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IPO Report

12th Jan '25

Snapshot

Company is offering a comprehensive portfolio of dental products, & is India's only end-to-end integrated dental products company as at September, 2024. Company's offerings include custom-made crowns and bridges, branded dental products such as clear aligners, thermoforming sheets and aligner related products as a part of aligner solutions, and paediatric dental products. Company has had a presence of more than 20 years and based on revenue for Fiscal 2024, company is amongst the top two largest Indian dental laboratories. Based on the revenue from operations and PAT Margin for Fiscal 2023 and the product offered, company is the largest and most profitable vertically integrated and indigenous B2B2C dental aligner solutions company.

VALUATION

Company is bringing the issue at price band of Rs 407-428 per share at p/e multiple of 131x on post issue annualized FY25 PAT basis.

Company is the only integrated dental products company in India, well-positioned to capture industry tailwinds. Also, company is second largest player in domestic laboratory business and largest export laboratory with increasing adoption of digital dentistry. Company is vertically integrated diverse branded product portfolio with large dental network providing company with competitive advantage in the market. Company has robust technologically advanced capabilities with stringent regulatory compliance ensuring high quality standards and experienced management team with significant industry experience. Hence looking after all above, we recommend "Subscribe" on issue.

Price Band (Rs./Share)	407-428
Opening date of the issue	13th Jan '2025
Closing Date of the issue	15th Jan '2025
No of shares pre issue	5,17,37,850 Eq Shares
Issue Size	Rs 671-698 Cr
Fresh Issue	Rs 138 Cr
Offer For Sale	1,30,85,467 Equity Shares
Face Value (Rs/ share)	Rs 2/share
Bid Lot	33

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 1,22,32,326 Eq Shares)
Non-Institutional	15% of the offer (Approx 24,46,464 Eq Shares)
Retail	10% of the offer (Approx 16,30,976 Eq Shares)
Lead managers	Nuvama Wealth Management Ltd, Motilal Oswal Investment Advisors, SBI Capital Markets
Registrar to the issue	MUFG Intime India Pvt. Ltd

WHAT WE LIKE

The only integrated dental products company in India, well-positioned to capture industry tailwinds

Company's portfolio includes custom-made crowns and bridges, branded dental products such as clear aligners, thermoforming sheets and aligner related products as a part of aligner solutions and paediatric dental products. Primary dental products offered by company's laboratory are focused on custom made dental prosthesis such as metal free crowns and bridges, including its range of branded premium crowns under "Illusion Zirconia", porcelain fused to metal ("PFM") crowns, bridges, and dentures

Second largest player in domestic laboratory business and largest export laboratory with increasing adoption of digital dentistry

Company's laboratory had a presence of more than 20 years in the dental laboratories business and has evolved from a dental laboratory with a few members to an integrated dental products company. Company's laboratory offers custom made dental prosthesis such as metal free crowns and bridges, including its range of premium crowns under "Illusion Zirconia", PFM crowns, bridges, and dentures

Large Dental Network providing company with competitive advantage in the market

With market presence of more than 20 years, reinforced by a large Dental Network with a reach of over 22,000 dental clinics, dental companies and dentists over the six month period ended September 30, 2024 and last three Fiscals and have catered to global and domestic demand by exporting company's dental products to more than 95 countries and selling across 320 cities in India between Fiscals 2022 to September 30, 2024. Company continues to engage and deepen its relationship with its Dental Network through hands-on workshops, in-clinic branding, key opinion leader tie-ups, and product trainings.



COMPANY BACKGROUND

Company manufacture its dental products across its six manufacturing facilities spread across 147,029.63 square feet.

Laboratory offerings

As per the F&S Report, in terms of retail sales, the Indian market for custom-made crowns and bridges is estimated to grow from USD 1.4 billion in 2023 to USD 3.1 billion in 2030 at a higher rate of 11.8% compared to the global market which is estimated to grow from USD 71 billion in 2023 to USD 121.6 billion in 2030 at a rate of 8.0%. The Indian dental laboratories market is characterised by the presence of fragmented and unorganized dental laboratories with less than ten technicians and a dearth of quality management standard compliant dental products. Changing regulatory requirements in the medical devices sector is expected to transition the fragmented and unorganized dental products and consumables market to organized and consolidated market dominated by companies focusing on quality, operational efficiency, and consumer experience.

In terms of export revenue for the Fiscal 2023 among the Indian dental labs, company is the largest exporter for custom made dental prosthesis, catering primarily to US and UK. Having evolved from a dental laboratory with a few members to an integrated dental products company, it now have a presence of 20 years in the dental laboratories business with a reach of over 22,000 dental clinics, dental companies and dentists between Fiscals 2022 to September 30, 2024 ("Dental Network"). Primary dental products offered by company's laboratory include custom made dental prosthesis such as metal free crowns and bridges, including its range of branded premium zirconia crowns and bridges "Illusion Zirconia", porcelain fused to metal ("PFM") crowns, bridges, and dentures. Metal-free products contributed to 53.70% of the total revenue from company's dental laboratory business catering to the Indian market and to 36.31% of total revenue from company's dental laboratory business catering to international markets respectively in Fiscal 2024. Company have launched iScanPro on August 9, 2024, branded intraoral scanners for digital dentistry, currently being employed by 264 dentists. Dental restoration units prepared using digital impression constituted 48.61%, by volume, of the total units sold by its domestic laboratory business and constituted 55.48%, by volume, of the total units sold by its international laboratory business in Fiscal 2024. Company's facilities in Boisar are in compliance with the quality system regulations enforced by the United States Food and Drug Administration ("US FDA") and its manufacturing facilities in Mira Road and Boisar have received certifications for ISO 13485:2016 compliance, an internationally recognized standard for medical device quality. Aligner Solutions As per the F&S Report, in terms of retail sales, the Indian clear aligner market is estimated to grow from USD 133.6 million in 2023 to USD 569.0 million in 2030 at a much higher rate of 23.0% compared to the global market which is estimated to grow from USD 20.7 billion in 2023 to USD 54.9 billion in 2030 at a rate of 15.0%. Increasing number of patients are opting for clear aligner treatment compared to traditional braces for malocclusion, which refers to misalignment of the upper and/or lower teeth measurable enough to interfere with the person's ability to bite properly. Increased treatment adoption among kids and adults alike, especially adults with poor treatment rate in the past, is one of the key factors driving adoption of clear aligners. Growth in Indian clear aligner market is further expected to be driven by factors such as growing emphasis of Indian consumers on dental aesthetics (driving the adoption of clear aligners as alternative to braces), increasing number of general practitioners providing care for malocclusion, rising disposable income and propensity to spend on health products with cosmetic elements, and increased awareness through social media. The global clear aligner market is sizable, and the Indian clear aligner market is expected to grow very rapidly over the next few years. Company have a more focussed approach towards capturing the Indian aligner market share and it launched clear aligners under its brand Illusion Aligners which is the first Indian brand to receive 510(k) clearance from US FDA in 2021 to market clear aligners. Company have adopted B2B2C business model for sale of its customised clear aligner solutions while offering a flexible 'pay as you go' model along with the upfront payment model, making company's aligners more affordable to the end customers. Adoption of a B2B2C model involves sale of clear aligners through its Dental Network who in turn offer company's dental products to end customers, which has helped it grow rapidly owing to its already established Dental Network with reach of over 22,000 dental clinics, dental companies and dentists between Fiscals 2022 to September 30, 2024. Company is able to leverage its Dental Network, which has been built through company's laboratory business, to scale up its offerings across metropolitan and non-metropolitan cities in a short span of time.

Paediatric dental products

As per the F&S Report, in terms of retail sales, the Indian paediatric dental crown market is estimated to grow from USD 63.9 million in 2023 to USD 164.8 million in 2030 at a higher rate of 14.5% compared to the global market which is estimated to grow from USD 2.1 billion in 2023 to USD 3.5 billion in 2030 at a rate of 7.5%. Company entered the paediatric dental market through its Jointly Controlled Entity Kids-E-Dental LLP by acquiring a 60% stake in 2021. In terms of revenue from operations as of March 31, 2024, company is one of the leading paediatric dental product brands in India. Kids-E-Dental LLP is the only Indian company specialized in paediatric dental products and manufacturing of pre-formed metal free paediatric dental crowns. Company offer a comprehensive range of paediatric products, including pre-formed branded paediatric crowns, Silver Diamide Fluoride ("SDF"), space maintainers, fissure sealant, reinforced splint and mineral trioxide aggregate. Company is the only Indian manufacturer of US FDA cleared SDF. Company have been granted a design registration on "Bioflx", a semi-flexible tooth coloured pre-formed dental crown for children in India. Further, company have partnered with a leading paediatric dental company for distribution of Bioflx crowns manufactured by company globally across 81 countries



INVESTMENT RATIONALE

<p><i>Vertically integrated diverse branded product portfolio</i></p>	<p>Owing to its presence of over 20 years and its Dental Network, company have been able to build a brand for itself and expand its offerings from custom-made crowns and bridges to branded consumer dental products including clear aligners and paediatric dental products. Company have been engaging in efforts to establish “Illusion” as a well-recognized brand which along with its established market presence and experience in manufacturing quality products will help company to build and scale brands in the Indian dental consumables market. Company have strategically selected and onboarded national brand ambassadors to build awareness and customer connect. Due to its experience of more than two decades in the dental industry and its high-quality dental products, company have been able to scale its branded product portfolio.</p>
<p><i>Robust technologically advanced capabilities with stringent regulatory compliance ensuring high quality standards</i></p>	<p>As of September 30, 2024, company have six manufacturing facilities, three of which are located in Mira Road, Mumbai Metropolitan Region, Maharashtra, two in Boisar, Mumbai Metropolitan Region, Maharashtra, and one in Kochi, Kerala, and further five supporting facilities two of which are located in Mumbai, and one each in Delhi, Bengaluru, and Ahmedabad with manufacturing capabilities. For instance, company have three manufacturing units at Mira Road with a total built up area of 57,244.4 square feet and two manufacturing units in Boisar with a total built up area of 84,606.2 square feet, for production of its dental products under its laboratory, aligners solutions and paediatric divisions including clear aligners under “Illusion Aligners” brand, and aligner sheets and thermoforming machines under its brand “Taglus”.</p>
<p><i>Experienced management team with significant industry experience</i></p>	<p>Company is led by a strong and dedicated team of experienced professionals with skill sets that are complementary and, is a requisite for the dental products business. Members of company’s management team have experience in the dental products business and, under their leadership over the last several years, company have grown rapidly. Company’s Board of Directors includes a combination of management executives and experts from healthcare industry. Several key members of company’s management team including its Founder and Managing Director, its Chief Executive Officer have extensive functional/industry experience. Company is promoted by Rajesh Vrajlal Khakhar, its Founder, Chairperson and Whole-Time Director, Sameer Kamlesh Merchant, its Managing Director and Chief Executive Officer and Dharmesh Bhupendra Dattani, the Chief Financial Officer of Company. Rajesh Vrajlal Khakhar founded Company as a dental laboratory business and expanded its reach domestically and internationally. He manages business partnerships with leading international customers and oversees business development activities. He has more than 30 years of experience. Sameer Kamlesh Merchant has more than 20 years of experience and has contributed in diversifying the offerings of Company</p>



OBJECTS OF OFFER

The Offer comprises of the Fresh Issue, aggregating up to ₹ 1,380 million by Company and an Offer for Sale of up to 13,085,467 Equity Shares by the Selling Shareholders.

Objects of the Fresh Issue

Company proposes to utilize the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Repayment/prepayment, in full or in part, of certain outstanding borrowings availed by Company.
2. Investment in certain Subsidiaries for the repayment/prepayment, in full or in part, of certain outstanding borrowings.
3. Funding the capital expenditure requirements for purchase of new machinery for Company.
4. Investment in Subsidiary, Bizdent Devices Private Limited, for the capital expenditure requirements for the purchase of new machinery.
5. General corporate purposes.

RISKS

Company has reported consolidated loss after tax, negative earning per share for Fiscals 2023 and 2022, and written off Assets in last three Fiscals.

Source:RHP

INDUSTRY OVERVIEW

Dental Market in India

India's dental care services market is estimated to be US\$ 3.4 Bn in 2023 and expected to grow at a rate of 12.6% to reach US\$ 7.8 Bn in 2030. The growth of the market is being driven by increasing prevalence of Oral Health disorders such as Dental Caries, Malocclusion and Periodontal diseases among the population, and greater demand for general and specialized dental care due to growing awareness.²⁸ While independent dental clinics run by individual practitioners make up most of the Indian dentistry market, there is growing number of dental chains in metropolitan and Tier I cities²⁹ due to improved affordability for dental care, increase in awareness and favorable financing environment to establish network clinics. The share of organized dental chains is expected to grow in the coming years. The Indian Dental Market is vast comprising of over 5,000 Dental Laboratories (entities manufacturing customized dental prosthesis such as crowns and bridges and supplying to dentists for treatment of patients) and 306 Dental Institutes.²⁶ Further, the Indian Dental Market is growing due to the expansion of dental tourism and government initiatives supporting it. Affordable dental care combined with the high caliber of skilled dentists and treatment in India draws tourists to the country for dental care. India can accelerate the growth momentum in dental tourism through the implementation of advanced technology to perform procedures like implant surgery, cosmetic dentistry, Orthodontics, and Paediatric dentistry while ensuring high quality standards in a cost-effective manner.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	1368.43	1616.31	1935.55	1167.80
Total Expenditure (B)	1314.31	1526.67	1697.65	940.47
EBIDTA	54.12	89.64	237.90	227.33
EBIDTA Margin	3.95	5.55	12.29	19.47
Other Income	12.27	22.13	17.09	11.20
Depreciation	83.98	109.94	119.36	67.68
EBIT	-17.59	1.83	135.63	170.85
Interest	35.67	40.94	49.54	25.99
PBT	-53.26	-39.11	86.09	144.86
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	-53.26	-39.11	86.09	144.86
Exceptional	93.87	3.50	0.85	66.17
PBT	-147.13	-42.61	85.24	78.69
Tax	23.71	1.88	-94.17	29.06
PAT	-170.84	-44.49	179.41	49.63
NPM	-12.48	-2.75	9.27	4.25
ROE%	-60.47	-19.62	78.78	40.73
EPS	-3.28	-0.71	5.11	4.52
Eq Cap	3.08	3.08	3.08	55.63
Net Worth	210.65	177.92	424.65	669.35

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Laxmi Dental Limited</i>	<i>2.00</i>	<i>4.80</i>	<i>--</i>	<i>78.78</i>	<i>8.63</i>
Peers					
Poly Medicare	5.00	26.92	94.02	19.05	153.22

(Source: RHP)



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