LAXMI DENTAL LIMITED

January 09, 2025

LAXMI DENTAL LIMITED

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	**Healthcare**
Offer for sale (Shares)	13,085,467
Fresh Issue (Shares)	3,224,299
Net Offer to the Public	**16,309,766**
Issue Size (Rs. Cr.)	663-698
Price Band (Rs.)	407-428
Offer Date	13-Jan-25
Close Date	15-Jan-25
Face Value	2
Lot Size	33

Issue Composition

	In shares
Total Issue for Sale	16,309,766
QIB	12,232,325
NIB	2,446,465
Retail	1,630,977

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	46.56%	42.68%
QIB	53.44%	22.26%
NIB	0.00%	4.45%
Retail	0.00%	2.97%
Total	**100.00%**	**72.36%**

*calculated on the upper price band

Objects of the Issue

Objects of the Fresh Issue the company proposes to utilize the Net Proceeds from the Fresh Issue towards funding the following objects:

Repayment/prepayment, in full or in part, of certain outstanding borrowings availed by the Company.

Investment in certain Subsidiaries for the repayment/prepayment, in full or in part, of certain outstanding borrowings.

Funding the capital expenditure requirements for purchasing new machinery for the Company.

Investment in its subsidiary, Bizdent Devices Private Limited, is needed for the capital expenditure requirements for the purchase of new machinery.

General corporate purposes.

Book Running Lead Manager

- Motilal Oswal Investment Advisors Limited
- Sbi Capital Markets Limited

Name of the registrar

- Mufg Intime India Private Limtied (formerly Known As Link Intime India Private Limited)

About the company

Incorporated in July 2004, Laxmi Dental Limited is an integrated dental products company. The company offers custom crowns and bridges, branded dental items like clear aligners and thermoforming sheets, aligner-related products as part of its aligner solutions, and pediatric dental products. Their product portfolio includes custom crowns and bridges, clear aligners, thermoforming sheets, pediatric dental products, and more. The company offers thermoforming sheets, biocompatible 3D printing resins, and machines for manufacturing clear aligners under the brand name Taglus. The company operates a fully integrated model, meaning they handle the entire process from design and manufacturing to distribution of dental products. As of September 30, 2024, the company has six manufacturing facilities: three in Mira Road, Mumbai, two in Boisar, and one in Kochi, along with five supporting facilities in Mumbai, Delhi, Bengaluru, and Ahmedabad. As of September 30, 2024, the company's dental network includes over 22,000 clinics and dentists across more than 320 cities nationwide. The company has significant presence in both domestic and international markets, exporting to over 90 countries.

Strength

Integrated Dental Products Company Poised for Growth: The Company offers a diverse portfolio of dental products, including custom-made crowns, bridges, clear aligners, thermoforming sheets, and paediatric dental products. Key offerings include premium crowns under "Illusion Zirconia" and digital solutions like the iScanPro intraoral scanner, with over 160 units deployed in India. The Indian market for custom-made crowns and bridges is projected to grow from Rs. 11,600 crore in 2023 to Rs. 25,500 crore by 2030, outpacing global growth rates. With a Dental Network of over 22,000 clinics and dentists, the company leverages vertical integration to provide cost-effective aligners and capture market opportunities.

Leadership in Domestic and Export Markets with Digital Dentistry: With over 20 years in the dental lab business, the company offers advanced prosthesis like zirconia-based crowns under the "Illusion Zirconia" brand. It has a robust Dental Network across 320 cities and serves both domestic and global markets, exporting to 95 countries. Innovations like zirconia crowns and full-digital workflows are driving adoption due to their aesthetic appeal and safety. Metal-free units account for a significant portion of revenue, reflecting the growing demand for high-quality, toxin-free materials.

Diverse and Affordable Branded Product Portfolio: The company has expanded its offerings to include clear aligners, paediatric dental products, and branded consumer dental solutions. Its clear aligners, sold under the "Illusion Aligners" brand, are gaining traction in India, with the market expected to grow from Rs. 1,068 crore in 2023 to Rs. 4,680 crore by 2030. Offering flexible payment options has made aligners more affordable, especially in Tier II and Tier III cities, which are key growth drivers. Additionally, its entry into the paediatric dental market through a 60% stake in Kids-E-Dental LLP highlights its strategic diversification.

Competitive Edge Through a Strong Dental Network: With a reach of over 22,000 dental clinics and dentists, the company has established a robust Dental Network, providing a strong barrier to entry for competitors. Its B2B2C model enables cost-effective marketing and ensures trust in its products, as they are recommended by dental professionals. This approach has helped the company penetrate metropolitan and non-metropolitan markets efficiently, driving market share in the growing clear aligner segment.

Advanced Manufacturing and Technology Integration: The company operates six manufacturing facilities equipped with advanced machinery like robotic trimming machines, 3D printers, and automated thermoforming machines, ensuring high-quality production. Digital tools like iScanPro streamline workflows, reducing costs and improving turnaround times. Its focus on technological innovation and regulatory compliance ensures consistent quality across its product lines, including clear aligners, thermoforming sheets, and paediatric dental solutions.

Strategy

Deepening Penetration and Expanding the Dental Network: The global dental consumables market is projected to grow at a CAGR of 10.5%, from Rs. 14,729 crore in 2023 to Rs. 29,633 crore by 2030, with India and China seeing higher growth. The Indian dental laboratories market is fragmented, with few labs adopting digital dentistry or scaling operations. The company plans to grow its Dental Network by investing in sales, marketing, and technological innovations, targeting underpenetrated regions and expanding internationally with CE and ANVISA registrations. It aims to cross-sell products, integrate offerings like the iScanPro scanner, and provide tailored solutions to strengthen customer loyalty.

Scaling Branded Product Offerings: The company offers branded products like "Illusion Aligners," "Taglus" materials, and "Kids-E-Dental" paediatric products, exporting to over 95 countries. Clear aligners and branded dental solutions are gaining traction, supported by increasing spending on dental procedures. Its B2B2C model leverages the Dental Network, enabling cross-selling and boosting revenue. In Fiscal 2024, branded products contributed Rs. 740 crore to revenue, including Rs. 267 crore from Kids-E-Dental. Affordable solutions, such as clear aligners, are positioned to capture market share, following the success of similar domestic brands in emerging markets.

Product Enhancements and New Launches: To meet evolving dental needs, the company plans to enhance existing products and launch new ones. This includes stronger, aesthetically improved zirconia restorations, more comfortable aligners, and advanced paediatric solutions. It aims to expand its offerings in metal-free prostheses, upgraded removable prostheses, and innovative aligner solutions while enhancing paediatric crowns for better fit and durability. These upgrades will help increase wallet share and attract new dentists and clinics.

Enhancing Manufacturing with Technology and Automation: The company operates six manufacturing facilities and five support facilities across India, compliant with ISO 13485 standards. It has obtained MDR and ANVISA registrations, enabling growth in export markets. Plans include investing in advanced machinery and automation to improve efficiency, reduce turnaround times, and support its lab, aligner, and paediatric product lines. Capital expenditure will focus on equipment like 3D printers, CAD/CAM software, and material testing tools to drive operational efficiency and revenue growth.

Multi-Channel Marketing for Greater Reach: The company follows a multi-channel marketing approach to drive patient flow into its Dental Network. Collaborations with Indian celebrities, social media campaigns, and workshops increase awareness and brand recognition. It plans to expand its distribution network, explore unexplored regions, and pursue international collaborations. Focused marketing efforts, including training programs and digital campaigns, aim to strengthen its presence among dental professionals and consumers.

Risk factor

- The business success depends on expanding it Dental Network, recommendations by its Dental Network and increasing the wallet share per dental clinic, dental company and dentist. Failure to achieve this in a cost-effective manner could have an adverse effect on its business, results of operations and financial condition.
- The business is concentrated in certain jurisdictions, globally and domestically, and any loss of

business in such regions could have an adverse effect on it business, results of operations and financial condition.

- The business of the company depends heavily on its reputation and perception of its brands. Any negative publicity or other harm to it brand or failure to maintain and enhance its brand recognition and maintain such quality standards may materially and adversely affect its reputation, business, results of operations and financial condition.

Peer comparison

A per the RHP, the company doenot have any listed peer, Indian or otherwise, of a comparable size from the same industry and with similar business model.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.428, the stock is priced at pre issue P/E of 48.69 x on an Estimated Annualised FY25 EPS of Rs.8.79. Post issue, the stock is priced at a P/E of 51.73x on its EPS of Rs. 8.27. Looking at the P/B ratio at Rs.428 pre issue, book value of Rs. 17.36 of P/Bvx 24.65x. Post issue, book value of Rs.41.45 of P/Bvx 10.33x.

Considering the P/E valuation, on the lower end of the price band of Rs.407, the stock is priced at pre issue P/E of 46.30 x on an Estimated Annualised FY25 EPS of Rs.8.79. Post issue, the stock is priced at a P/E of 49.19x on its EPS of Rs. 8.27. Looking at the P/B ratio at Rs.407 pre issue, book value of Rs. 23.44 of P/Bvx 17.36x. Post issue, book value of Rs.9.82 of P/Bvx 41.45x.

Industry Outlook

In terms of retail sales, (I) Indian custom-made crowns and bridges market is estimated to grow from $1.4-$3.1 billion between 2023-2030 at 11.8% compared to global market estimate from $71-$121.6 billion between 2023-2030 at 8.0%; (II) Indian clear aligner market is estimated to grow from $133.6-$569.0 million between 2023-2030 at 23.0% compared to global market estimate from $20.7-$54.9 billion between 2023-2030 at 15.0%. (III) Indian paediatric dental crown market is estimated to grow from $63.9-$164.8 million between 2023-2030 at 14.5% compared to global market estimate from $2.1-$3.5 billion between 2023-2030 at 7.5%.

Outlook

Laxmi Dental is a leading integrated dental products company with a comprehensive portfolio, including custom-made crowns and bridges, aligner solutions, and pediatric dental products. Ranked among India's top two dental laboratories by revenue in FY23, the company serves both domestic and international markets, including the USA, UK, and Europe. To enhance service quality and efficiency, Laxmi Dental plans to invest in new machinery at its main facility and divisions, Vedia Solutions and Illusion Dental Laboratory, which have the necessary space and approvals. The company's growth depends on expanding its dental network, increasing recommendations within the network, and boosting wallet share per clinic, company, and dentist. Failure to achieve these goals cost-effectively could negatively impact its operations and financial performance. Additionally, its reliance on certain regions and its reputation makes the business vulnerable to regional losses or negative publicity. Maintaining brand recognition and quality standards is crucial to sustaining its success.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	13-January-25
BID/ISSUE CLOSES ON	15-January-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	16-January-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	17-January-25
Credit of Equity Shares to Demat Accounts of Allottees	17-January-25
Commencement of trading of the Equity Shares on the Stock Exchanges	20-January-25

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-24 (6 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	116.78	193.56	161.63
Total expenditure	94.05	169.77	152.67
Operating Profit	**22.73**	**23.79**	**8.96**
OPM%	1.95	1.23	0.55
Other Income	1.12	1.71	2.21
PBDIT	**23.85**	**25.50**	**11.18**
Depreciation	6.77	11.94	10.99
PBIT	**17.09**	**13.56**	**0.18**
Interest	2.60	4.95	4.09
Profit Before Tax & Exceptional items	**14.49**	**8.61**	**-3.91**
Exceptional items	6.62	-0.09	-0.35
Share in profit after tax of Joint ventures G	5.25	8.89	0.60
(Loss) before tax from discontinuing operations	-0.81	-1.60	-0.32
PBT	**25.55**	**15.81**	**-3.97**
Tax	2.81	-9.42	0.19
PAT	22.74	25.23	-4.16

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-24	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Property, plant and equipment	39.43	36.43	31.26
Right of Use Assets	5.53	7.22	6.89
Investment property	0.04	0.75	0.78
Other Intangible assets	1.83	1.62	1.14
Investments in joint ventures and associates	6.52	5.56	0.30
Financial Assets			
Other Financial Assets	4.06	2.56	2.48
Income Tax Assets (net)	0.42	0.03	0.37
Other non-current assets	0.11	0.00	0.00
Deferred Tax Assets (net)	9.33	11.26	0.15
Total Non Current Assets	**67.26**	**65.42**	**43.37**
Current assets			
Inventories	23.44	24.72	24.23
Financial Assets			
Trade receivables	42.79	24.90	20.42
Cash and cash equivalents	0.98	0.70	0.96
Other Bank Balances	0.21	0.28	0.62
Loans	0.37	0.25	0.32
Other Financial Assets	2.39	1.42	0.94
Other Current Assets	20.77	11.85	5.68
Total current assets	**90.95**	**64.12**	**53.17**
Group's Assets classified as held for sale	0.00	4.98	0.00
Total Assets	**158.22**	**134.52**	**96.54**
Non-current liabilities			
Financial liabilities			
Borrowings	21.98	15.14	11.30
Lease liabilities	2.06	3.38	4.07
Other Financial Liabilities	0.71	0.81	0.95
Provisions	3.82	3.54	3.47
Total non-current liabilities	**28.57**	**22.86**	**19.79**
Current liabilities			
Financial liabilities			
Borrowings	18.92	26.89	20.14
Lease liabilities	3.99	4.37	3.20
Trade payables - MSME	2.04	2.52	1.63
Trade payables - other than MSME	11.55	13.29	20.88
Other Financial Liabilities	8.55	6.61	5.10
Other Current Liabilities	13.24	10.86	6.20
Short Term Provisions	0.94	0.64	0.12
Current Tax Liabilities (net)	3.34	0.40	0.00
Group's liabilities associated with assets classified as held for sale	0.00	1.51	0.00
Total current liabilities	**62.57**	**67.09**	**57.27**
Total	**91.13**	**89.95**	**77.06**
Net worth represented by:			
Equity Share Capital	5.56	0.31	0.31
Other equity	61.37	42.16	17.48
Non-controlling interests	0.15	2.11	1.69
Net Worth	**67.09**	**44.57**	**19.48**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court,Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

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