digital Solutions Private Limited, PRLD AI Digital Solutions Private Limited and Ayushman Healthy Lifestyle Private Limited

<b>Key Management Persons Name -</b>	<b>Saurav Upadhyay</b>
<b>Age</b>	38
<b>Designation and No. of years of experience</b>	Independent Director, 2+ years of experience in secretarial work
<b>Qualification</b>	Bachelor's degree in commerce and Qualified CS
<b>Other Directorships</b>	North Eastern Carrying Corporation Limited, Fanem Medical Devices India Private Limited and Trijal Digital Media Private Limited

<b>Key Management Persons Name -</b>	<b>Hitu Gambhir Mahajan</b>
<b>Age</b>	44
<b>Designation and No. of years of experience</b>	Independent Director, 16+ years of experience in marketing, sales, branding and advertising
<b>Qualification</b>	Bachelor's degree in science (home science) and Post graduate diploma in advertising and marketing
<b>Other Directorships</b>	Forcas Studio Limited and Soberbio Consulting Private Limited

<b>Key Management Persons Name -</b>	<b>Sreerama Murthy Garuda</b>
<b>Age</b>	51
<b>Designation</b>	Independent Director
<b>Qualification</b>	Bachelor's degree in arts, MBA degree and completed senior management programme
<b>Other Directorships</b>	Kehar Foods International India Private Limited and Saivaaru Hygiene Private Limited

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	6,524.53	8,188.68	13,223.35
Other Income	30.96	6.90	45.17
<b>Total Income</b>	<b>6,555.49</b>	<b>8,195.58</b>	<b>13,268.52</b>
<b>Expenses</b>			
Cost of Material Consumed	6,081.99	7,288.49	10,491.63
Changes in Inventories of finished goods, WIP	-267.07	-359.34	-311.80
Employee Benefit Expenses	80.08	194.82	469.82
Finance Cost	110.03	113.53	338.47
Depreciation and Amortisation	56.15	58.12	95.26
Other expenses	195.76	203.24	330.59
<b>Total Expenses</b>	<b>6,256.94</b>	<b>7,498.86</b>	<b>11,413.97</b>
<b>EBITDA</b>	<b>433.77</b>	<b>861.47</b>	<b>2,243.11</b>
<b>EBITDA Margin</b>	<b>6.65%</b>	<b>10.52%</b>	<b>16.96%</b>
<b>Profit/(Loss) before tax</b>	<b>298.55</b>	<b>696.72</b>	<b>1,854.55</b>
<b>Tax Expense</b>			
Current tax	81.45	222.74	528.60
Deferred Tax	4.79	7.98	20.75
<b>Total Tax</b>	<b>86.24</b>	<b>230.72</b>	<b>549.35</b>
<b>Profit/(Loss) for the year</b>	<b>212.31</b>	<b>466.00</b>	<b>1,305.20</b>
<b>Net Profit Margin</b>	<b>3.25%</b>	<b>5.69%</b>	<b>9.87%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	186.10	186.10	1,153.82
Reserves and surplus	576.90	1,042.90	1,380.39
<b>Total Equity</b>	<b>763.00</b>	<b>1,229.00</b>	<b>2,534.21</b>
<b>2. Non-current liabilities</b>			
Long-term borrowings	151.49	88.53	793.43
Deferred Tax Liabilities (Net)	28.68	36.66	57.41
Long-term provisions	-	-	15.28
<b>Total Non-current liabilities</b>	<b>180.17</b>	<b>125.19</b>	<b>866.12</b>
<b>3. Current liabilities</b>			
Short-term borrowings	711.38	1,693.76	1,751.80
Trade Payables			
(i) Total outstanding dues of MSME	-	-	201.07
(ii) Total outstanding dues of creditors other than MSME	1,523.27	1,618.13	3,411.33
Other Current Liabilities	50.65	19.82	563.32
Short-term provisions	83.70	216.19	536.34
<b>Total Current liabilities</b>	<b>2,369.00</b>	<b>3,547.90</b>	<b>6,463.86</b>
<b>Total Liabilities</b>	<b>2,549.17</b>	<b>3,673.09</b>	<b>7,329.98</b>
<b>Total Equity and Liabilities</b>	<b>3,312.17</b>	<b>4,902.09</b>	<b>9,864.19</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	538.29	651.87	1,838.27
<b>Total Non-Current assets</b>	<b>538.29</b>	<b>651.87</b>	<b>1,838.27</b>
<b>2. Current assets</b>			
Inventories	1,027.31	1,815.21	2,540.33
Trade Receivables	1,130.35	1,283.43	2,655.43

Particulars	FY 22	FY 23	FY 24
Cash & Cash equivalents	530.79	102.15	477.41
Short term loans and advances	42.34	1,021.82	2,015.34
Other Current Assets	43.10	27.63	337.42
<b>Total Current assets</b>	<b>2,773.89</b>	<b>4,250.24</b>	<b>8,025.93</b>
<b>Total Assets</b>	<b>3,312.18</b>	<b>4,902.11</b>	<b>9,864.20</b>

**Cash Flow Statement**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	256.66	-1,068.18	1,220.45
Net Cash Flow from Investing Activities	2.50	-166.34	-1,269.66
Net Cash Flow from Financing Activities	-182.43	805.89	424.47

**Key Ratios**

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	11.41	25.04	11.31	EV/EBITDA	2.52	3.38	2.05
BV per share	41.00	66.04	21.96	Market Cap / Sales	3.96	3.15	1.95
<b><u>Operating Ratios</u></b>				P/E	14.02	6.39	14.15
EBITDA Margins	6.65%	10.52%	16.96%	Price to Book Value	3.90	2.42	7.28
PAT Margins	3.25%	5.69%	9.87%	<b><u>Solvency Ratios</u></b>			
Inventory days	57.47	80.91	70.12	Debt / Equity	1.13	1.45	1.00
Debtor days	63.23	57.21	73.30	Current Ratio	1.17	1.20	1.24
Creditor days	86.24	76.53	120.91	Quick Ratio	0.74	0.69	0.85
<b><u>Return Ratios</u></b>				Asset Turnover	1.97	1.67	1.34
RoCE	40.04%	59.32%	63.17%	Interest Coverage Ratio	3.43	7.08	6.35
RoE	27.83%	37.92%	51.50%				

**INTERPRETATION -**

1. The top line has increased over the years (by 26% in FY2023 and by 61% in FY2024) which was majorly due to increase in sales of LED display and hearing aids. Also, the company has achieved better price relation and might not be sustainable in the future.
2. The net profit had seen a sudden increase (by 119% in FY 2023 and by 180.9% in FY2024) which raises concerns.
3. The PAT margin and EBITDA margin have also seen a sudden increase over the years.
4. The RoCE and ROE has increased over the years.
5. The PE ratio increased for FY2024.
6. The company had negative cash flow from operations for FY 2023.

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Horizon Management Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Horizon Management Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Forcas Studio Limited	37.44	80.00	Aug 26, 2024	110.25
2.	Tunwal E-Motors Limited	115.64	59.00	July 23, 2024	49.30
3.	Veritas Advertising Limited	8.48	114.00	May 21, 2024	148.95
4.	Shree Karni Fabcom Limited	42.49	227.00	Mar 14, 2024	806.70
5.	M.V.K. Agro Food Product Limited	65.88	120.00	Mar 07, 2024	52.30
6.	Baba Food Processing India Limited	33.00	76.00	Nov 15, 2023	53.15
7.	Cosmic CRF Limited	57.21	314.00	Jun 30, 2023	1,835.75

The company has handled 7 mandates in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 14<sup>th</sup> Sep 2024.

As per the offer document, the above-mentioned mandates 3 have opened at a discount and remaining all have opened at a premium on the listing day.



## Recommendation -

Osel Devices Limited has been in the industry since 2006 and has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 19.77 times which makes it slightly highly priced.

The company's top line, bottom line and profitability margins have seen a sudden increase in FY2023 and FY2024 which raises concern and might not be sustainable in the long run. Also, they had negative cash flow from operations for FY2023.

The concentration of suppliers and customers is very high and loss of any will adversely affect the financial condition of the company.

The healthcare industry as well as electronic industry is highly competitive and fragmented and there are many established players.

Thus, investors can **AVOID** this IPO.

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