

March 2025

Initiating Coverage

# Laxmi Dental

## 'Align'ing With a Brighter Future



## LAXMI DENTAL

## INITIATING COVERAGE

## KEY DATA

<b>Rating</b>	<b>BUY</b>
Sector relative	Outperformer
Price (INR)	411
12 month price target (INR)	570
52 Week High/Low	584/313
Market cap (INR bn/USD bn)	23/0.3
Free float (%)	58.3
Avg. daily value traded (INR mn)	0.0

## SHAREHOLDING PATTERN

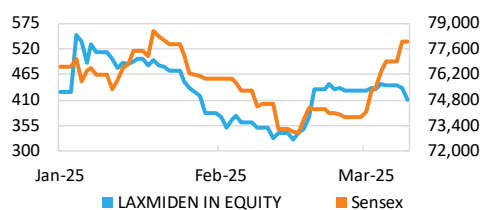
	Jan-25
Promoter	41.7%
FII	29.5%
DII	15.2%
Pledge	0.0%

## FINANCIALS

(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	1,935	2,402	3,018	3,830
EBITDA	238	421	674	1,020
Adjusted profit	266	278	542	783
Diluted EPS (INR)	5.2	5.1	9.9	14.3
EPS growth (%)	nm	(1.8)	94.7	44.5
RoAE (%)	83.7	27.0	23.1	26.1
P/E (x)	79.7	81.1	41.7	28.8
EV/EBITDA (x)	96.7	51.5	31.7	20.4
Dividend yield (%)	0	0	0	0

## PRICE PERFORMANCE



## 'Align'ing with a brighter future

Laxmi Dental is India's only fully-integrated dental products company offering customised crowns, bridges, aligner solutions and paediatric products. It is the second-largest domestic lab (68% of revenue) with a 22,000-plus dental network and is the largest exports lab in India.

India has a high oral disease burden, but remains an underpenetrated and fragmented dental care market with organised market share in a mere single digit. We believe Laxmi is poised to capture a meaningful share of the pie given its wide portfolio and scale aided by tailwinds such as preference for aesthetics, digitalisation and rising income. We forecast a revenue/adjusted PAT CAGR of ~26%/59% with RoCE rising from 19% to ~29% over FY25E–28E. Initiate at 'BUY' with TP of INR570.

## End-to-end integrated dynamo in underserved yet growing market

Given the widest range of product offerings supported by a 22,000-plus strong dental network, Laxmi is the go-to play to ride the wave in the highly underpenetrated and fragmented but fast-growing dental care market. Laxmi is ~5x larger than the third-largest player in the domestic market; despite this, it has barely scratched the surface in terms of market share.

## Shift to metal-free products, digitalisation catalysts for lab business

Metal-free crowns are gaining acceptance for their durability and aesthetic appeal, and Laxmi is capitalising on this shift with its branded high-margin 'Illusion Zirconia'. The industry is also moving from physical impressions to digital, with Laxmi's 'iScan Pro' scanner capturing this shift (digital units contribution rose from 28% in FY22 to 62% in H1FY25), yielding faster turnarounds along with reduced logistics and rework costs. In addition, Laxmi is directly targeting DSOs in US, which should also accelerate exports growth. As a result, we reckon Laxmi's lab business revenues shall grow at a ~20% CAGR, with margin expanding ~925bp over FY25E–28E to ~22% (gross basis).

## Aligners: Nascent but thriving segment; Kids-e-Dental a pioneer

The aligners segment, which is reporting rapid adoption, is likely to expand at a ~39% CAGR over FY25E–28E backed by sector tailwinds such as focus on aesthetics, rising incomes, 510(k) clearance and a sustainable B2B2C model with 'pay-as-you-go'. Kids-e-Dental is also a vital growth pillar for Laxmi, being the sole Indian brand offering exclusive paediatric products. Given its plans to expand its global footprint and with registrations underway, Kids-e-Dental sales shall more than double over FY24–28E.

## Smiles ahead; initiate at 'BUY' with TP of INR570

With the balance sheet turning healthy and capex plans provided for (recent fund raising via IPO), Laxmi is well-positioned to benefit from sector tailwinds. Initiate at 'BUY/SO' with a TP of INR570, valuing the stock at 40x FY27E EPS (25% discount to Poly Medicare and Chinese Angelalign due to Laxmi's scale and limited track record), implying 0.6x PEG ratio. Our DCF valuation yields a similar TP based on ~14% WACC, 5% terminal growth and revenue CAGR (FY25E–30E: 25%; FY31E–40E: 15%). **Key risks:** slow ramp-up in aligners, geographic concentration and pending CBI case.

## Executive Summary

### India's only fully-integrated dental powerhouse operating at scale

Laxmi is the second-largest player in the domestic laboratory business with a 22,000-plus dental network and the largest export laboratory in India. It is ~5x larger than the third-largest known player in the domestic market in revenue terms. It is a fully-integrated quality-focused company with the widest portfolio of dental products among peers, thus also offering an opportunity for cross-selling and, consequently, a higher wallet share. Laxmi derives 57% of revenue from the laboratory business (domestic and export), 25% from aligners (including backward integration) and 12% from paediatric dental products on a *pro forma* basis (Kids-e-Dental is 60% JV).

### Highly underpenetrated market with ample growth potential

The significant oral disease burden in India and the underpenetrated dental care market act as strong tailwinds. The Indian dental lab market remains highly fragmented, with the organised sector share at a mere single digit. The lab business—supported by a robust 22,000-plus dental network—is poised for expansion beyond western India into southern regions and other untapped markets. Also, Laxmi has become the preferred partner for one of US's largest DSOs (operates 1,650-plus clinics), paving the way for additional partnerships with other DSOs.

### Driving profitability on market shift to premium, metal-free products

The industry is reporting a shift toward premium products, with a notable increase in the share of metal-free crowns owing to their superior durability and aesthetic appeal. This trend is highly favourable for Laxmi as it offers its own branded metal-free crowns, 'Illusion Zirconia', which yields higher realisation and margins. Metal-free crowns now represent ~55% of Laxmi's domestic lab business (compared with ~48% in FY22) and are likely to continue to grow. Furthermore, the contribution of branded products has risen from 18% of revenue in FY22 to ~40% in H1FY25, with further growth anticipated.

### Boosting efficiencies with digital dentistry

The industry is experiencing a growing adoption of digital dentistry, facilitating faster turnaround times and reduced costs through savings in one-way logistics, reduction in rework expenses and savings in employee cost. Laxmi Dental's digital units are recording consistent growth, with domestic/international lab business penetration rising from 28%/12% in FY22 to 62% each in H1FY25. The global market for Laxmi's products is likely to expand at a CAGR of 8–15% over 2023–30, and as India's largest export laboratory, Laxmi is well-positioned to capture a significant share.

### Focus on aesthetics, rising affluence accelerating growth of aligners

Aligners represent the fastest-growing segment in the dental care market in India as well as globally. India's prevalence of malocclusion (75%) surpasses that of the US (67%), yet the adoption of orthodontic treatment remains exceptionally low in India, with just 0.1% penetration versus 3% in the US. Remarkably, 80% of malocclusion cases are treatable with clear aligners. We believe the B2B2C segment for Laxmi is poised to grow at a ~39% CAGR (FY25E–28E), with revenue contribution to expand from ~16% in FY24 to ~25% in FY28E. Invisalign (US) still holds 68–70% share in the Indian clear aligner market, but we believe Laxmi can gain share from them and replicate the playbook that China-based Angelalign followed in the China market (capturing 42% share in two decades since establishment).

Laxmi Dental's Illusion Aligners, launched in 2021, is the first Indian brand to receive 510(k) clearance from the USFDA. The company operates on a robust and sustainable B2B2C model with a pay-as-you-go option, allowing it to capitalise on its

extensive network of 22,000 dental partners. Laxmi holds a competitive advantage through its backward integration with Vedia Solutions, which drives cost reduction and significantly cuts turnaround from four weeks to just three days. Moreover, the company benefits from increased branded sales through its 'Taglus' line.

### Kids-e-Dental: Pioneer in paediatric dental products in India

Kids-e-Dental (60% JV), launched in mid-FY22, is India's first company offering an exclusive range of dental products specifically for children. The company plans to expand its global presence that is likely to more than double its revenue over FY24–28E. It has partnered with a global paediatric dental company to distribute its products across 81 countries. While product registrations in various markets have recorded slight delays, completion is anticipated by Jul-2025, with revenue likely to begin flowing in from Q2FY26.

### Healthy cash flows and IPO funds to aid in debt reduction and capex

Laxmi recently raised INR1.38bn through its IPO in Jan-25. These funds would be used by the company to repay its borrowings (~INR276mn) and support its capex plans (~INR675mn over next two years). On the back of this strengthened balance sheet, Laxmi plans to fund its capital expenditure over the next couple of years for new machinery across its lab business as well as aligners business. Furthermore, with operating leverage kicking in, we reckon OCFs of ~INR3.2bn over FY25–28E.

### Flossing the path to growth; initiate at 'BUY'

We project Laxmi Dental's revenue shall expand at a robust ~26% CAGR over FY25E–28E (FY22–24 CAGR of ~19%; FY25 growth of 24%) as all segments fire, with a significant boost from the high-margin aligners business (contribution rising to 42% in FY28E from 28% in FY24). EBITDA is likely to grow at a ~48% CAGR over FY25E–28E, with margins rising from 12% in FY24 to ~29% in FY28E, driven by operating leverage, benefits from digital units and faster growth in branded products and high-margin aligner business. This is after already witnessing an 833bp margin expansion over FY22–24. As a result, we anticipate ~4x surge in adjusted PAT, growing at ~59% CAGR over FY25E–28E, also aided by financial deleverage. Given strong income statement and balance sheet improvement, we forecast strong RoCE (post-tax) expansion from ~15% (FY25E) to ~22% (FY28E).

We are valuing Laxmi Dental at a PE of 40x, benchmarking it against listed medical device peers (~25% discount to Poly Medicure one-year forward PE given Laxmi's scale and limited track record; also a 25% discount to Angelalign, a Chinese player). We note that peer selection is limited by the uniqueness of Laxmi Dental's business, as many competitors still operate in the unorganised segment.

Our valuation yields a TP of INR570, which implies a ~26x EV/EBITDA (*pro forma* EBITDA) and ~0.6x implied PEG ratio on our FY27 forecasts. A DCF-based valuation yields a similar TP based on the following assumptions: WACC: ~14%; terminal growth rate: 5%; revenue CAGR of 25% over FY25E–30E and 15% over FY31E–40E; initiate at 'BUY'.

### Key risks

- Geographic concentration in Laxmi Dental's operations in west India.
- Failure to expand dental network and wallet share and competition from unorganised players.
- Slower-than-expected ramp-up in aligners business.
- Lack of long-term purchase orders raises pricing pressure risk.
- Outstanding legal proceedings could have an adverse effect.

## The Story in Charts

Exhibit 1: Industry on rapid growth path, particularly aligners...

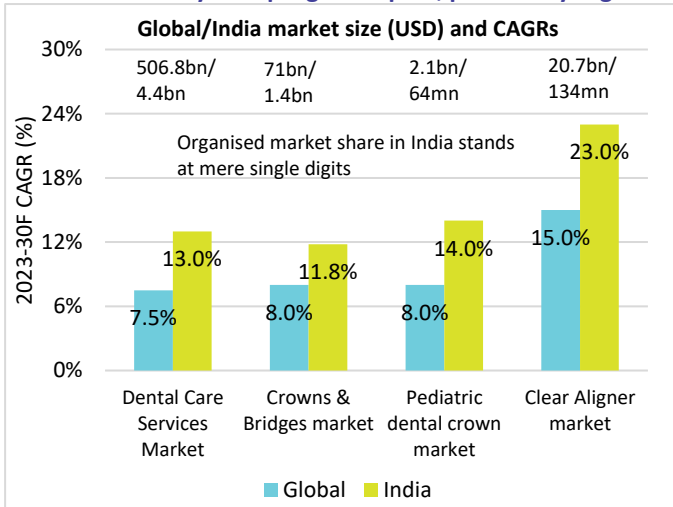


Exhibit 2: ...wherein Laxmi could replicate Angelalign's playbook



Exhibit 3: Revenue to expand 26% driven by aligners...

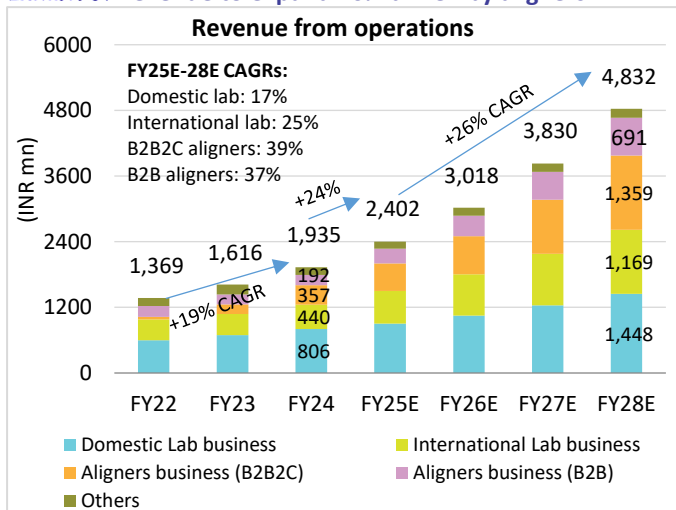


Exhibit 4: ...yielding 4x surge in PAT led by operating leverage

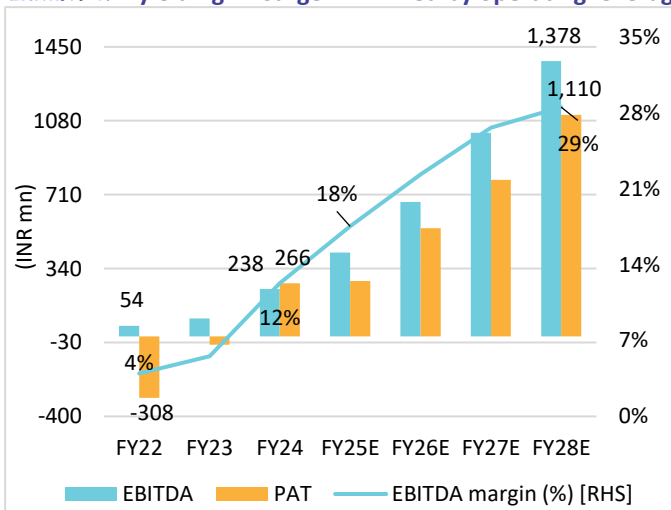


Exhibit 5: RoE/RoCEs to improve gradually...

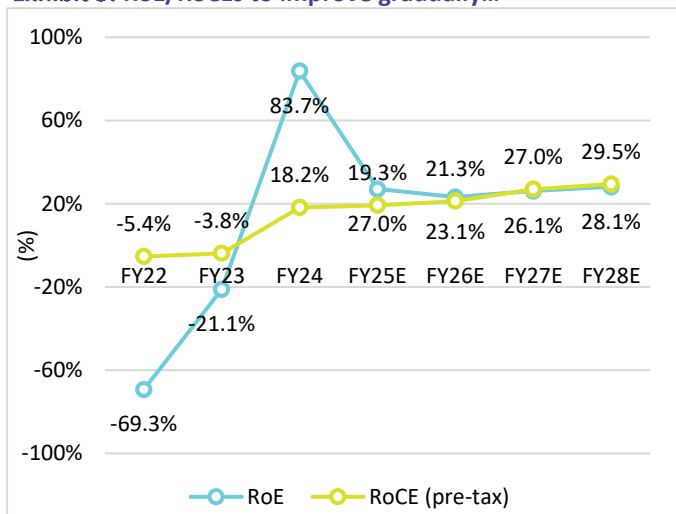
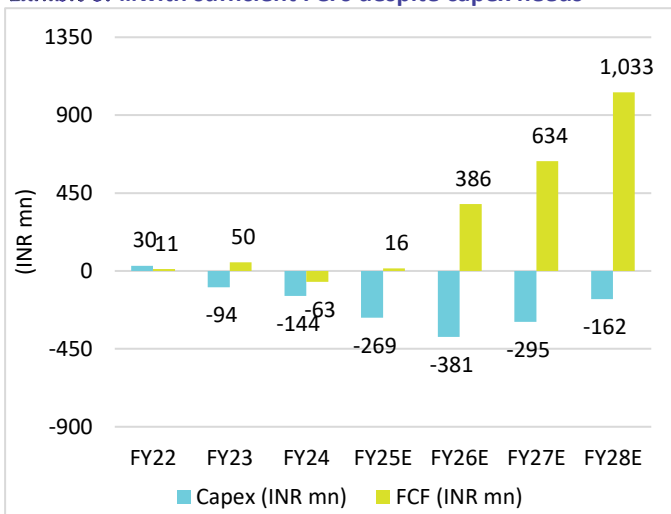


Exhibit 6: ...with sufficient FCFs despite capex needs



Source: Company, Nuvama Research



## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	1,935	2,402	3,018	3,830
Gross profit	1,451	1,805	2,305	2,960
Employee costs	715	808	923	1,102
Other expenses	498	576	709	838
EBITDA	238	421	674	1,020
Depreciation	119	148	182	215
Less: Interest expense	50	47	9	10
Add: Other income	17	23	81	106
Profit before tax	86	250	564	901
Prov for tax	(94)	55	135	221
Less: Other adj				
Reported profit	252	337	542	783
Less: Excp.item (net)	1	(66)	0	0
Adjusted profit	266	278	542	783
Diluted shares o/s	52	55	55	55
Adjusted diluted EPS	5.2	5.1	9.9	14.3
DPS (INR)	0	0	0	0
Tax rate (%)	109.5	22.0	24.0	24.5

### Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Gross margin	74.9	75.1	76.4	77.3
Net debt/EBITDA	1.7	(2.1)	(1.8)	(1.8)
OCF as a % of sales	4.2	11.9	25.4	24.3
EBITDA margin (%)	12.3	17.5	22.3	26.6
Net profit margin (%)	13.8	11.6	18.0	20.5
Revenue growth (% YoY)	19.7	24.1	25.6	26.9
EBITDA growth (% YoY)	165.4	77.0	60.1	51.3
Adj. profit growth (%)	nm	4.5	94.7	44.5

### Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	6.5	6.3	6.5	6.5
Repo rate (%)	6.5	5.3	5.3	5.3
USD/INR (average)	84.0	82.0	81.0	75.0
Lab business YoY growth	15.7	20.4	20.1	21.0
Lab business EBITDA margins	8.3	14.9	19.3	24.0
Aligner solutions YoY growth	54.2	40.3	39.3	39.3
Aligner solutions EBITDA margins	23.7	22.4	29.5	33.4
Kids-e-Dental YoY growth	236.4	6.0	32.3	31.7
Kids-e-Dental EBITDA margins	58.4	52.2	52.3	54.7

### Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	79.7	81.1	41.7	28.8
Price/BV (x)	50.0	10.9	8.6	6.7
EV/EBITDA (x)	96.7	51.5	31.7	20.4
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	3	110	110	110
Reserves	422	1,961	2,503	3,286
Shareholders funds	425	2,071	2,613	3,396
Minority interest	21	21	21	21
Borrowings	420	0	0	0
Trade payables	158	165	207	262
Other liabs & prov	244	168	181	184
Total liabilities	1,345	2,476	3,084	3,940
Net block	364	480	688	773
Intangible assets	16	17	15	14
Capital WIP	72	72	56	45
Total fixed assets	453	568	760	832
Non current inv	63	70	77	84
Cash/cash equivalent	10	903	1,245	1,826
Sundry debtors	249	395	430	546
Loans & advances	0	0	0	0
Other assets	432	464	549	628
Total assets	1,345	2,476	3,084	3,940

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	252	337	542	783
Add: Depreciation	120	148	182	215
Interest (net of tax)	50	47	9	10
Others	9	29	34	43
Less: Changes in WC	(156)	(211)	(1)	(123)
Operating cash flow	81	285	767	929
Less: Capex	(144)	(269)	(381)	(295)
Free cash flow	(63)	16	386	634

### Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	83.7	27.0	23.1	26.1
RoCE (%)	25.5	26.3	25.4	25.0
Inventory days	184	176	190	190
Receivable days	43	49	50	46
Payable days	101	68	67	70
Working cap (% sales)	14.4	21.9	19.6	19.0
Gross debt/equity (x)	0.9	0	0	0
Net debt/equity (x)	0.9	(0.4)	(0.5)	(0.5)
Interest coverage (x)	2.4	5.8	54.3	78.9

### Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	nm	(1.8)	94.7	44.5
RoE (%)	83.7	27.0	23.1	26.1
EBITDA growth (%)	165.4	77.0	60.1	51.3
Payout ratio (%)	0	0	0	0

## Investment Rationale

### Only integrated dental company in India operating at scale

- Second-largest player in the domestic laboratory business with 22,000-plus dental network and largest export laboratory in India.
- ~5x larger than the third-largest player in domestic market by revenue.
- The Indian dental lab market is highly fragmented with organised share in mere single digits in our view; only two labs have revenue exceeding INR250mn each.
- Laxmi is fully integrated with the widest portfolio of products among peers, which in turn implies opportunity for cross-selling.
- High prevalence of oral disease burden in India and underpenetrated dental care market act as tailwinds.
- 57% revenue comes from laboratory business (domestic and exports), 25% from aligners (including backward integration) and 12% from paediatric dental products on a *pro forma* basis.

Laxmi Dental is the second-largest player in the domestic laboratory business, after Kerala-based DentCare. However, when it comes to exports, it is the largest export lab in India. However, despite the size, the market share that the company enjoys is in mere single digits, indicating the highly fragmented nature of this industry. As per the company, there are only two large labs (annual domestic lab revenue at INR250mn–1bn) and less than 50 medium labs (annual revenue at INR10mn–250mn) in India. The majority of the labs i.e. more than 5,000 labs (~99%) are small having annual revenue lower than INR10mn. Thus, the organised market share is in single digits in our view.

**Exhibit 7: Two largest players much ahead of next biggest players show industry's fragmented nature**

Domestic Lab business			FY23 (INR mn)	Revenue		EBITDA		EBITDA margin		PAT		PAT margin		RoE		RoCE	
Company name	Country	Presence	Export Revenue	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
Laxmi	India	India, US, UK, Europe	501	1,616	1,936	90	238	5.6%	12.3%	-42	252	-2.6%	13.0%	-19.6%	78.8%	-0.3%	20.0%
DentCare	India	India, Australia, New Zealand, UAE, UK, US, Canada	47	1,849	2,244	257	382	13.9%	17.0%	108	203	5.8%	9.0%	44.8%	51.0%	21.6%	31.2%
Katara	India	India, some overseas dentists/prosthodontist	-	391	410	24	38	6.1%	9.3%	18	22	4.6%	5.3%	13.4%	17.3%	15.7%	22.4%
Precision	India	India	-	60	NA	7	NA	12.0%	NA	2	NA	3.2%	NA	14.8%	NA	32.6%	NA

Source: Company, Nuvama Research

**Exhibit 8: Despite being second-largest player, Laxmi has barely scratched the surface**

Laxmi Dental	Industry size (USD mn)#	FY24 Revenues (INR mn)	FY24 Revenues (USD mn)	Category Share %
Domestic Lab business- Illusion Lab	1,400	806	10	2-3%
International Lab business	71,000	440	5	0.03%
Aligners business	730	549	6	2-3%
Bizdent - clear aligners	135	357	4	7-8%
Kids-e-Dental	2,100	267	3	0.4-0.5%
Others (Glaze, Signature Smiles)		141	2	

Source: Company, Nuvama Research

# industry size is at retail level

\*Category share is multiplied by ~3 to get share at retail level

**Exhibit 9: Highly-fragmented industry; hardly any large competitors**

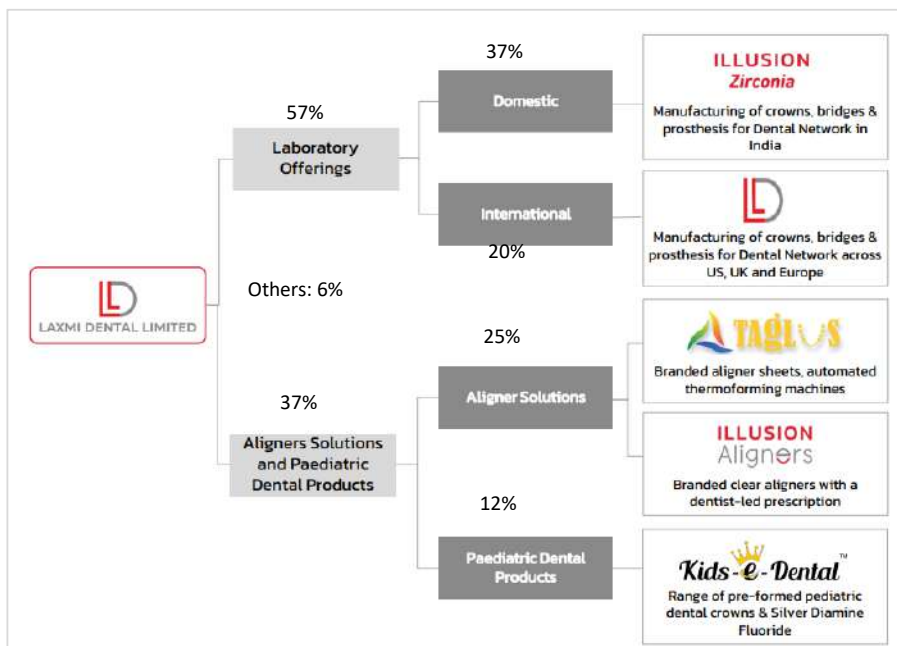


Source: Company, Nuvama Research

**Wide portfolio of dental products open up opportunity for cross-selling**

Laxmi has a wide range of customised products in its arsenal including crowns, bridges, veneers, dentures, night guards, aligners, resins and paediatric products. With established network of 22,000-plus dentists and reach across 320 cities in India and 95 countries globally, this end-to-end integration open opportunity for cross-selling. Within crowns, the company deals in PFM crowns as well as metal-free crowns branded ‘Illusion Zirconia’. Laxmi also operates intra-oral scanners named ‘iScanPro’ for taking digital impressions of patients, which are then sent to their labs electronically.

**Exhibit 10: Business overview**



Source: Company



**Exhibit 11: A fully-integrated player offering widest suite of products and services among peers**

Company Type	Company	Custom-made fixed Prosthesis (Crowns, abutment)	Removable Prosthesis (Dentures)	Clear Aligners	Aligner Sheet	Thermo-forming Machine	Intra-oral Scanner	Paediatric Crowns
Global Dental Product Company	Align Technology (Invisalign)	x	x	✓	x	x	✓	x
	Straumann	x	x	✓	✓	x	✓	x
Indian Dental Product Company	Ampa Orthodontics (Toothsi)	x	x	✓	x	x	x	x
	32 Watts	x	x	✓	x	x	x	x
	Snazzy	x	x	✓	x	x	x	x
	DentCare	✓	✓	✓	x	x	x	x
	Laxmi Dental	✓	✓	✓	✓	✓	✓	✓
	Katara	✓	✓	x	x	x	x	x
Precision	✓	✓	x	x	x	✓	x	

Source: Company, Nuvama Research

The aligners business and the paediatrics business—which are both in nascent stages of their lifecycle—have inevitably grown at a much faster pace compared with the other more established businesses over FY22–24. This trajectory is likely to sustain going forward as well, with the B2B2C aligners segment expected to see ~39% CAGR over FY25E–28E, B2B aligners likely to see ~37% CAGR and Kids-e-Dental projected to grow at a ~31% CAGR over the same period.

**Exhibit 12: Aligners business and international lab business to drive ~26% revenue CAGR over FY25E–28E**

Laxmi Dental Revenues (INR mn)	FY22	FY23	FY24	CAGR (FY22-FY24)	FY25E	FY26E	FY27E	FY28E	CAGR (FY25E-FY28E)
Domestic Lab business	596	694	806	16%	905	1,050	1,236	1,448	17%
International Lab business	383	383	440	7%	595	752	945	1,169	25%
Aligners business (B2B2C)	48	178	357	172%	501	701	984	1,359	39%
Aligners business (B2B)	198	178	192	-2%	270	372	511	691	37%
Others	143	183	141	-1%	132	143	154	166	8%
<b>Total revenue</b>	<b>1,369</b>	<b>1,616</b>	<b>1,935</b>	<b>19%</b>	<b>2,402</b>	<b>3,018</b>	<b>3,830</b>	<b>4,832</b>	<b>26%</b>
Paediatric business (Kids-e-Dental)	22	79	267	250%	283	374	492	629	31%
<b>Pro forma revenue (incl. Kids-e-Dental)</b>	<b>1,390</b>	<b>1,696</b>	<b>2,202</b>	<b>26%</b>	<b>2,685</b>	<b>3,392</b>	<b>4,323</b>	<b>5,460</b>	<b>27%</b>

Source: Company, Nuvama Research

Note: Kids-e-Dental is a 60:40 JV; revenue does not get consolidated in financial statements

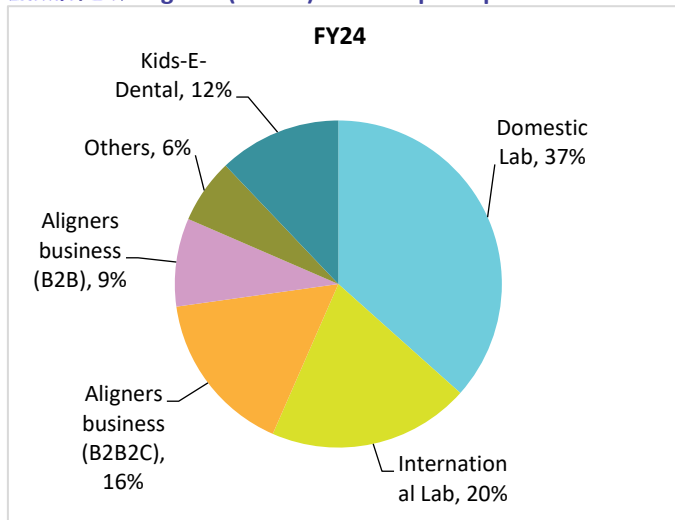
**Exhibit 13: One-third of total revenue comes from exports, dominated by US**

Export revenues	FY22	% of revenue	FY23	% of revenue	FY24	% of revenue	H1FY25	% of revenue
US	367	26.8%	295	18.3%	372	19.2%	221	18.9%
UK	81	5.9%	116	7.2%	137	7.1%	85	7.3%
Others	92	6.7%	90	5.6%	114	5.9%	70	6.0%
<b>Total export revenue</b>	<b>540</b>	<b>39.5%</b>	<b>501</b>	<b>31.0%</b>	<b>623</b>	<b>32.2%</b>	<b>376</b>	<b>32.2%</b>

Source: Company, Nuvama Research

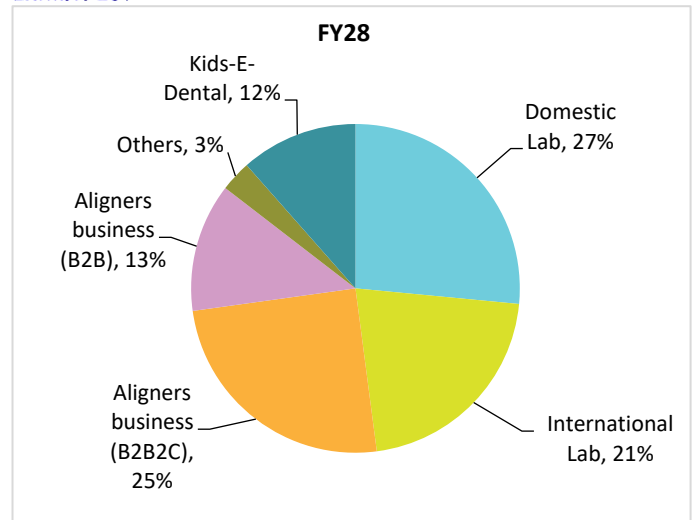
The contribution of high-margin aligners business (both B2B and B2B2C) is likely to rise from ~25% in FY24 to ~38% in FY28, driven by the sustainable business model, deepening of the existing network's penetration, backward integration benefits and multi-channel promotional strategies. The concomitant share decrease shall be coming from the domestic lab segment, which is the oldest business line for Laxmi.

**Exhibit 14: Aligners (B2B2C) share to pick up from ~16%...**



Source: Company, Nuvama Research

**Exhibit 15: ...to 25% in FY28E**



Source: Company, Nuvama Research

### High prevalence of dental problems and underpenetrated market act as tailwinds

The dental disease burden in India is one of the highest globally while the per capita dental health expenditure (USD) is abysmally low at USD0.5 compared with USD44 in China, USD143 in UK and USD405 in the US (Source: F&S report). The number of dentists per 10,000 population also stands at 2.0 for India vis-à-vis 6.3 in the US, 5.2 in the UK and 4.5 in China. All this points to the fact that the Indian dental care market is highly underserved and underpenetrated currently.

**Exhibit 16: Oral disease burden in India among the highest (2022)...**

Parameter	India	China	US	UK	France	Australia	Germany
Prevalence of untreated caries* of deciduous teeth in children 1–9 years (%)	<b>43.3</b>	47.2	42.6	19.5	29.2	38.9	29.1
Prevalence of untreated caries of permanent teeth in people 5+ years (%)	<b>28.8</b>	24.6	24.3	30.6	36.8	29.5	31.7
Prevalence of severe periodontal disease** in people 15+ years (%)	<b>21.8</b>	17.5	15.7	10.6	16.2	14.5	27.4
Prevalence of Edentulism <sup>§</sup> in people 20+ years (%)	<b>4.0</b>	5.7	10.2	12.0	12.6	13.5	11.7
Incidence rate of Lip and oral cavity cancer (per 100,000 population)	<b>9.8</b>	1.3	4.2	5.1	5.4	6.5	4.3

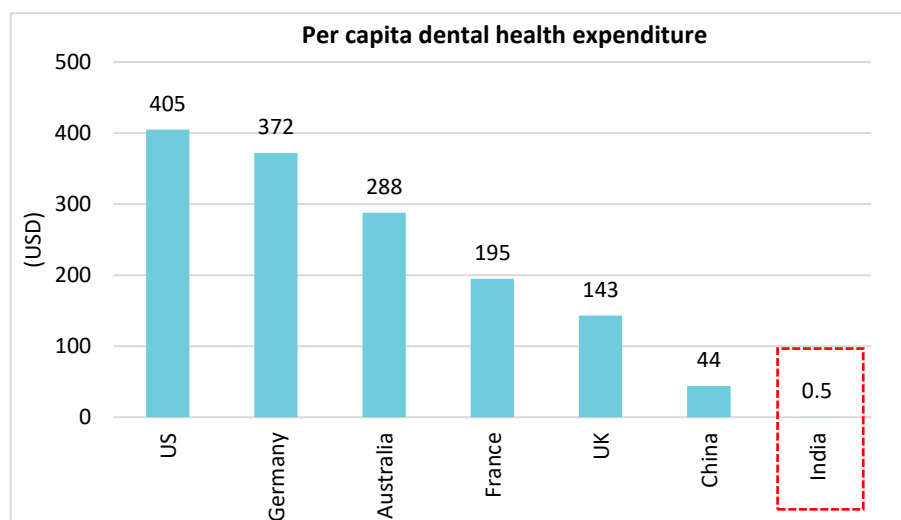
Source: WHO, Oral Health Country Profile, 2022, Frost & Sullivan

\*Dental caries are cavities are holes, or areas of tooth decay, that form in your teeth surfaces.

\*\*Periodontal disease refers to inflammation and infection of the tissues that support your teeth

§Edentulism or Toothlessness is the condition of having no teeth.

**Exhibit 17: ...but per capita spending on dental health remains miniscule in India**



Source: Company, Nuvama Research

### Laxmi well-poised to capture growth in dental market

Both the global and the domestic markets are growing, with the global custom-made crowns and bridges market and the global paediatric dental crown market expected to grow at an ~8% CAGR over 2023–30E while the global aligner market is projected to grow at a ~15% CAGR over 2023–30E. Within India, these markets are estimated to grow at rates of 12%/14%/23% (2023–30E).

Given Laxmi’s wide range of offerings across the dental care market and the integrated nature of its business, we expect it to capture the industry tailwinds well.

**Exhibit 18: Global market poised to grow healthily while India market likely to outpace it**

	USD mn (2023)			CAGR 2023-30F	
	Global	India	India share	Global	India
Dental Care Services Market	5,06,800	4,400	0.90%	7.50%	13.00%
Dental Consumables Market	1,77,400	2,400	1.40%	10.50%	14.50%
Dental Prosthetics - Crowns & Bridges	71,000	1,400	2.00%	8.00%	11.80%
Paediatric dental crown market	2,100	64	3.00%	8.00%	14.00%
Orthodontics market	68,900	731	1.10%	13.50%	16.50%
Clear Aligner market	20,700	134	0.60%	15.00%	23.00%

Source: Company, Nuvama Research

### Shift towards premium, rising mix of metal-free crowns/digital units

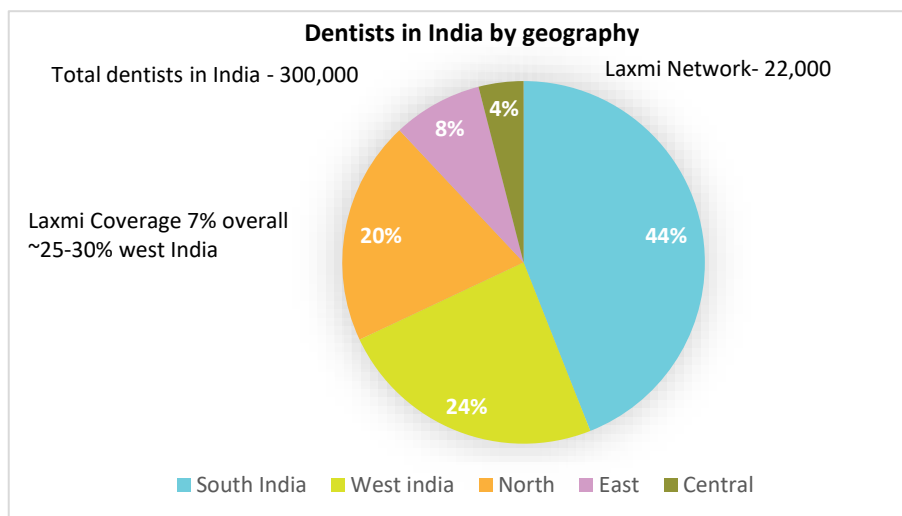
- The industry is witnessing a shift towards premium products with a significant rise in the share of metal-free crowns due to its better durability and aesthetics. This bodes well for Laxmi as it has its own branded metal-free crowns under the brand 'Illusion Zirconia' that comes with higher realisation and margin.
- Metal-free crowns account for ~55% of Laxmi's domestic lab business (versus 48% in FY22) and is likely to rise further. Branded contribution too has grown from 18% of revenue in FY22 to ~40% in H1FY25 and is likely to grow further.
- The lab business, which is set on the foundation of a robust dental network of 22,000-plus dental clinics, companies and dentists, is set for diversification beyond west India by increasing coverage to south India and other geographies.
- Increased adoption of digital dentistry in the industry—enabling reduced turnaround times and lower costs due to savings in one-way logistics and rework costs. Laxmi Dental's digital units' penetration is consistently rising (domestic/international lab business penetration rising from 28%/12% in FY22 to 49%/55% in FY24).
- The global markets for Laxmi's products are projected to grow at an 8–15% CAGR over 2023–30E and Laxmi, which is India's largest export laboratory, is ready to capture a meaningful share of this global pie. It has also become the preferred partner for one of the US's largest DSOs, having 1,650-plus clinics, opening up potential for more tie-ups with other DSOs.

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### Lab business set for network and coverage expansion

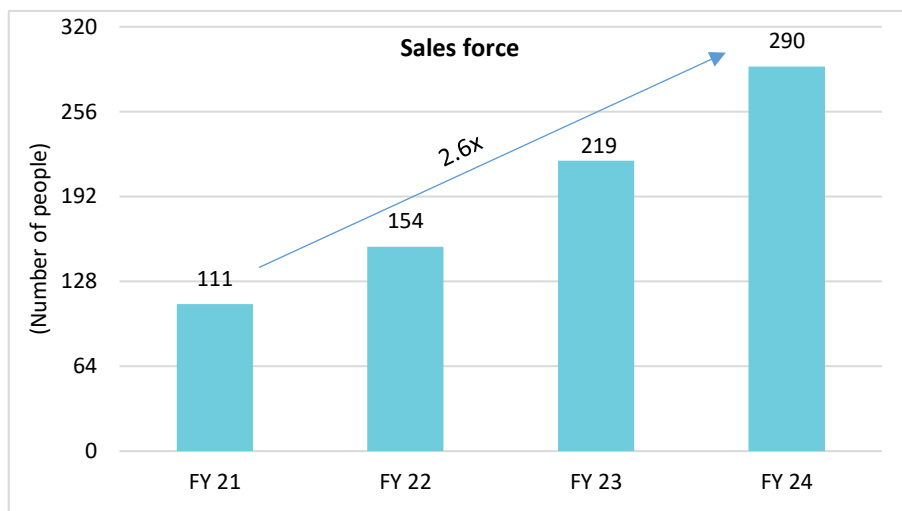
The dental labs business, which currently has revenue of ~INR1.5bn (FY25E) on a base of 22,000-plus dental network, is poised to grow at a CAGR of 20% over FY25E-28E (17% for domestic lab and 25% for international lab business). There are ~300,000 dentists in India out of which Laxmi has a coverage of a modest ~7%. However, it covers ~30% of the dentists in west India. The company plans to expand its network and coverage in South India, alongside increasing its wallet share in the existing network by investing in sales and marketing activities for deeper penetration, engaging sales executives for promotion of digital technologies, targeted investments for product improvements, technological innovations and regular training activities for the network.

**Exhibit 19: Diversification beyond West India by increasing coverage in South**



Source: Company, Nuvama Research

**Exhibit 20: Laxmi’s sales force has grown 2.6x in last three years**



Source: Company, Nuvama Research

### Industry witnessing shift towards premium high-margin metal-free products

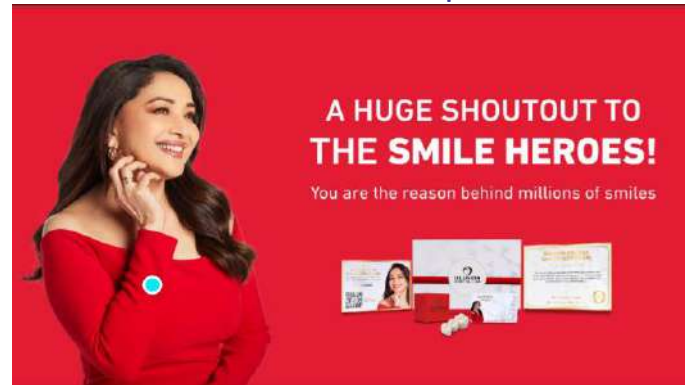
The industry is witnessing a shift towards premium products with a significant rise in the share of metal-free crowns. This bodes well for Laxmi as it has its own branded metal-free crowns under the brand ‘Illusion Zirconia’. It is the first company in India to create branded dental crowns. Laxmi has also collaborated with leading Indian celebrity, Ms Madhuri Dixit Nene to promote this brand, with her contract being renewed in 2024 apart from undertaking marketing via print media, social media and webinars and roadshows.

Exhibit 21: Ms Madhuri Dixit Nene as brand ambassador...



Source: Nuvama Research

Exhibit 22: ...for branded dental crown product

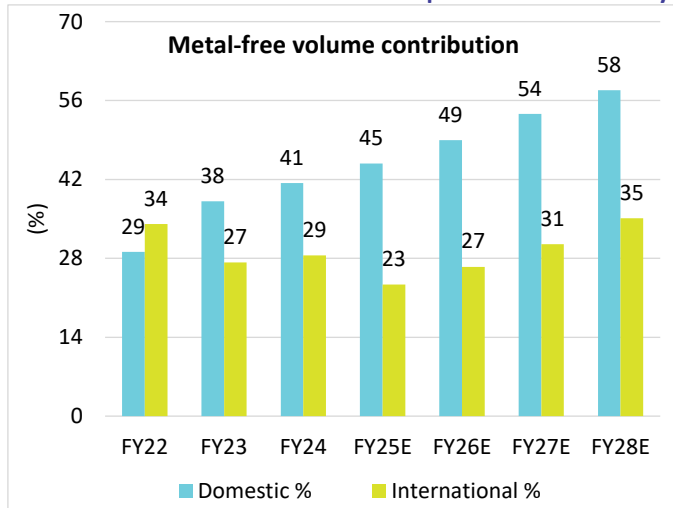


Source: Nuvama Research

Laxmi intends to replicate the playbook of BruxZir® Zirconia (Glidewell). Glidewell, a leading dental chain in the US, with USD300mn revenue from branded crowns (~43% of total revenues), launched the first branded monolithic Zirconia crown restoration, BruxZir® Zirconia in 2009. As per the company, more than 28 million units have been prescribed by dentists globally until 2023. BruxZir® Zirconia makes up more than 70% share of the fixed restorative units fabricated at Glidewell. As per TRAC Research, BruxZir restorations exhibited a 100% survival rate and zero terminal fractures after a decade of scientific evaluation ([link to research](#)).

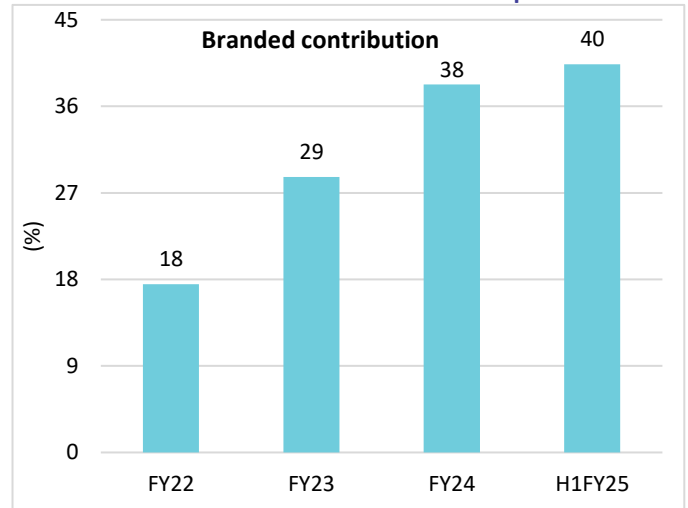
The metal-free volume contribution in the domestic lab business for Laxmi has steadily grown from 29% in FY22 to 41% in FY24 and we expect it to continue rising and reach ~58% by FY28E. In the international lab business, we estimate the metal-free volume share to gradually increase from ~23% in FY25 to 35% in FY28E. This is likely to happen due to the company's marketing efforts and the shift in the industry towards premium products. These products are higher priced and have higher margins aided by lower costs due to automation.

Exhibit 23: Metal-free contribution expected to rise steadily...



Source: Company, Nuvama Research

Exhibit 24: ...so is contribution from branded products



Source: Company, Nuvama Research



## Why Zirconia?

Crowns made of Zirconia or other second-generation polymers are increasingly being preferred by dentists and patients driven by growing demand for aesthetics, concerns of toxicity and allergic reaction to metal alloys and to mitigate issues such as bite concerns post-treatment.

Zirconia crowns are made from a special kind of zirconium dioxide, which is translucent in nature, allows light to pass through the crown, making them look like natural teeth. Zirconia, which is less brittle and having high tensile strength, is not only a functional material, but also offer better aesthetics. Moreover, Zirconia crown can be fabricated with full-digital workflow. Zirconia has become a popular alternative to porcelain-fused-to-metal (PFM) crowns and is increasingly being used in fabricating crowns and bridge restoration and implant abutments.

**Exhibit 25: Snapshot of features of various materials used in dental crowns**

Crown type	Material	Strength	Aesthetics	Durability	Preparation	Suitability
Zirconia crown	Zirconia	Very high	High	Very high	Minimal	General
PFM crown	Metal + porcelain	High	High	Moderate	Moderate	General
Emax crown	Lithium Disilicate	High	Very high	Moderate	Moderate	Aesthetically demanding
Metal crown	Metal alloy	High	Low (visible)	Very high	Moderate	Molars
Porcelain crown	Porcelain	Moderate	Moderate	Moderate	Moderate	General
Veneers	Composite resin	Low	High	Low	Minimal	Anterior teeth
Ceramic crowns	Ceramic	Moderate	High	Moderate	Moderate	General

Source: Company, Nuvama Research

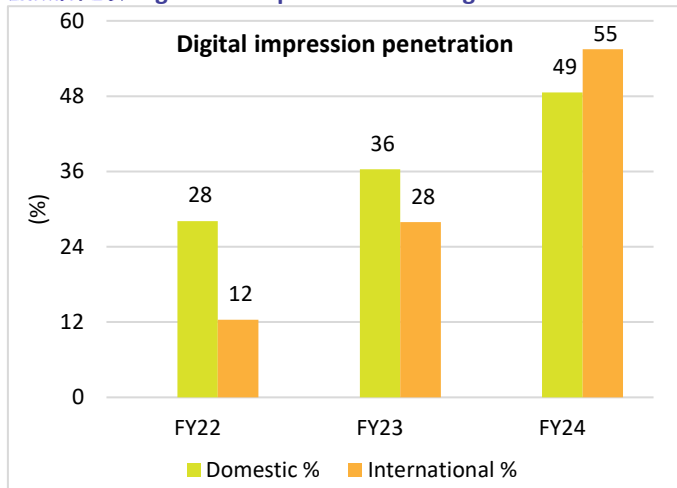
## Increased adoption of digital dentistry to drive efficiencies

We also note the increased adoption of digital dentistry in the industry, among the dentist community. The global penetration of intra-oral scanners stands at 23% currently and is likely to go to 28% by CY27. Shifting to digital impressions instead of physical impressions leads to fewer steps, lesser re-work being required, lower TAT and lower logistics cost being incurred.

Laxmi Dental launched its own branded scanners, 'iScanPro', in Aug-24, currently deployed 160 sales force and being employed by 264 dentists. The company has adopted two models for scanning: i) sending company's trained employees with the scanners to the dentists and ii) allowing dentists to buy the scanner with an upfront payment or via a subscription plan along with a one or two year volume contract. A huge chunk of the dentists prefer the former model due to the costs of buying a scanner.

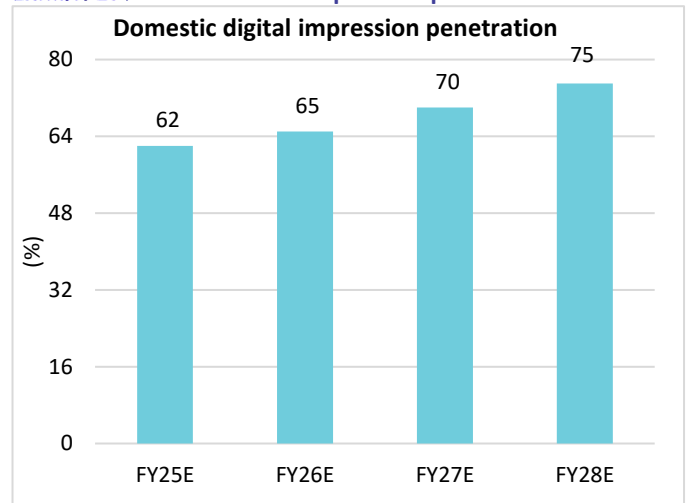
Laxmi Dental's digital units' penetration is consistently rising, with penetration in the domestic lab business rising from 28% in FY22 to 49% in FY24. The international lab business saw it surging from 12% to 55% over the same period.

**Exhibit 26: Digital units' penetration rising for Laxmi...**



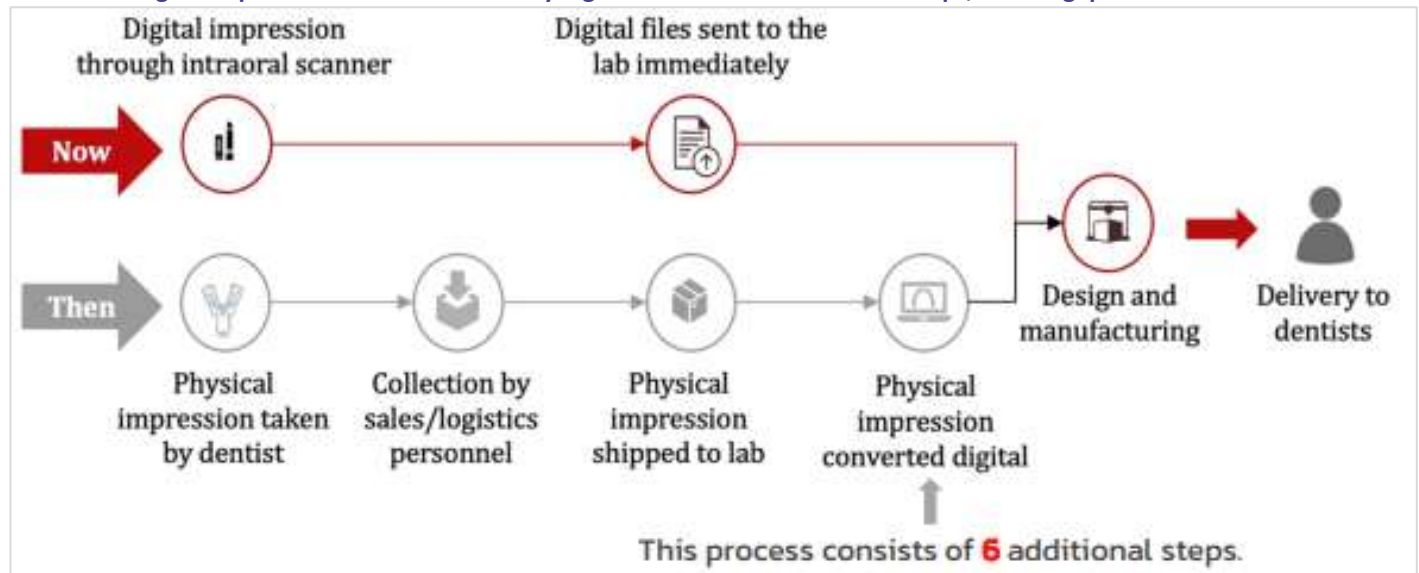
Source: Company, Nuvama Research

**Exhibit 27: ...with further scope for expansion**



Source: Company, Nuvama Research

**Exhibit 28: Digital impressions eliminate one-way logistics and reduce redundant steps, ensuring quick turnover**



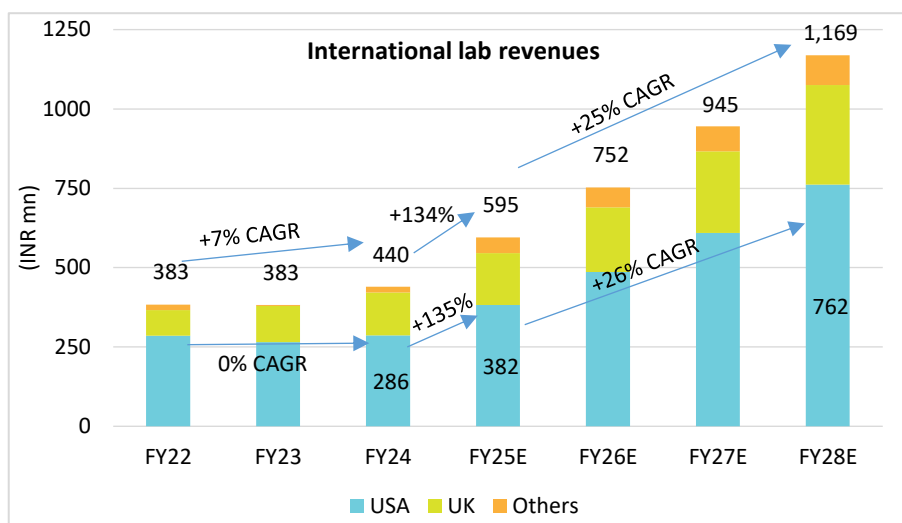
Source: Company, Nuvama Research

### Export opportunities promising; recent DSO tie-up beneficial

The global markets for Laxmi's products are projected to grow at an 8–15% CAGR over 2023–30E, driven by increasing awareness, high prevalence of dental problems and technological advancements. Outsourcing is also picking up in the US, with 35% of the lab work coming from outside the country. Moreover, the number of DSOs has increased.

Laxmi—which is India's largest export laboratory and exports its products to more than 95 countries—is ready to capture a meaningful share of this global pie. It has also become the preferred partner for one of US's largest DSOs, Heartland, having 1,650-plus clinics. It has only five diamond trusted labs and Laxmi is one among them. This tie-up opens up potential for more tie-ups with other DSOs. Laxmi also plans to pursue expansion on an international level by obtaining registrations such as CE (regulatory agency per European standard), and ANVISA (Brazil).

**Exhibit 29: International lab revenues to log robust ~25% CAGR led by healthy US**

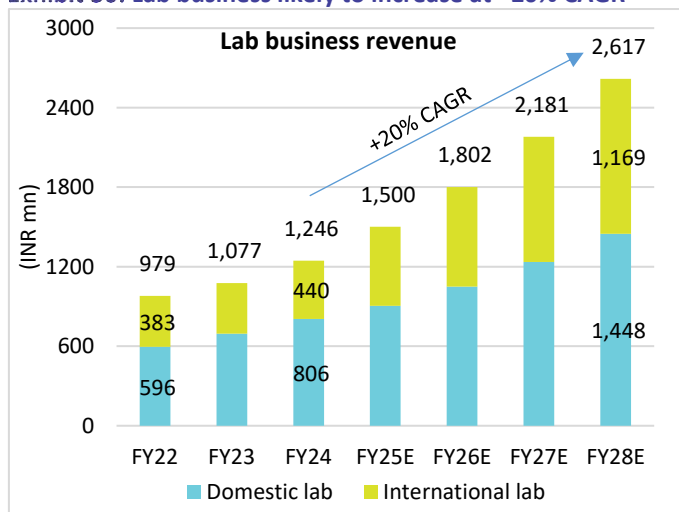


Source: Company, Nuvama Research

**Well-placed vis-à-vis peers due to its scale and wide range of offerings**

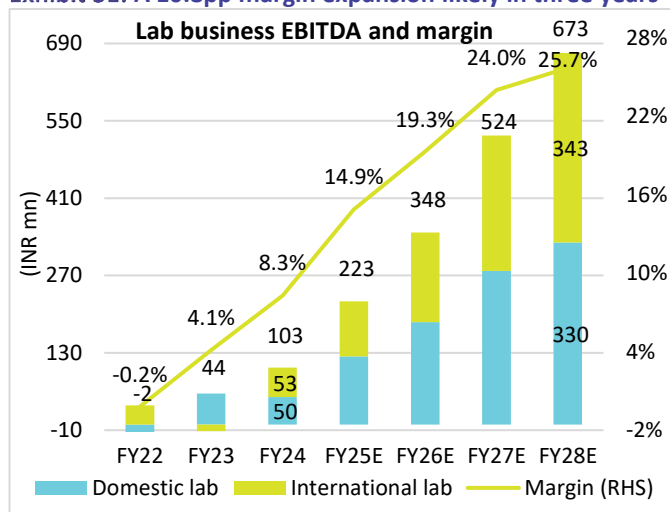
We note that Laxmi is quite ahead of its competition in terms of offerings as well as scale. It is ~5x larger than the third-largest known player in the domestic market, Katara, in terms of revenue. The backward integration also places the company above its peers as it gives it cost and reduced turnaround time advantage.

**Exhibit 30: Lab business likely to increase at ~20% CAGR**



Source: Company, Nuvama Research

**Exhibit 31: A 10.8pp margin expansion likely in three years**



Source: Company, Nuvama Research

**Exhibit 32: Metal-free crowns lead by volume growth in domestic lab**

Volumes	FY22	FY23	FY24	FY22-24 CAGR	H1FY25
<b>Domestic lab</b>	<b>3,61,166</b>	<b>3,93,163</b>	<b>4,52,330</b>	<b>12%</b>	<b>2,57,609</b>
Metal-free	1,05,249	1,49,781	1,86,958	33%	1,14,416
PFM	1,13,155	1,21,397	1,12,534	0%	61,791
Removables and others	1,42,762	1,21,985	1,52,838	3%	81,402
<b>International lab</b>	<b>1,45,350</b>	<b>1,55,998</b>	<b>1,98,920</b>	<b>17%</b>	<b>1,50,004</b>
Metal-free	51,537	42,732	54,874	3%	30,872
PFM	37,533	29,209	22,747	-22%	10,058
Removables and others	56,280	84,057	1,21,299	47%	1,09,074

Source: Company, Nuvama Research

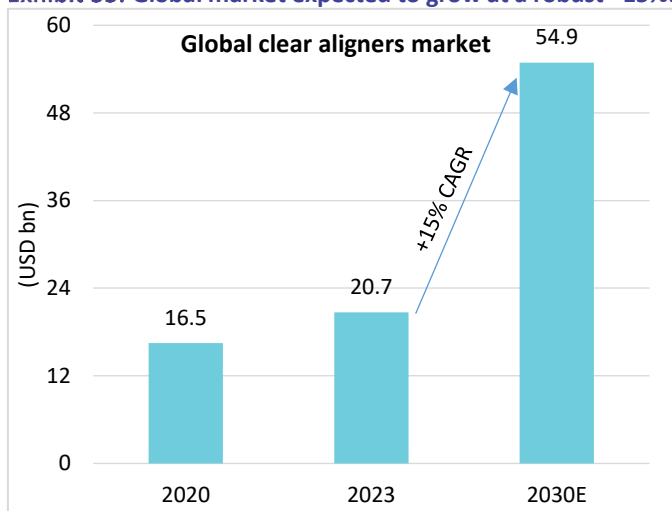
## Aesthetics, growing disposable income to drive growth for aligners

- Aligners are the fastest-growing segment in the dental care market. The prevalence of malocclusion in India (75%) is higher than the US (67%), but the penetration of orthodontic treatment is very low compared with the US (0.1% in India versus 3% in the US). Notably, 80% of malocclusion cases can be treated with clear aligners. Laxmi Dental's Illusion Aligners, launched in 2021, is the first Indian brand to receive 510(k) clearance from the USFDA in 2021.
- The company follows a sustainable and sound B2B2C model with a pay-as-you-go model, where Laxmi also gets the opportunity to leverage its existing 22,000 dental network. Ms Kareena Kapoor Khan is the brand ambassador for the 'Illusion Aligner' product.
- The edge that Laxmi enjoys in this business is its backward integration via Vedia Solutions, which aids in cost reduction and time saving (lowered turnaround time from four weeks to three days). Moreover, the company enjoys additional branded sales via 'Taglus'.
- Laxmi's aligners business is nascent currently, with Invisalign being the market leader. We believe Laxmi's aligners B2B2C business can grow at a ~39% CAGR over FY25E–28E given under penetration, lower base, pricing advantage (versus Invisalign) and sustainable B2B2C model (versus Toothsi) with EBITDA margin rising from 22.9% in FY24 to ~35% in FY28E driven by operating leverage. Taglus revenue too can grow at a ~37% CAGR in same period.

### Well-placed to succeed in fastest-growing aligner segment

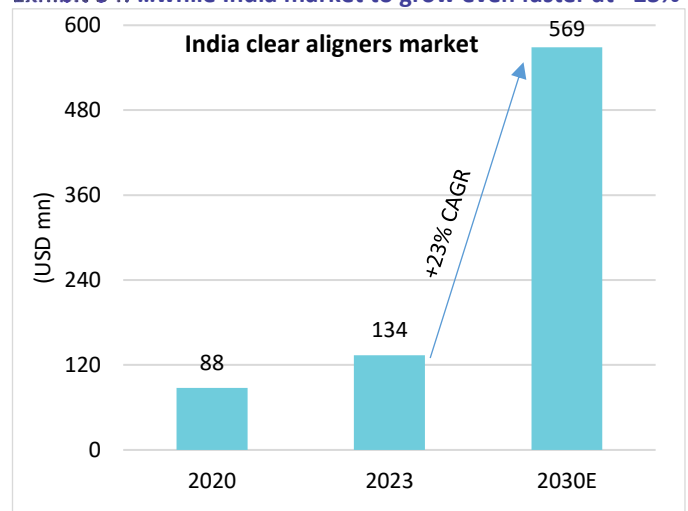
The global clear aligner market currently stands at ~USD20.7bn (2023) and is projected to grow at a ~15% CAGR to ~USD54.9bn by 2030. The Indian clear aligner market, while smaller in size, is also a fast-growing market, which is likely to reach ~USD569mn by 2030 from ~USD133.6mn in 2023 (23% CAGR).

Exhibit 33: Global market expected to grow at a robust ~15%...



Source: Company, Nuvama Research

Exhibit 34: ...while India market to grow even faster at ~23%



Source: Company, Nuvama Research

The reasons why this segment is poised for rapid growth are multi-fold:

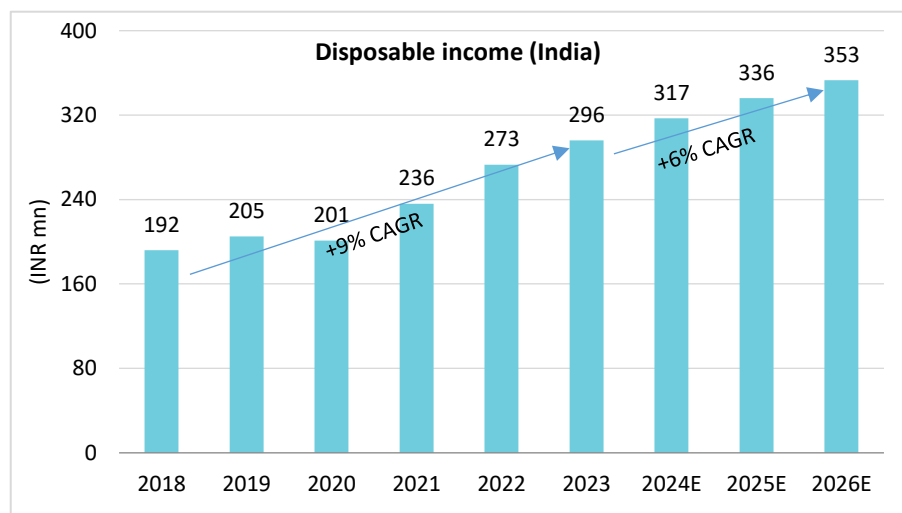
- Increasing acceptance of clear aligners due to increasing emphasis on aesthetics, enabled by rising disposable income
- High prevalence of malocclusion in India compared with the US, but much lower penetration of treatment. Total ~80% of malocclusion cases can be treated with clear aligners.
- Clear aligners offer advantages such as the less painful treatment, improved aesthetics due to invisible nature, less time-consuming procedure, easy removability, leading to better patient acceptance compared with traditional braces.

**Exhibit 35: Factors aiding increasing acceptance for clear aligners**

	Metal braces	Clear aligners
Duration	18-24 months	8-24 months
Yearly visits	10-11 times	4-5 times
Duration per visit	30-45 minutes	10-15 minutes
Aesthetics	Noticeable	Invisible
Comfort level	Rub against surfaces	Removable with comfort
Hygiene	Difficult to clean	Easy to clean
Dentist skills required	High	Low

Source: Company, Nuvama Research

**Exhibit 36: Rising disposable income to aid in fulfilling need for aesthetics**



Source: Company, Nuvama Research

**Sustainable B2B2C business model, USFDA clearance, attractive prices key ingredients for success**

Laxmi has adopted the B2B2C model for its aligners business wherein ads displaying the product, are placed in the dentists’ clinics for patients to see. This ensures sustainable way of marketing and that dentists and orthodontists opinions are taken into account, unlike in D2C model which also lead to high cash burn.

The cost differential for the end patients, when choosing between aligners and braces, is not very large, as far as Laxmi Dental’s aligners are concerned (only ~10–15% higher than braces, subject to course duration). The rising disposable income in the population is also acting as a tailwind.

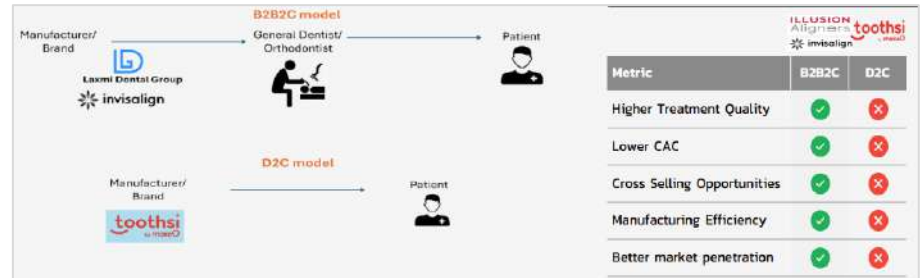
Laxmi is also the first Indian brand to receive 510(k) clearance from the USFDA in 2021, for its 'Illusion Aligners' product.

### Exhibit 37: First Indian brand to receive 510(k) clearance from USFDA

Company name	Country	Product	USFDA approval date
Laxmi Dental	India	Illusion Aligner	05-04-2021
DentCare	India	DentCare Aligners	26-09-2022
AMPA Orthodontics	India	MakeO Toothsi	01-11-2022

Source: Company, Nuvama Research

### Exhibit 38: B2B2C versus D2C model



Source: Company, Nuvama Research

Laxmi also offers a flexible pay-as-you-go model (apart from upfront payment), which is used by ~45% of its customers. This makes aligners more affordable for the end users and brings the payment model in-line with braces where monthly payments are made instead of one large payment.

Replicating the branding strategy for crowns, Laxmi has appointed Ms Kareena Kapoor Khan as the brand ambassador for its product 'Illusion Aligner' (with her contract renewed in 2024 for two years).

### Exhibit 39: Ms Kareena Kapoor Khan appointed as brand ambassador for aligners



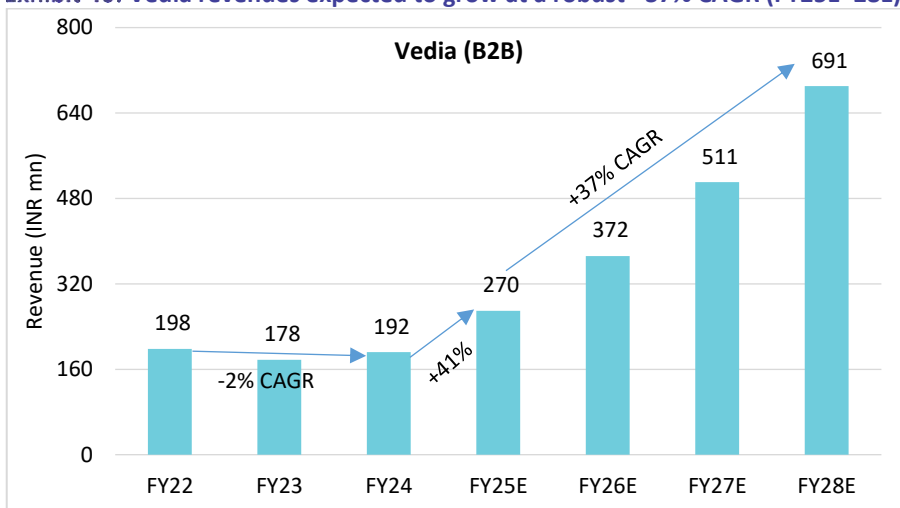
Source: Company, Nuvama Research



## Backward integration via Vedia – a clear edge over peers

Laxmi manufactures aligner and retainer material, dental thermoforming machines, biocompatible 3D printing resins and consumables under the 'Taglus' brand in its Vedia Solutions division, which was established in Feb-19. Laxmi has acquired multiple certifications and also possesses certificate of conformity under regulation EU 2017/745 for 'Taglus' products. There are hardly any companies in India that can boast about this level of backward integration in their business. The company has already seen benefits of this, as evident from the reduction in turnaround time from four weeks to three days.

**Exhibit 40: Vedia revenues expected to grow at a robust ~37% CAGR (FY25E–28E)**

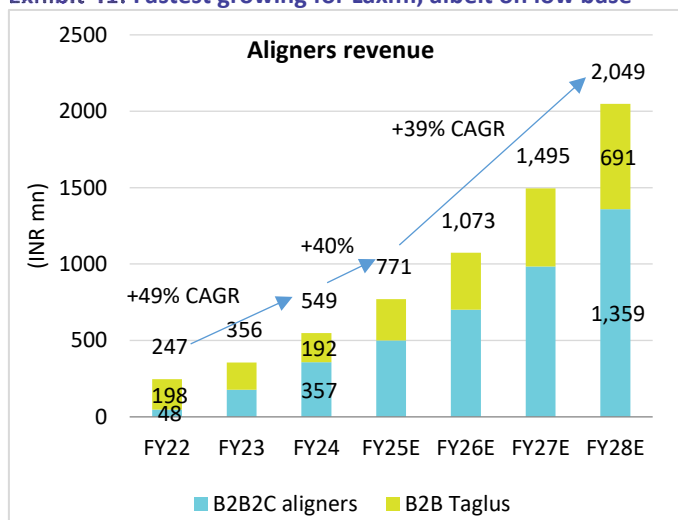


Source: Company, Nuvama Research

## Huge scope to grow as business is nascent, but has ramped up impressively

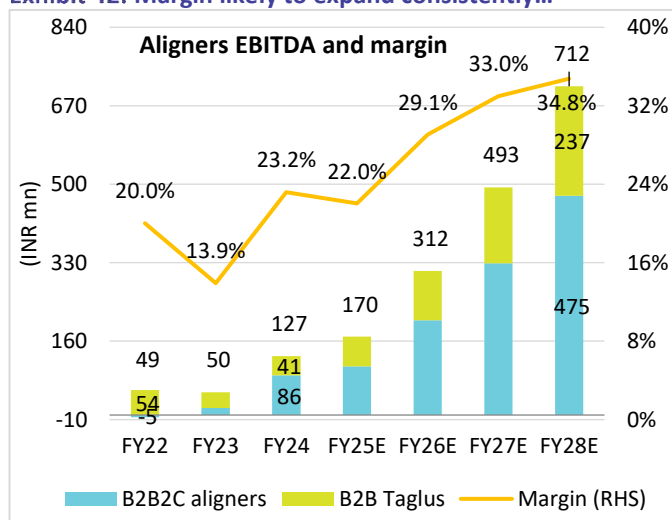
While the B2B2C aligners business is at a nascent stage in its lifecycle (launched in Q2FY22), the business has ramped up pretty quickly in a couple of years, from INR48mn in FY22 to INR357mn in FY24 (~7x). In 9MFY25, the revenue has already touched INR359mn.

**Exhibit 41: Fastest growing for Laxmi, albeit on low base**



Source: Company, Nuvama Research

**Exhibit 42: Margin likely to expand consistently...**



Source: Company, Nuvama Research

**Exhibit 43: ...all largely led by aligner volumes**

Volumes	FY22	FY23	FY24	FY22-24 CAGR	H1FY25
Total Volume (Aligners)	60,539	1,93,753	3,74,689	149%	1,82,850
<i>Growth rate</i>		220%	93%		
Number of cases	4,254	10,791	17,978	106%	12,373
<i>Growth rate</i>		154%	67%		
Realisation per unit	796	920	954	9%	1,219
<i>Growth rate</i>		16%	4%		
Realisation per case	11,328	16,523	19,874	32%	18,013
<i>Growth rate</i>		46%	20%		
Units per case	14.2	18.0	20.8		14.8

Source: Company, Nuvama Research

Compared with Invisalign, Laxmi operates at a much lower price point (up to 50% lower) and also offers a flexible payment model. Against its domestic peer, Toothsi, Laxmi's adoption of the B2B2C model rather than a D2C model, has proved to be advantageous as it has not bypassed the dentist/orthodontist community. The company also benefited from lower marketing spends as Toothsi's burn for D2C marketing helped in the market creation for aligners, benefiting Laxmi indirectly.

**Exhibit 44: Global competitive landscape indicates Laxmi has huge potential to ramp up**

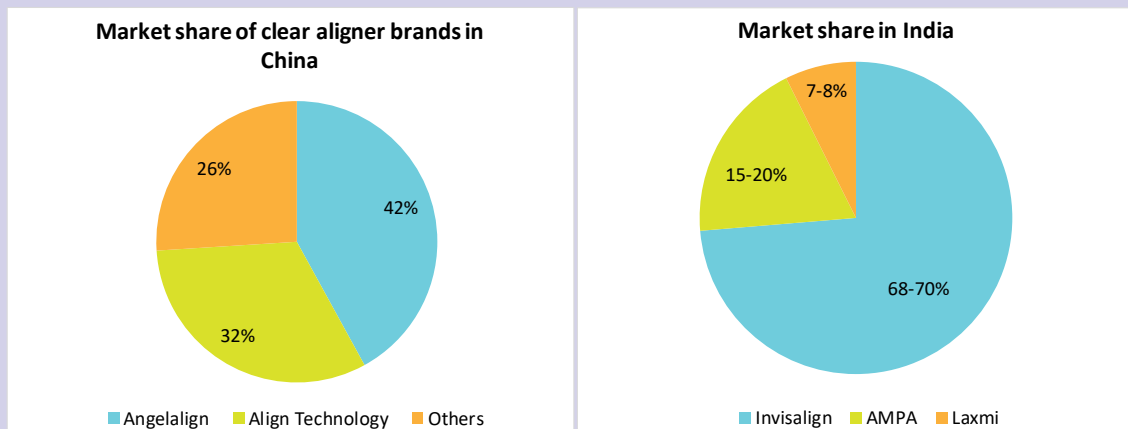
Company (HQ)	Revenue CY24 (USD mn)	Revenue CAGR (2019-24)	PAT CY24 (USD mn)	PAT Margin CY24	Business Segment (Revenue mix 2024)	Geographic presence (Revenue mix 2024)
Align Technology (Arizona, US)	3,999	10.69%	421	10.53%	Clear Aligner (81%) Systems and Services (19%)	Americas (44.1%) International - APAC, EMEA (46.5%) Non-case (9.4%)
Angel Align (Shanghai, China)*	207	23.00%	7	3.30%	Clear Aligner treatment solutions (86.9%) Sales of products (11.9%) Other Services (1.2%)	China (90.2%) Other regions - APAC, Brazil, Europe, US (9.8%)
Straumann (Basel, Switzerland)	2,844	12.09%	441	15.51%	Implant Clear Aligner Prosthetics CAD/CAM equipment Regenerative	North America (28%) EMEA (40%) Latin America (9%) Asia Pacific (23)
Modern Dental Group (China)*	406	7.20%	52	12.70%	Crowns and Bridges Removable Dentures Orthodontic devices Sports guards Anti-snoring devices Clear Aligners Retainers	China North America Western & Northern Europe Australia & New Zealand Southeast Asia

Source: Company, Nuvama Research

\*CY23 data

## Case study: Emergence of a domestic player (Angelalign) in Chinese aligner market

In China, the indigenous company, Angelalign has emerged as a leading domestic B2B2C player replacing global brands such as Invisalign in the clear aligner market by addressing the gap in the market for an affordable clear aligner brand. Founded in 2003 in China, the company offers custom-made removable clear aligners and orthodontic treatment planning software. The company started global expansion in 2020, and as of 2023, its products and services are available in over 30 countries, with Europe being one of its fastest-growing markets. The company went public in 2021 and currently has the highest market share for invisible orthodontic products in China with ~42% share.



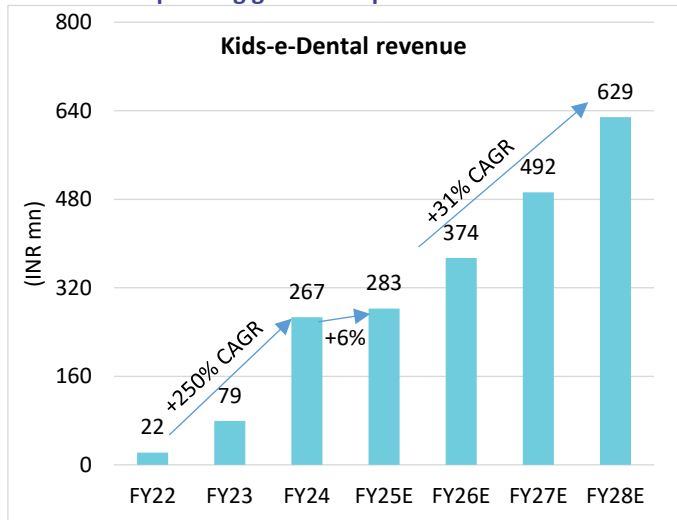
The Indian clear aligner market is likely to follow a trend similar to China, wherein emergence of domestic companies is likely to reduce the dominance of international players. As of now, Invisalign has ~70% of the market share while AMPA (Toothsi) has 15–20% share, followed by Laxmi Dental, which stands at 7–8%. Together, these three players control a significant majority (95–97%) of the clear aligners market.

## Only Indian company specialised in paediatric dental products

- Kids-e-Dental (60% JV), launched in mid-FY22, is India’s first dental company with an exclusive range of dental products for children. It’s the only non-customised portfolio for Laxmi.
- Laxmi has plans to expand global footprint, which should more than double its revenue from FY24 to FY28. It has a tie-up with global paediatric dental company for distribution of products across 81 countries.
- While registration of products in different countries is slightly delayed, we expect it to complete by Jul-2025 and revenue to start delivering from Q2FY26.
- The company has a registered design of a semi-flexible tooth coloured pre-formed crown branded as ‘BioFlx’, and is the only Indian manufacturer/provider of USFDA-approved silver diamine fluoride (SDF) – a solution for pain relief and immediate arresting of dental caries. Its product offerings also include zirconia crowns, space maintainers and fissure sealant, among others.

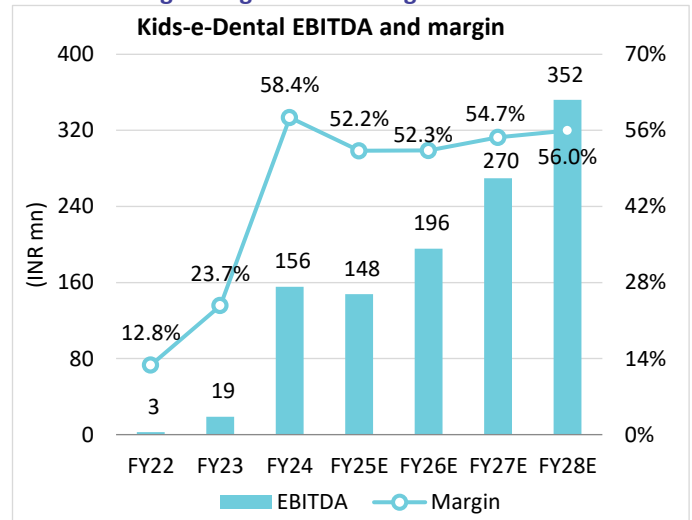
Kids-e-Dental—a 60% JV with Dr Mukul Jain—was launched in mid-FY22 and is India’s first dental company with an exclusive range of dental products for children. To scale up the distribution of paediatric-branded product offerings, Kids-e-Dental has collaborated with a leading paediatric dental company for the distribution of ‘Bioflx’ crowns, globally across 81 countries. We do note that the registrations that were being undertaken in various countries (such as Canada, Mexico and Singapore) have faced some delays but appear to be transient. The order book for the company is healthy with revenue potential for five years and we expect the revenue to more than double from FY24 to FY28.

**Exhibit 45: Expanding global footprint to drive ~30% CAGR**



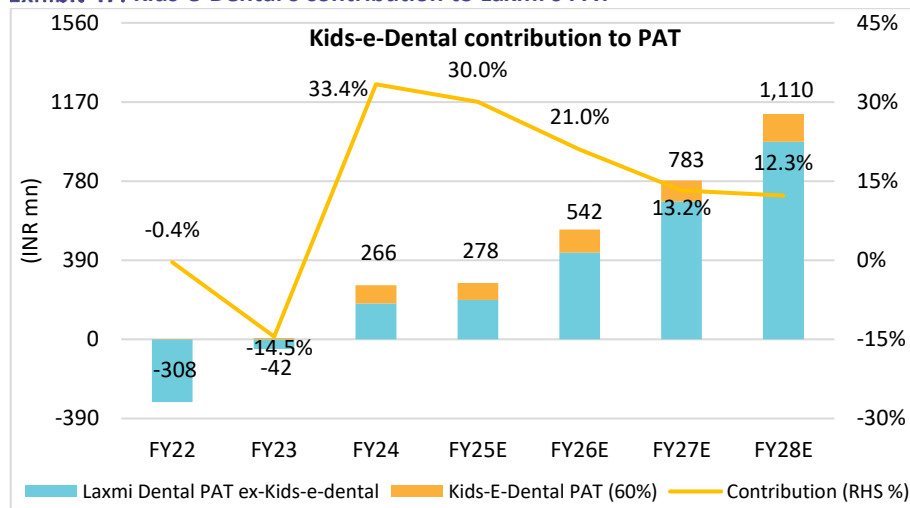
Source: Company, Nuvama Research

**Exhibit 46: High-margins to sustain given no customisation**



Source: Company, Nuvama Research

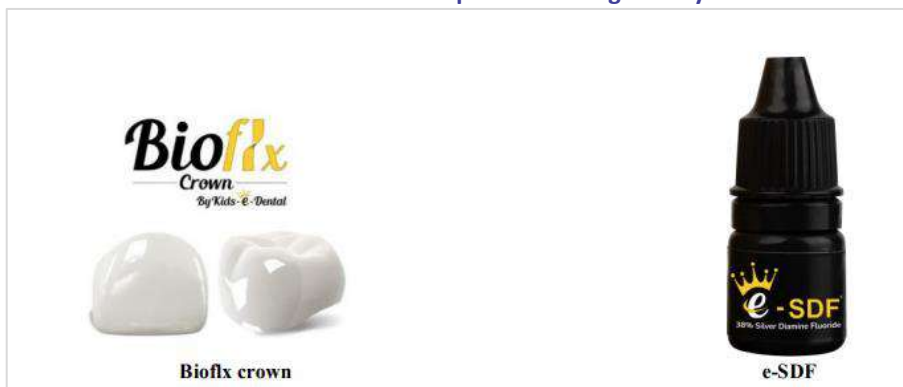
**Exhibit 47: Kids-e-Dental's contribution to Laxmi's PAT**



Source: Company, Nuvama Research

The company has a wide range of offerings including a pre-formed crown, SDF, zirconia crowns, space maintainers, fissure sealant, reinforced splint and mineral trioxide. The company has a robust competitive positioning in its products such as 'Bioflx' and SDF. 'Bioflx', which is a tooth-coloured dental crown, has a patented design while the company is also the sole USFDA-approved Indian supplier for silver diamine fluoride (SDF). This is an alternative for anaesthesia for children and is used to address dental caries.

**Exhibit 48: 'BioFlx' and e-SDF – exclusive products being sold by Kids-e-Dental**



Source: Company, Nuvama Research

## Valuation

- We value Laxmi Dental at a PE of 40x, benchmarking it against listed medical devices peers (~25% discount to Poly Medicure given Laxmi's scale and limited track record; also 25% discount to Angelalign, a listed aligner player in China). However, peer selection is limited by the uniqueness of Laxmi Dental's business, as many competitors still operate in the unorganised segment.
- Laxmi Dental presents an attractive investment opportunity, leveraging its high-margin aligners business and growing lab segment. Moreover, a strong order pipeline for Kids-e-Dental further enhances its profitability, making it a compelling growth prospect.
- Our valuation yields a TP of INR570 based on 40x PE, implying a PEG ratio of ~0.6x and EV/EBITDA (*pro forma* FY27E EBITDA) of ~26x on our FY27 forecasts. A DCF-based valuation yields a similar TP based on the following assumptions: WACC: ~14%; terminal growth rate: 5%; and revenue CAGR of 25% over FY25E–30E and 15% over FY31E–40E; initiate at 'BUY'.

### Exhibit 49: Peer set's business description

Company name	Country	Industry	Description
Poly Medicure	India	Medical equipment and supplies	Disposable healthcare products across therapies
Tarsons	India	Medical equipment and supplies	Plastic lab products
Straumann	Switzerland	Dental solutions	Dental implants (lab business)
Align Tech	US	Aligners	Clear aligners and intra-oral scanners
Angelalign	Hong Kong	Aligners	Clear aligners
Dentsply Sirona	US	Dental solutions	Manufactures dental solutions in endodontics, implantology, dental labs, orthodontics, restorative, etc
Henry Schein	US	Dental distributor	Distributes dental supplies

Source: Company, Nuvama Research

### Exhibit 50: Peer comparison

Company name	CAGR (FY24-27E)							P/E multiple			EV/EBITDA		
	Mcap (USD mn)	Revenue (2024)	Revenue	EBITDA	PAT	ROE (FY24)	EBITDA Margin (2024)	2025	2026	2027	2025	2026	2027
<b>Laxmi Dental#</b>	<b>269</b>	<b>1,369</b>	<b>26%</b>	<b>62%</b>	<b>43%</b>	<b>27.0#</b>	<b>12.3%</b>	<b>67.0</b>	<b>41.7</b>	<b>28.8</b>	<b>40.8</b>	<b>26.3</b>	<b>17.6</b>
Poly Medicure	2,796	13,657	22%	28%	27%	17.9	26.2%	69.2	54.4	43.7	47.9	37.6	30.1
Tarsons	210	2,947	21%	10%	28%	7.2	47.1%	43.9	27.8	20.0	17.2	13.5	11.0
Straumann*	20,783	2,38,038	11%	15%	26%	25.0	29.8%	31.2	27.5	24.0	20.7	18.3	16.2
Align Tech*	12,711	3,34,587	7%	25%	31%	13.3	17.0%	16.8	15.4	13.4	11.1	10.2	8.9
Angelalign*	1,429	17,214	30%	113%	71%	1.5	6.3%	58.8	39.0	31.2	44.1	28.2	10.7
Dentsply Sirona*	3,176	3,17,350	1%	31%	N/A	N/A	9.3%	8.6	7.7	6.8	7.6	7.0	6.5
Henry Schein*	8,950	10,60,109	5%	7%	25%	11.7	7.2%	14.4	13.3	11.9	11.3	10.7	10.1

Source: Bloomberg, Nuvama Research

EV/EBITDA is on *pro forma* EBITDA (including 60% of Kids-e-Dental); RoE is for FY25

\*Revenue/EBITDA/PAT are for CY24.



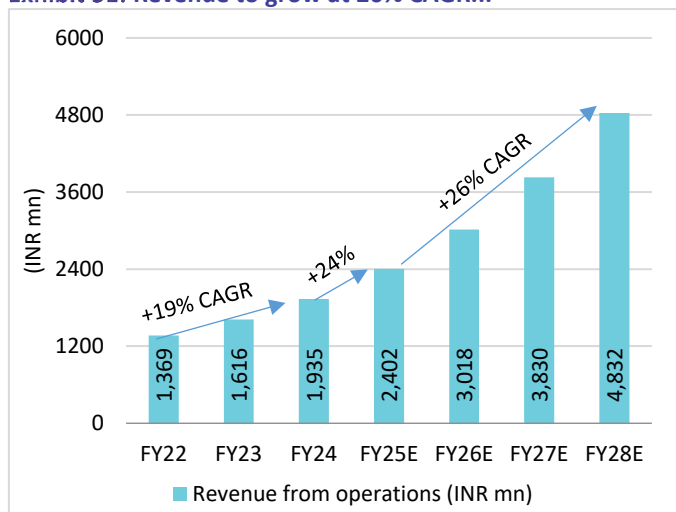
## Financial Outlook

- We anticipate revenue to expand at a robust ~26% CAGR over FY25E–28E to ~INR4.8bn as all segments to fire. Moreover, we reckon a significant boost from the high-margin aligners business, with its contribution rising from 28% in FY24 to 42% in FY28E.
- EBITDA is likely to grow at ~48% CAGR over FY25E–28E, with margins rising significantly from 12% in FY24 to 29% in FY28E. This expansion shall be fuelled by strong margin improvements across key segments driven by operating leverage, benefits from digital units and faster growth in branded products and high-margin aligner business.
- We anticipate a ~4x surge in adjusted PAT, growing at ~59% CAGR over FY25E–28E, driven by the dual impact of operating leverage and financial deleverage.
- Given strong income statement and balance sheet improvement, we forecast strong RoCE (post-tax) expansion from ~15% in FY25E to ~22% in FY28E.

### Revenue to grow at ~26% CAGR with improved revenue mix

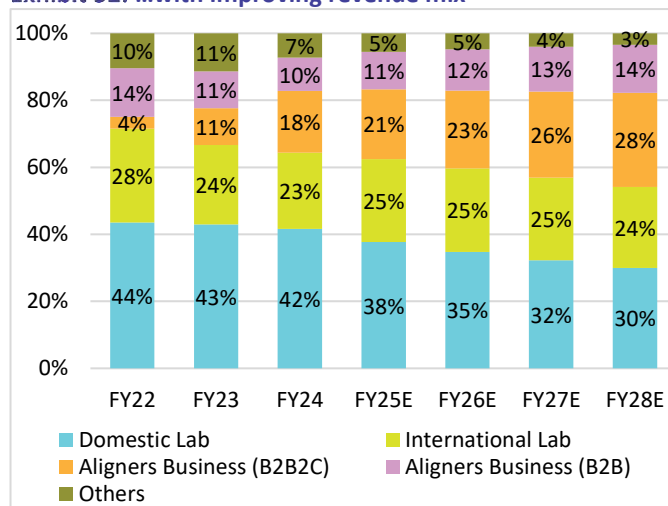
We project Laxmi’s revenue to grow at ~26% CAGR over FY25E–28E, driven by an impressive ~39% CAGR in the aligners business (B2B2C) and ~37% CAGR in aligners (B2B). Moreover, domestic labs/international labs are likely to expand at a CAGR of ~17%/~25% over the same period.

Exhibit 51: Revenue to grow at 26% CAGR...



Source: Company, Nuvama Research

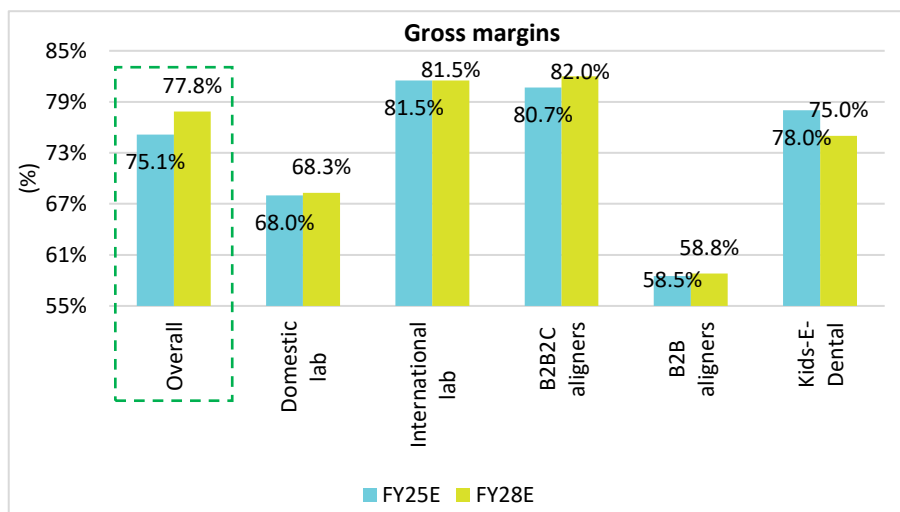
Exhibit 52: ...with improving revenue mix



Source: Company, Nuvama Research

Over the FY25E–28E forecast period, Laxmi’s revenue is likely to experience a higher contribution from its aligner business. We anticipate the B2B2C segment’s contribution to rise by 727bp while the B2B segment is likely to increase 306bp.

**Exhibit 53: Product mix change to drive up gross margin**



Source: Company, Nuvama Research

We expect EBITDA to grow at a ~48% CAGR over FY25E–28E, driven by driven by operating leverage across segments, benefits from digital units and faster growth in branded products and high-margin aligner business. This should offset increased marketing costs. We do note that the marketing spends for Laxmi are bunched up in a single quarter every two years (Q4) owing to contract renewals for both brand ambassadors as well as the global IDS trade fair, wherein Laxmi participates by buying booths.

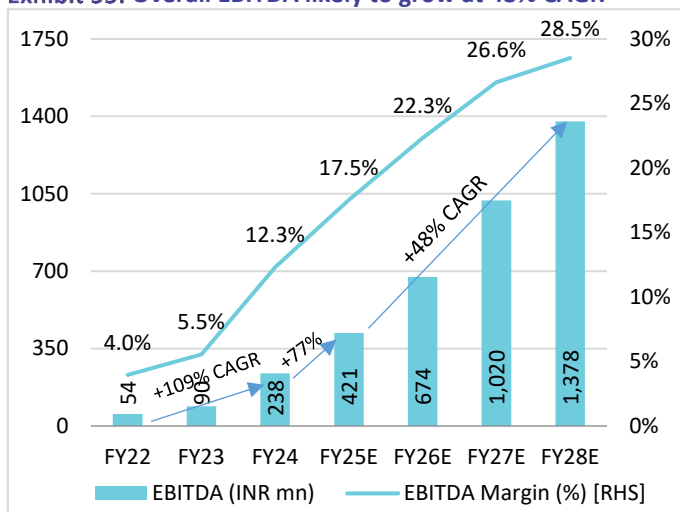
We forecast adjusted PAT shall grow ~4x over FY25E–27E (~59% CAGR), driven by strong EBITDA expansion and reduced interest costs from financial deleveraging. We expect all segments to fire to drive PAT growth. With an estimated cumulative FCF of ~INR2.1bn during FY25E–28E, we anticipate continued balance sheet deleveraging, leading to lower interest expenses and sustained PAT expansion.

**Exhibit 54: Employee costs likely to moderate as automation picks up**

	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Employee costs	531	653	715	808	923	1,102	1,388
Other expenses	387	455	498	576	709	838	995
Legal and prof fees	60	76	81				
Business promotion	26	100	94				
Power and fuel	27	29	34				
Subcontract charges	32	25	39				
Freight and courier	69	49	62				
Others	171	176	188				
<b>As a % of sales</b>							
Employee costs	39%	40%	37%	34%	31%	29%	29%
Other expenses	28%	28%	26%	24%	23%	22%	21%
Legal and prof fees	4%	5%	4%				
Business promotion	2%	6%	5%				
Power and fuel	2%	2%	2%				
Subcontract charges	2%	2%	2%				
Freight and courier	5%	3%	3%				
Others	13%	11%	10%				

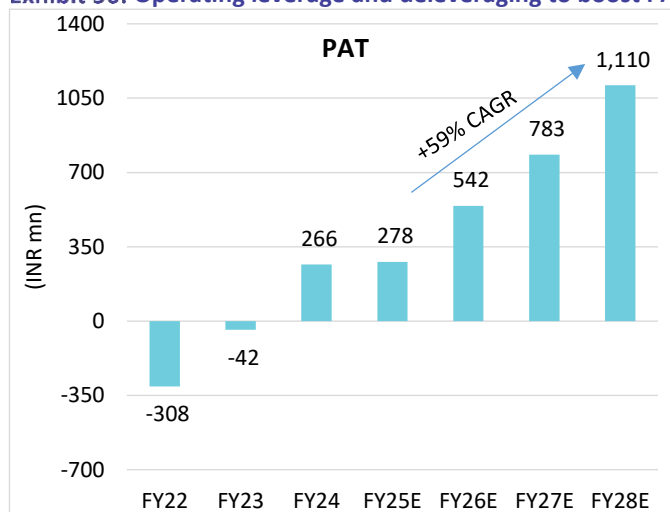
Source: Company, Nuvama Research

**Exhibit 55: Overall EBITDA likely to grow at 48% CAGR**



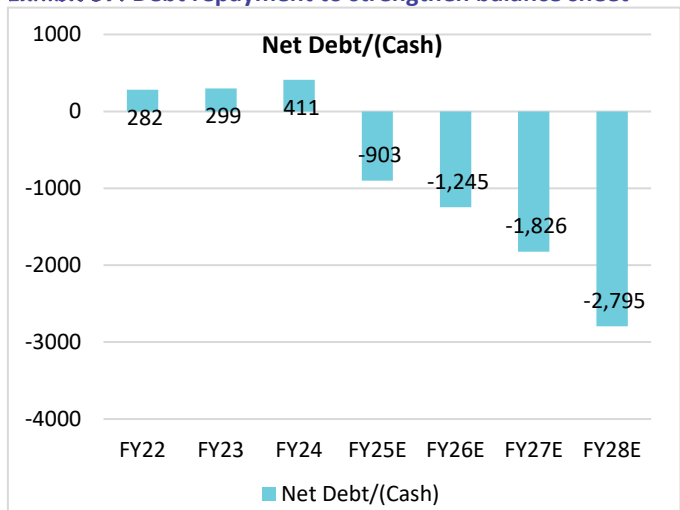
Source: Company, Nuvama Research

**Exhibit 56: Operating leverage and deleveraging to boost PAT**



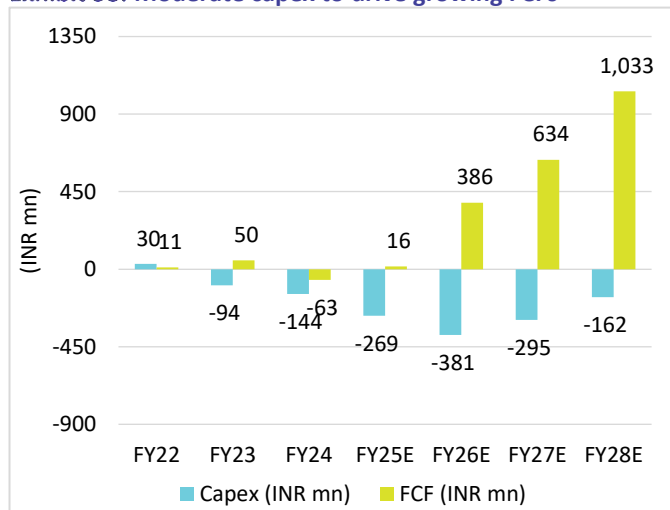
Source: Company, Nuvama Research

**Exhibit 57: Debt repayment to strengthen balance sheet**



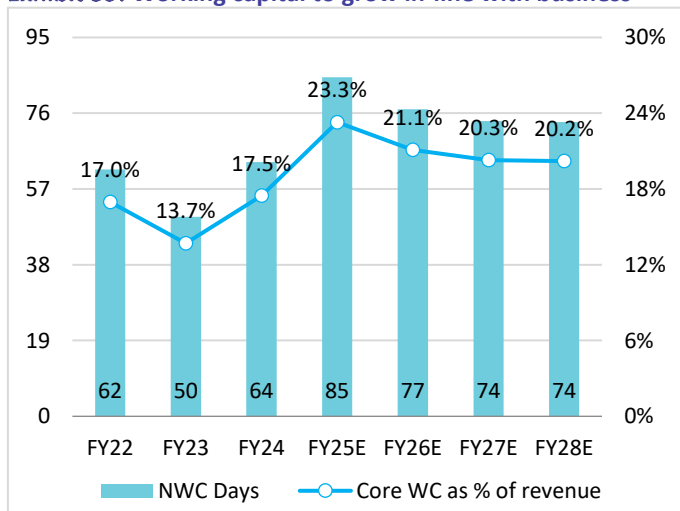
Source: Company, Nuvama Research

**Exhibit 58: Moderate capex to drive growing FCFs**



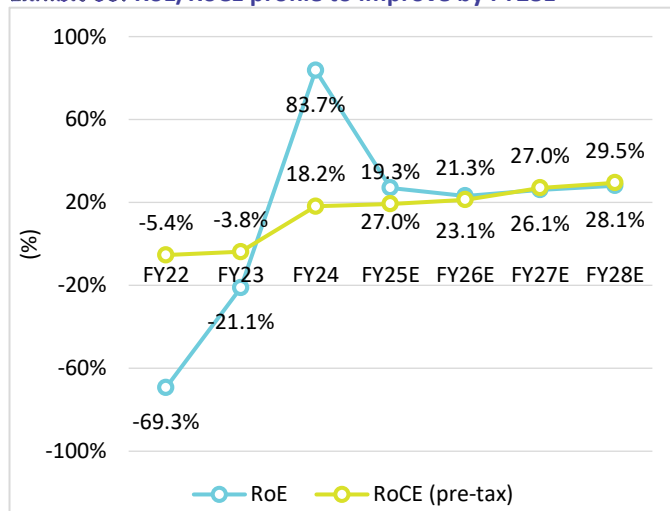
Source: Company, Nuvama Research

**Exhibit 59: Working capital to grow in-line with business**



Source: Company, Nuvama Research

**Exhibit 60: RoE/RoCE profile to improve by FY28E**



Source: Company, Nuvama Research

Despite growth in actual production across all segments except the paediatric crown and other products segment, overall capacity utilisation has declined due to capital expenditures aimed at expanding capacity. Meanwhile, management highlights the benefits of digital impressions using IOS, which enhance speed, clinical efficiency, and patient comfort while simplifying workflows for clinicians. With superior accuracy and reduced logistical and manufacturing steps, digital adoption is likely to improve capacity utilisation and margins. A total capital expenditure of INR1.1bn is expected to be incurred between FY25E and FY28E.

## Exhibit 61: Capacity utilisation snapshot

Lab business	FY22	FY23	FY24	H1FY25
Avg. capacity in SKUs	5,24,250	6,22,125	7,44,300	4,68,000
Actual production in SKUs	5,06,516	5,49,161	6,51,250	4,07,613
Capacity utilisation	96.6%	88.3%	87.5%	87.1%
<b>Aligner products</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>H1FY25</b>
Avg. capacity in SKUs	2,22,750	2,29,500	4,89,375	2,75,063
Actual production in SKUs	60,539	1,93,753	3,74,689	1,82,850
Capacity utilisation	27.2%	84.4%	76.6%	66.5%
<b>Other aligner related products</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>H1FY25</b>
Avg. capacity in SKUs	30,48,000	48,48,000	51,36,000	25,68,000
Actual production in SKUs	22,21,454	14,77,896	17,58,083	8,31,233
Capacity utilisation	72.9%	30.5%	34.2%	32.4%
<b>Paediatric crown products</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>H1FY25</b>
Avg. capacity in SKUs	-	10,80,000	16,20,000	8,10,000
Actual production in SKUs	-	57,749	5,20,580	4,36,852
Capacity utilisation	-	5.3%	32.1%	53.9%
<b>Paediatric crown and other products</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>H1FY25</b>
Avg. capacity in SKUs	37,800	59,400	1,13,400	56,700
Actual production in SKUs	22,132	28,590	18,058	8,506
Capacity utilisation	58.6%	48.1%	15.9%	15.0%

Source: Company, Nuvama Research

## Exhibit 62: Snapshot of related party transactions

Particulars	FY22	FY23	FY24
Salary paid (as a % of employee benefit expenses) to relatives of KMP/directors	5.7%	5.1%	5.0%
Rent paid (as a % of other expenses)	1.8%	1.5%	0.2%
Interest paid (as a % of finance cost)	0.0%	2.6%	10.0%

Source: Company, Nuvama Research

## Key Risks

### Geographic concentration in Laxmi Dental's operations

A significant portion of revenue is generated within India, and from US and the UK. This regional concentration exposes it to risks such as economic slowdowns, social or political unrest, natural calamities, or adverse government policies in these regions. Any negative developments in these regions could have an adverse effect on the business, operations and financial performance. While the company has not witnessed any loss of business in these regions yet, excluding impact from covid-19, it cannot be assured that this would not occur in the future.

### Failure to expand dental network and wallet share

As of March 31, 2024, Laxmi Dental has presence of over 20 years in the dental laboratories business with a reach of over 22,000 dental clinics, dental companies and dentists between FY22 to FY24. Laxmi Dental has faced instances of dentists discontinuing their association with the company and dental network in the ordinary course of business. These incidents did not lead to any material adverse effects on business, operations and financial condition. However, such events could occur in future, and it may adversely affect business, operations and financial conditions.

### Slower-than-expected ramp-up in aligners business

Ramp-up in the aligners business is likely to be a major growth driver for the overall business and any delay or hindrances in scaling up this segment could lead to risk to our estimates. Lack of cost control could also pose margin expansion risk.

### Lack of long-term purchase orders raises pricing pressure risk

The company's dental network generally does not enter into framework agreements or contracts with Laxmi, but rather places purchase orders for one or a limited number of dental products on an as-needed basis. Accordingly, the company is exposed to risks from potential adverse financial effects of changes in the dental products industry, general economy, competitive or technological landscape. Moreover, the company typically purchases raw materials from suppliers based on customers' rolling forecasts prior to receiving their purchase orders. Therefore, any failure to accurately predict the dental network's demands may result in insufficient or excess inventories of raw materials.

### Outstanding legal proceedings could have adverse effect

Laxmi Dental entered into an agreement with Mr Yogesh Bagul to pay him INR0.3 million per month plus 45% profit, but he claims payments stopped, causing him a loss of INR50 million. The matter is sub-judice. Separately, in 2015, the CBI filed a charge sheet against Mr Rajesh Vrajlal Khakhar and others for allegedly obtaining confidential information related to Laxmi Dental's FDI approval. The promoter has filed for discharge, asserting no documents were received and that the accusations lack evidence. The case remains pending.

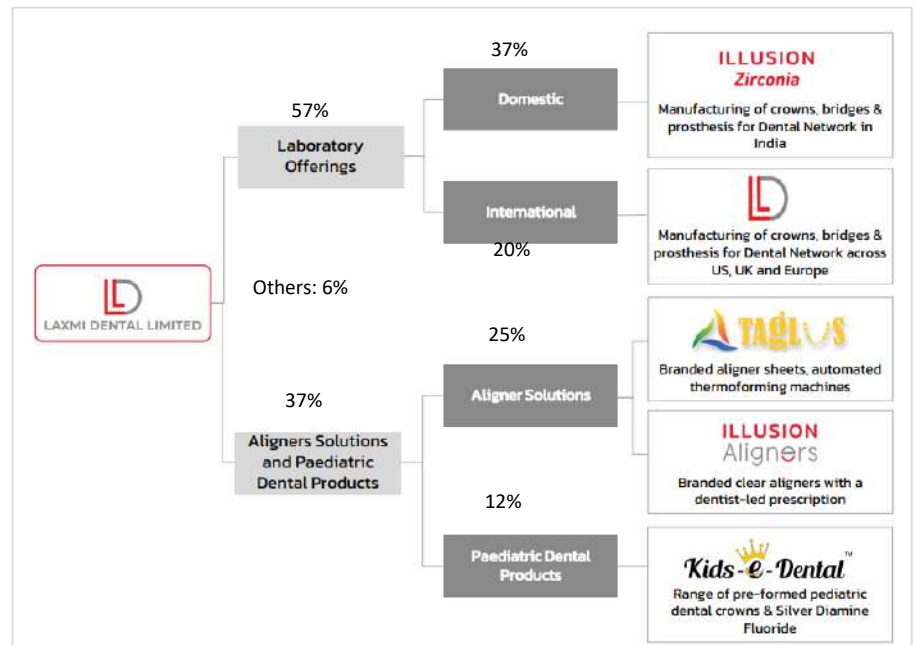
## Company Description

Incorporated in July 2004, Laxmi Dental is India’s only end-to-end integrated dental products company (as on March 31, 2024) offering a comprehensive portfolio of dental products. Its 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.

The company manufactures dental products at six manufacturing facilities spread across 146,804.42 square feet. It serves both domestic and international markets, with domestic operations contributing 67.46% of its total revenue in FY24. It is the largest exporter among Indian dental labs for custom-made dental prostheses, primarily catering to the US and the UK in FY23 (source: F&S Report).

The company is a preferred partner for one of the largest DSOs in the USA, which operates more than 1,650 clinics (source: F&S Report), and has a reach of more than 22,000 dental clinics, dental companies, and dentists between FY22 and FY24.

### Exhibit 63: Business overview



Source: Company

### Manufacturing facilities

At end-March 2024, the company had six manufacturing facilities: three at Mira Road in the Mumbai Metropolitan Region, two in Boisar (Maharashtra) and one in Kochi (Kerala). Furthermore, it has five supporting facilities: two in Mumbai and one each in Bengaluru Delhi and Ahmedabad with manufacturing capabilities.

The six manufacturing facilities are spread over a cumulative area of 146,804.42 square feet. The manufacturing facilities in Boisar and one of the manufacturing facilities in Mira Road have been certified by the USFDA while all of the manufacturing facilities at Mira Road and Boisar have been certified by ISO (International Organization for Standardization). The company has also obtained registration from ANVISA (Brazilian health regulatory agency) in relation to thermoforming sheets offered by the company. Furthermore, the laboratory catering to external markets is registered as a 100% export-oriented unit with Santacruz Electronics Export Processing Zone, a special economic zone allowing for import duty benefits.



## Exhibit 64: Major events and milestones

Fiscal year	Event/milestone
2004	Incorporation of Laxmi Dental on July 8, 2004, with a focus on exports dental business Laxmi Dental received its first export-oriented unit certificate. Laxmi Dental received the USFDA registration for approval for products manufactured by Laxmi Dental.
2011	Laxmi Dental moved to a bigger manufacturing facility at Kandivali Co-operative Industrial Estate Limited Mumbai spread across 5,700 square feet.
2012	Laxmi Dental incorporated its foreign subsidiary, Laxmi Dental Lab US, Inc.
2015	Laxmi Dental got its first ISO 13485:2016 certification to certify the quality management system of medical devices.
2016	Laxmi Dental's division, Illusion Dental Laboratory, moved to an expanded manufacturing facility at Mira Road, Mumbai having a built-up area of 18,235.4 square feet.
2019	Established Vedia Solutions on February 1, 2019, a product manufacturing company for producing Taglus thermoforming sheets, 3D printing resins, thermoforming machines and aligner accessories.
2020	Expanded Laxmi Exports Laboratory facility to a larger scale with the vision of women empowerment in the rural area hiring tribal community females at Boisar Chillar Highway, Palghar having a built-up area of 45,950 square feet.
2021	Incorporated subsidiary, Bizdent Devices Private Limited to have a focused approach towards capturing Indian aligner market share. Laxmi Dental acquired 60% stake in Jointly Controlled Entity, Kids-e-Dental LLP for engaging in business of dental services and products in the paediatric division. Laxmi Dental has received the USFDA 510K clearance for aligners manufactured by the Laxmi Dental's brand Illusion Aligners. Launched an actress as the brand ambassador for Illusion Aligner. Vedia Solution got its first ISO 13485:2016 certification to certify the quality management system of medical devices.
2022	Vedia Solutions received the USFDA registration for approval for products manufactured, repackaged and relabelled by the Laxmi Dental. Launched an actress as the brand ambassador for Illusion Zirconia, a product of Laxmi Dental's division, Illusion Dental Laboratory. Bizdent Devices Private Limited got its first ISO 13485:2016 certification to certify the quality management system of medical devices. Bizdent Devices Private Limited received its Medical Devices Manufacturing License ("MDR") license The Laxmi Dental received its MDR license
2023	Jointly controlled entity, Kids-e-Dental LLP received its MDR license Vedia Solutions received its MDR license Kids-e-Dental LLP was successfully registered with USFDA. Vedia Solutions got its ISO 9001:2015 certification to certify the quality management system of medical devices Vedia Solutions got its ISO 45001:2018 certification to certify the quality management system of medical devices Vedia Solutions received a certificate of compliance for Taglus thermoformable sheets and 3d printing resins Jointly controlled entity, Kids-e-Dental LLP, obtained the USFDA 510(k) approval for its e-SDF product.
2024	Illusion Dental Laboratory received its MDR license. More than 200 intraoral scanners were deployed by Laxmi Dental in Indian market to promote digital dentistry. Vedia Solutions received certificate of compliance for Taglus thermoforming machines.
2025	In January 2025, Laxmi Dental successfully completed its IPO, raising INR6,980 million. This included a fresh issue of 3,224,299 equity shares with a face value of INR2 each, totalling INR1.38 billion, along with an offer for sale of 13,085,467 equity shares with a face value of INR2 each, amounting to INR-5.6 billion.

Source: Company

## Management Overview

Name	Designation	Brief Profile
Mr Rajesh Vrajlal Khakhar	Chairman and Whole-Time Director	Mr. Rajesh Vrajlal Khakhar is responsible for managing business partnerships with leading international customers and oversees business development activities of the company. He is also a director of one of the subsidiaries, Bizdent Devices Private Limited. He passed his higher secondary education from Narsee Monjee College of Commerce and Economics, Mumbai. He has more than 30 years of experience. He received the ICONS 2020-2021 certificate from the Economics Time for extraordinary service and dedication in the field of dentistry.
Mr Sameer Kamlesh Merchant	Managing Director and Chief Executive Officer	Mr Sameer Kamlesh Merchant is responsible for the overall business strategy, operations, financial performance and management of the company. He is also the designated partner of Laxmi Dental's jointly controlled entity, Kids-e-Dental LLP and a director of one of the subsidiaries, Bizdent Devices Private Limited. He has completed dental mechanic course from SDM College of Dental Sciences & Hospital, Dharwad. He has more than 20 years of experience and he has contributed in diversifying the offerings of Laxmi Dental. He also oversees digital initiatives and technology transformation in the company. He received certificate of achievement from Laser Star Learning Centre for completing the Laser Star training course for Dental Applications, certificate of achievement from Shofu Inc for completing a prescribed Shofu course in the art of Understanding the Essence of Dental Technology and certificate of excellence in the second Style Italiano Endodontics Conference, India. For extraordinary services and dedication in the field of dentistry, he received an ICONS certificate and award from The Economics Times in the year 2020-21.
Mr Dharmesh Bhupendra Dattani	Chief Financial Officer	Mr Dharmesh Bhupendra Dattani was appointed with effect from July 20, 2024, pursuant to the board resolution dated July 20, 2024. He is a BCom from the University of Bombay. He is a qualified chartered accountant of the Institute of Chartered Accounts of India. He has more than 15 years of experience. Prior to joining Laxmi Dental, he was associated with Enterprise Nexus Communication Private Limited, Federal Express India Private Limited (Fedex Express). He has been associated with the company since 2008.
Ms Nupur Joshi	Company Secretary and Compliance Officer	Ms Nupur Joshi was appointed as the Company Secretary and Compliance Officer with effect from July 20, 2024. She has a BCom (Honours), a master's degree in business administration, and a bachelor's degree in law from Jai Naryan Vyas University. She is a qualified Company Secretary from the Institute of Company Secretaries of India. She has more than six years of experience in managing company secretarial functions. Prior to joining the company, she was associated with Kalpataru Power Transmission Limited and Makarand M Joshi and Company.
Mr Amrish Mahendrabhai Desai	Vice-President, Head of Operations (Intl.)	Mr Amrish Mahendrabhai Desai, Vice-President, Head of Operations US and India of the international dental laboratory, laboratory division of the company has been associated with the company since 2008. He was appointed as the Vice-President, Head of Operations, US and India of the international dental laboratory, laboratory division of the company, with effect from April 2, 2024 and was identified as Senior Management with effect from August 9, 2024, pursuant to the board resolution dated August 9, 2024.
Mr Sarfaraz Nasir Merchant	Vice-President, Head of Operations (Dom.)	Mr Sarfaraz Nasir Merchant, Vice-President, Head of Operations of the domestic dental laboratory, laboratory division of Laxmi Dental has been associated with the company since 2012. He was appointed as the Vice-President, Head of Operations of the domestic dental laboratory, laboratory division of the company, with effect from April 1, 2024 and was identified as Senior Management with effect from August 9, 2024, pursuant to the board resolution dated August 9, 2024. He has completed dental mechanic course from SDM College of Dental Sciences & Hospital, Dharwad.
Mr Arun B John	Vice-President, Sales (Aligner Division)	Mr Arun B John, Vice-President, Sales of the aligner division of the company has been associated with the company since 2020. He was appointed as the Vice-President, Sales of the aligner division of the company, with effect from April 1, 2024 and was identified as Senior Management from August 9, 2024. He is an MBA from Madurai Kamaraj University. Prior to joining the company, he was associated with DentaCare Dental Lab Private Limited. He received remuneration of INR0.18 million from the company and INR4.25 million Bizdent Devices Private Limited, for FY24.

Source: Company, Nuvama Research

### Exhibit 65: Board of Directors

Name	Designation
Rajesh Vrajlal Khakhar	Chairperson and Whole-Time Director
Sameer Kamlesh Merchant	MD and CEO
Sumona Chakraborty*	Non-Executive, Non-Independent (Nominee) Director
Rajesh Shashikant Dalal	Non-Executive, Independent Director
Anjana Rajendra Grewal	Non-Executive, Independent Director
Devesh Ghanshyam Chawla	Non-Executive, Independent Director

Source: Company

\*Nominee of OrbiMed Asia II Mauritius Limited.

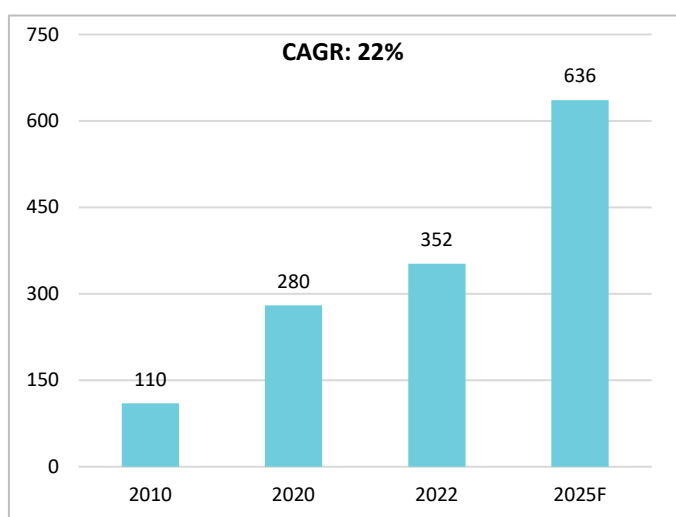
## Industry Outlook

### Segmentation of Indian healthcare industry

The Indian healthcare industry is segmented into hospitals, pharmaceuticals, diagnostics, medical equipment supplies, medical insurance and telemedicine. The industry is expanding due to the country's rapid economic growth, middle-class income gains, and health insurance carriers' expanded market penetration. Furthermore, there has been a nationwide surge in government healthcare spending due to shifting demographics and a move from chronic to lifestyle disorders. The Indian healthcare market is expected to touch USD636bn by 2025.

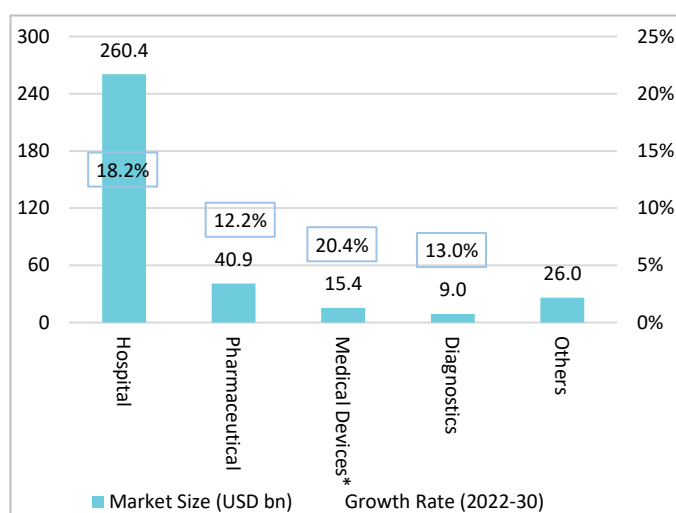
The Indian healthcare market is dominated by the hospital segment with a share of about 74% (USD260.4bn, 2022), followed by pharmaceuticals at about 11.6% (USD40.9bn, 2022), medical devices at about 4.4% (USD15.4bn, 2022) and diagnostics at about 2.6% (USD9bn, 2022).

**Exhibit 66: Indian healthcare market (USD bn), 2016–2025F**



Source: IBEF, Frost & Sullivan

**Exhibit 67: Indian healthcare market by segment (2022)**



Source: IBEF, Frost & Sullivan

\*Note: Medical devices market includes exports

### Indian medical devices industry

Major segments of the Indian medical devices industry include Equipment & Electronics, Disposables & Consumables, IVD equipment & Reagents, Implants, Surgical Instruments and other devices. India is counted among the top 20 global medical devices market. The Indian medical devices market is estimated to reach USD50bn by 2030 at a CAGR of 20.4% from its estimated value of USD15.4bn in 2022.

Exports of medical devices from India increased from USD2.29bn in 2020 to USD3.40bn in 2022. India exported most medical devices to the US (USD668.9mn) in 2023, followed by export to Germany (USD176.2mn), China (USD145.6mn) and the Netherlands (USD106.5mn).

**Exhibit 68: Market size of Indian medical devices by segment (USD bn)**

Segment	Example	Market Size 2022	Share - 2022	Estimated Market Size 2030F	Forecast CAGR (2022-30)
Equipment & Electronics	MRI, CT, Endoscope, etc.	7.3	47.0%	27.4	18.0%
Disposables & Consumables	Syringes & Needles, Surgical gloves, etc.	4.0	26.0%	19.4	21.8%
IVD and Reagents	IVD equipments and reagents	1.8	12.0%	9.4	23.0%
Implants	Artificial Joints, Dental fittings, etc.	1.4	9.0%	6.1	20.2%
Surgical Instruments	Surgical knives, Scissors, Blades, etc	0.9	6.0%	5.6	25.7%
<b>Total</b>		<b>15.4</b>		<b>68.0</b>	<b>20.4%</b>

Source: Foundation of MSME Clusters, Frost & Sullivan

The Indian medical devices market is transitioning from being import-dependent with an increase in domestic production and increasing share of exports. Domestic manufacturers are gaining market share and are catering to demands of both domestic and international markets with their innovative products.

**Exhibit 69: Indian medical devices market – Export trend (2022–2030F)**

Year	2022	2030F
Indian Medical Device Market (Domestic Consumption) (USD bn)	12.0	50.0
Indian Medical Device Exports (USD bn)	3.4	18.0
<b>Total Indian Medical Device Industry including exports</b>	<b>15.4</b>	<b>68.0</b>

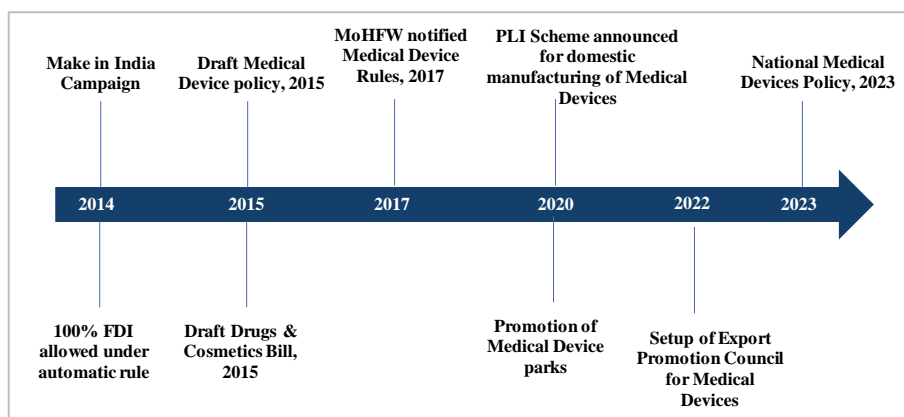
Source: Foundation of MSME Clusters, Global Trade Research Initiative, Frost & Sullivan

## Indian medical devices regulation

The Ministry of Health and Family Welfare (MoHFW) released the New Drugs, Medical Devices, and Cosmetics Bill in July 2022, replacing the D&C Act. The Indian Certification for Medical Equipment Plus (2021) program is a new initiative by the Quality Council of India and the Association of Indian Medical Device Industry (AIMED), which aims to assist government agencies in identifying fake goods and forged certifications while also confirming the efficacy, safety and benefits of medical equipment.

The Indian government issued a notification in January 2022, mandating that all manufacturers of medical devices register their products with the Central Drugs Standard Control Organization to comply with the ISO 13485 certification requirement. The National Medical Device Policy was introduced by the Indian government in May 2023.

**Exhibit 70: Timeline of policies to boost medical industry**



Source: Company

## Classification of medical devices in India

Medical devices are categorised into one of four classes under the MDR (Medical Devices Rules), 2017 based on increasing risk from Class A to Class D.

Class A comprises low-risk devices such as surgical dressings, umbilical occlusion devices, bolster sutures, alcohol swabs and nasopharyngeal catheters. Class B devices are of low-to-moderate risk such as endoscopic forceps, vial adapters, suction cups and catheters, Sengstaken- Blakemore tube, feeding tubes, and gastrointestinal tubes.

Class C devices are of moderate high risk such as anesthesia conduction filter, introducer sheath, microcatheter, imaging catheter colonic stents and pancreatic instruments. Class D devices are of high risk such as coronary stents, cardiac catheterisation kits, cardiovascular, intravascular diagnostic catheters, and occlusion catheters. Dental products are classified under Class A, B and C category as per the risk. Most of the Dental Products fall under the Class A and B categories.

**Exhibit 71: Classification of dental products as per CDSCO**

Type of Dental Product	Class	Risk
Crowns and Bridges	B	<b>Low Moderate risk:</b> e.g. endoscopic forceps, vial adapters, suction cups and catheters, Sengstaken- Blakemore tube, feeding tubes, and gastrointestinal tubes
Implant	C	<b>Moderate High risk:</b> e.g. anaesthesia conduction filter, introducer sheath, microcatheter, imaging catheter colonic stents, pancreatic instruments, bone cement and bifurcation stents
Aligners	B	<b>Low Moderate risk:</b> e.g. endoscopic forceps, vial adapters, suction cups and catheters, Sengstaken- Blakemore tube, feeding tubes, and gastrointestinal tubes
Dentures	B	<b>Low Moderate risk:</b> e.g. endoscopic forceps, vial adapters, suction cups and catheters, Sengstaken- Blakemore tube, feeding tubes, and gastrointestinal tubes
Braces	B	<b>Low Moderate risk:</b> e.g. endoscopic forceps, vial adapters, suction cups and catheters, Sengstaken- Blakemore tube, feeding tubes, and gastrointestinal tubes

Source: CDSCO, Frost & Sullivan

## Prevalence of oral health issues in India

The prevalence of oral health issues such as prevalence of untreated caries of deciduous (milk teeth) and permanent teeth, a severe periodontal disease, and lip and oral cavity cancer is high in India compared with the US, the UK, France, Australia and Germany.

## Exhibit 72: Oral disease burden in India and other key countries (2022)

Parameter	India	China	US	UK	France	Australia	Germany
Prevalence of untreated caries* of deciduous teeth in children 1-9 years (%)	<b>43.3</b>	47.2	42.6	19.5	29.2	38.9	29.1
Prevalence of untreated caries of permanent teeth in people 5+ years (%)	<b>28.8</b>	24.6	24.3	30.6	36.8	29.5	31.7
Prevalence of severe periodontal disease** in people 15+ years (%)	<b>21.8</b>	17.5	15.7	10.6	16.2	14.5	27.4
Prevalence of Edentulism <sup>§</sup> in people 20+ years (%)	<b>4.0</b>	5.7	10.2	12.0	12.6	13.5	11.7
Incidence rate of Lip and oral cavity cancer (per 100,000 population)	<b>9.8</b>	1.3	4.2	5.1	5.4	6.5	4.3

Source: WHO, Oral Health Country Profile, 2022, Frost & Sullivan

\*Dental caries are cavities are holes, or areas of tooth decay, that form in your teeth surfaces.

\*\*Periodontal disease refers to inflammation and infection of the tissues that support your teeth.

§Edentulism or Toothlessness is the condition of having no teeth.

## Dental health expenditure

With increasing adoption of dental treatment due to factors such as growing awareness, rising disposable incomes and ageing population, the dental health expenditure is expected to significantly increase in coming years.

## Exhibit 73: Comparison of dental health in India and other key countries

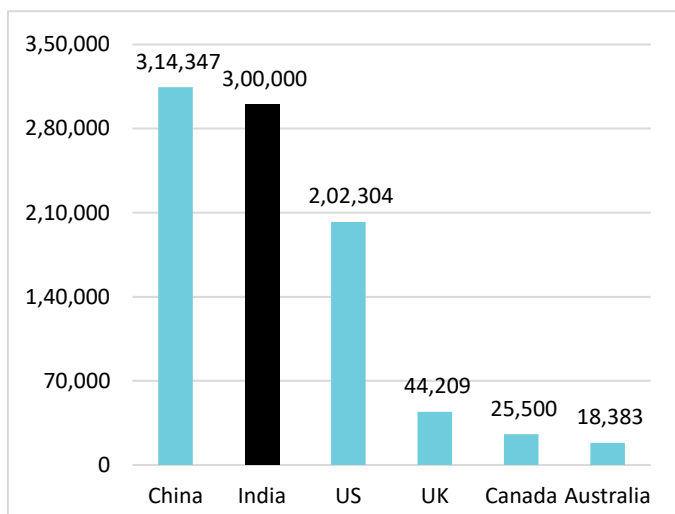
Parameter	India	China	US	UK	France	Australia	Germany
Total public expenditure on dental healthcare in Mn (USD)	<b>64</b>	61,549	1,33,506	9,577	12,666	7,370	30,877
Per capita expenditure on dental healthcare (USD)	<b>0.05</b>	44	405	143	195	288	372
Per capita current health expenditure in PPP, USD (2019)	<b>211</b>	880	10,921	5,087	5,493	5,294	6,739

Source: WHO, Oral Health Country Profile, 2022, Frost & Sullivan

## Dental professionals

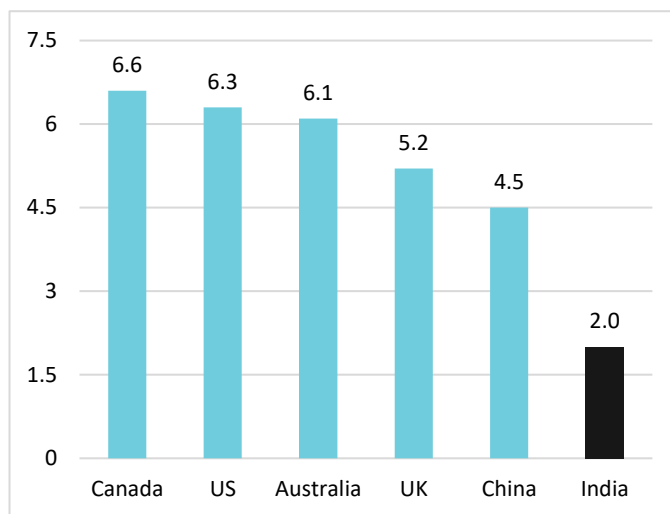
India ranks second globally by number of dentists; yet, India has among the lowest ranks in terms of dentist per population. Most of the top 10 states by registered dentists are in South and West regions of India.

**Exhibit 74: Number of dentists across key countries**



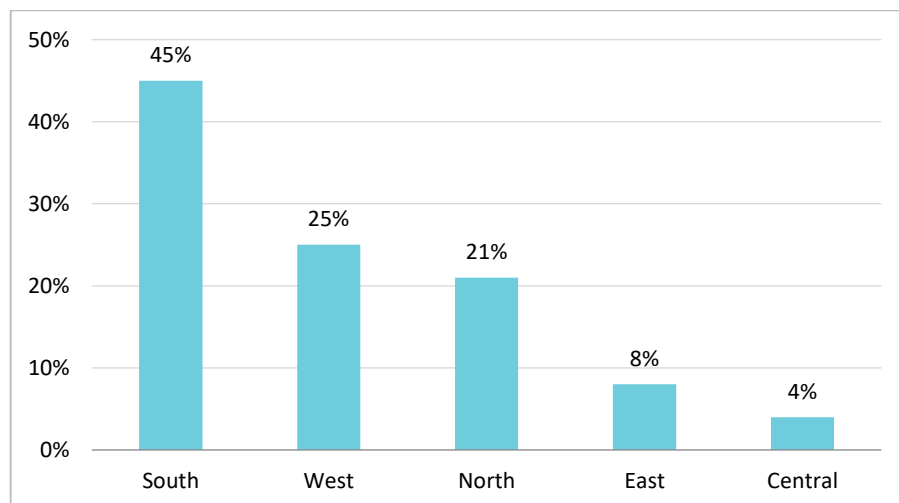
Source: WHO, Oral Health Country Profile, 2022, Frost & Sullivan

**Exhibit 75: Dentist per 10,000 population across countries**



Source: Frost & Sullivan

**Exhibit 76: Percentage of dentists in India by region**



Source: Dental Council of India, Frost & Sullivan

## Growth drivers of Indian dental market

### High prevalence of dental problems and under-penetration of dental care

India has a high prevalence of dental disorders such as dental caries (over 95%), malocclusion (about 75%) and periodontal diseases (over 50%). This is largely due to a lack of awareness about the importance of oral health and also a low dentist-to-population ratio (under-penetration of dental care).

### Growing awareness of oral healthcare and cosmetic dental procedures

Given continued development of more sophisticated versions of dental products such as aligners and crowns, patients and dentists are using them more frequently. Patients now have options to choose from a range of cosmetic dental procedures. Across several metropolitan and tier-I cities in India, a growing number of dental practices are offering cosmetic and aesthetic dentistry services such as veneers, dental crowns, teeth whitening, dental bonding and dental braces.



## Dental tourism

Prohibitive medical expenses and a long waiting time for the dental treatment abroad are spurring the inflow of dental tourists to India from the US, the UK, the Middle East and other countries. The primary factor making India a popular destination for dental tourists from around the globe is the much cheaper treatment available in the country without any compromise on the quality of care.

## India emerging as a manufacturing hub for dental products

India is emerging as manufacturing hub, supplying dental products to countries such as the US, the UK, Europe and the Middle East. Given growing demand for oral healthcare services, multinational companies are investing in the Indian dental products market and establishing their presence in India.

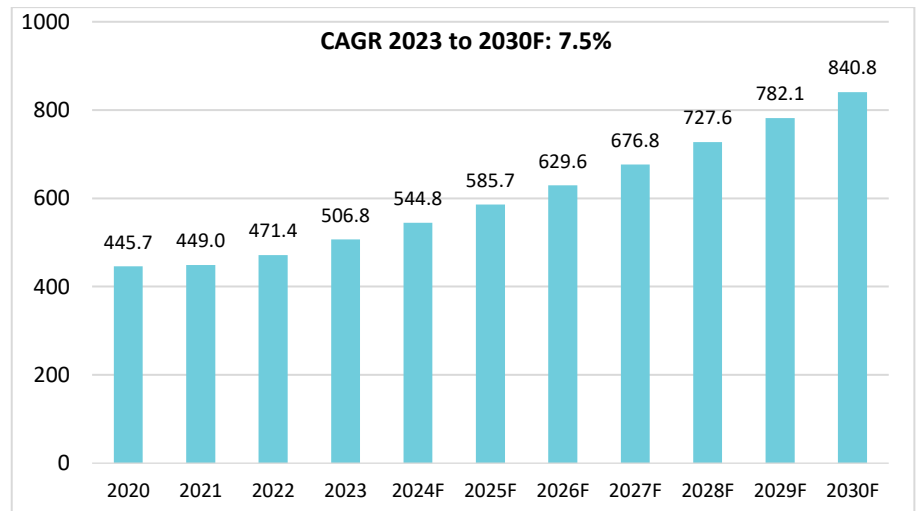
## Dental insurance

The Indian dental insurance market is nascent, but is expected to grow on the back of increasing oral health awareness, rising disposable income and competitive insurance offerings. Increasingly, health insurance companies are including basic dental care services as a part of general health insurance and are creating standalone dental insurance products for specialised dental care needs.

## Global dental care services market

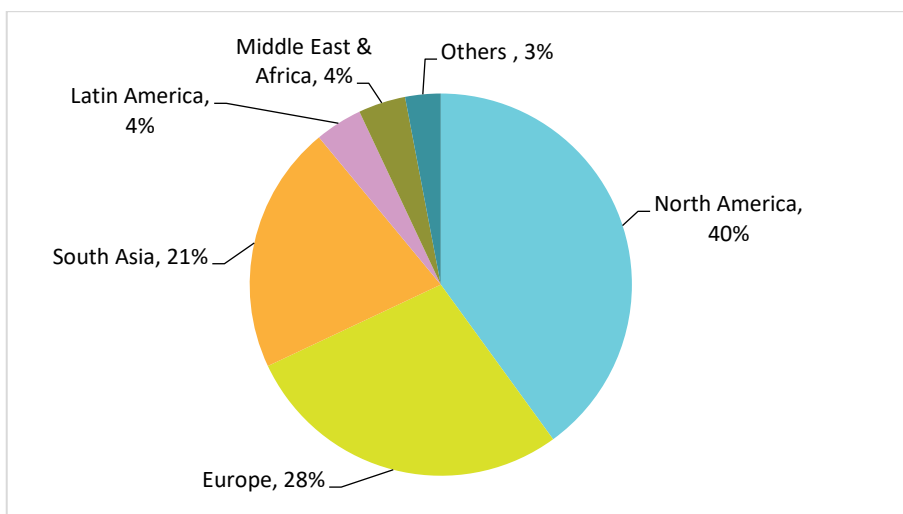
Increased adoption of dental care services is expected to drive demand for dental products, including dental consumables such as Aligners, Implants and Crowns. The dental care services include the provision of cosmetic, preventive and restorative dental care services by licensed dentists to patients.

### Exhibit 77: Global dental care services market to balloon to USD840bn by 2030F



Source: Frost & Sullivan

**Exhibit 78: Regional share of global dental care services market (by value)**



Source: Frost & Sullivan

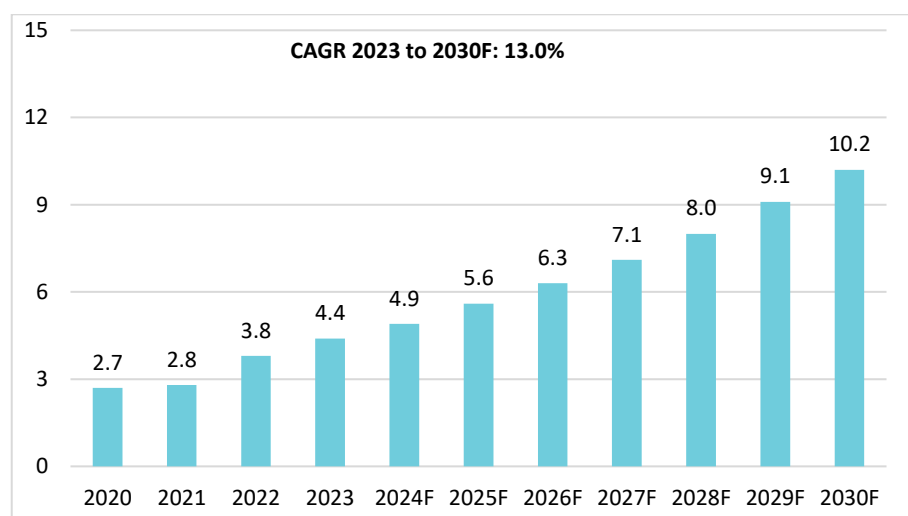
### Indian dental care services market

The Indian dental care services market is nascent and is expected to witness rapid growth due to:

- i) growing number of dental chains supported by dental labs;
- ii) advent of new technology and increasing demand for novel products;
- iii) rising prevalence of oral diseases;
- iv) increasing awareness; and
- v) rising disposable incomes.

The market for dental care services includes dental prostheses and aesthetics, orthodontics, and other dental services such as preventative dentistry and general dental diagnosis & treatment.

**Exhibit 79: Indian dental care services market –USD10bn by 2030F**

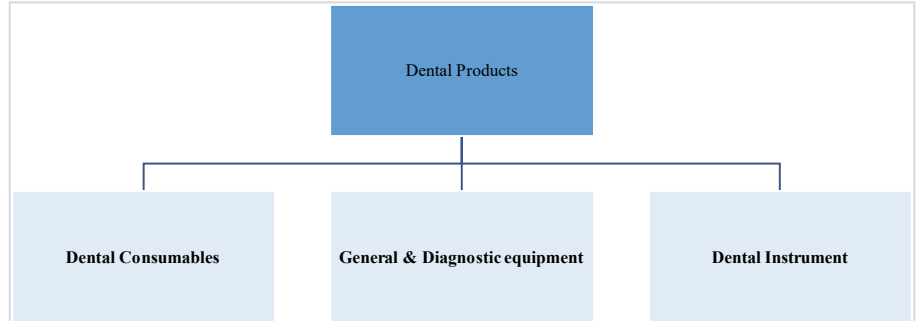


Source: Frost & Sullivan

## Indian dental products market

The Indian dental product market comprises dental consumables, general & diagnostic dental equipment and dental instruments.

**Exhibit 80: Indian dental products market – A schematic representation**

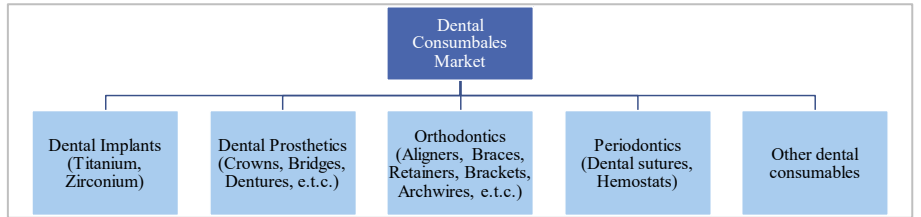


Source: Company

## Dental consumables market

The dental consumable market comprises dental implants, dental prosthetics, orthodontic products, periodontic products and other dental consumables.

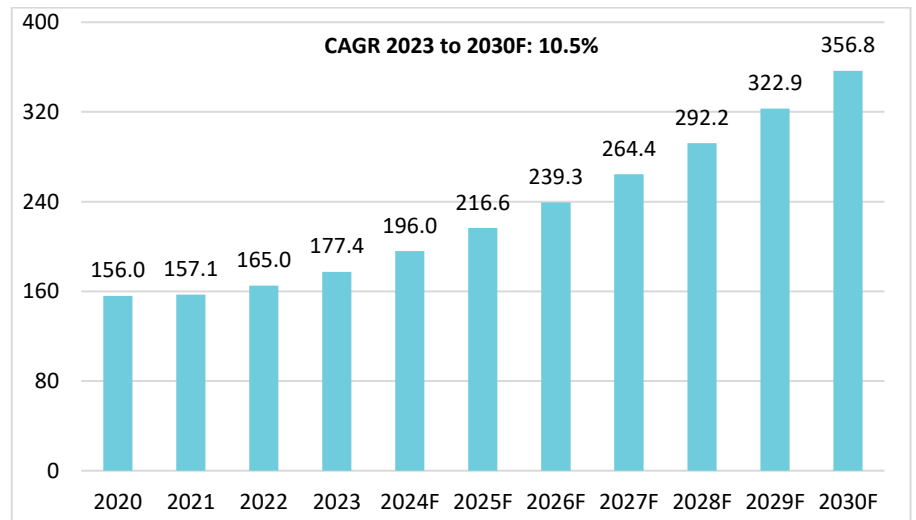
**Exhibit 81: Dental consumables market by segment**



Source: Company

The global dental consumables market is expected to grow higher than the global dental services market (10.5% versus 7.5%) in the forecast period due to a growing number of branded premium products, and increased awareness and adoption of dental products such as Clear Aligners and dental crowns in emerging economies such as China, India and Brazil.

**Exhibit 82: Global dental consumables market — USD356bn by 2030F**

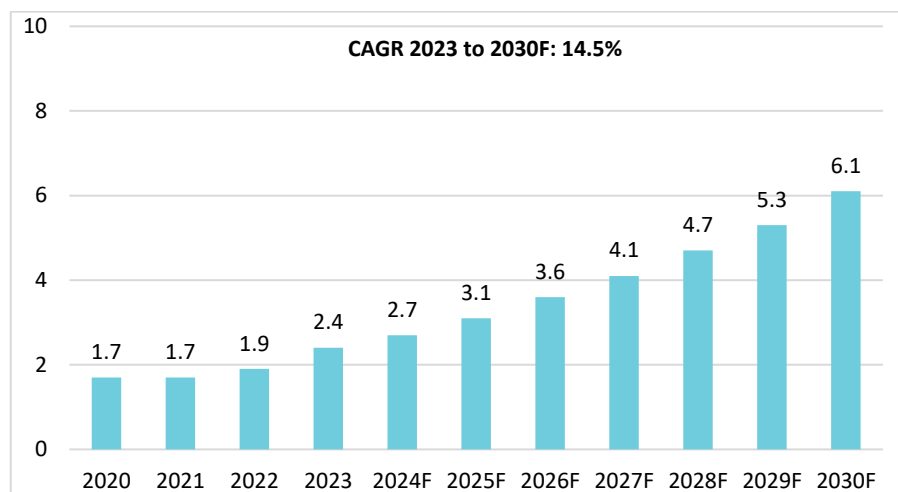


Source: Frost & Sullivan

## Indian dental consumables market

XYZ estimates the Indian dental consumables market, in terms of retail sales, high growth rate of 14.5% CAGR over FY23–30F driven by growing awareness about dental hygiene, improved access to dental treatments due to increasing number of dental clinic chains, and adoption of novel products such as Clear Aligners.

**Exhibit 83: Indian dental consumables market to burgeon to USD6.1bn by 2030F**

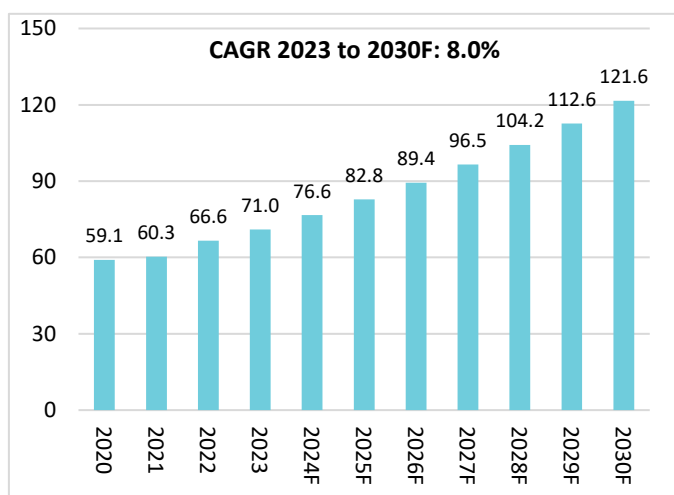


Source: Frost & Sullivan

## Custom-made crown and Bridges Market

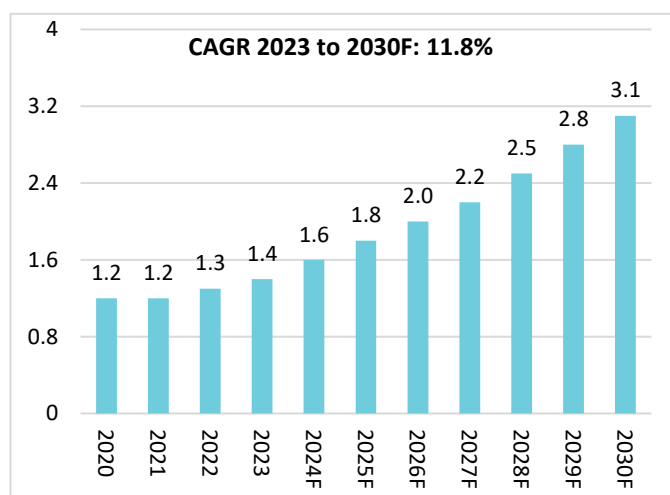
Dental crowns and bridges are fixed prosthetic devices used in dental restoration to treat missing or spoiled teeth. These devices are custom-made and fixed on the damaged tooth using dental cement to improve the strength and appearance of the tooth. A crown is a dental restoration device, which completely caps a damaged tooth or dental implant, while a bridge is used to fill in the missing tooth by attaching a dental implant or by fixing an artificial tooth permanently.

**Exhibit 84: Global custom-made crowns and bridges (USD bn)**



Source: Frost & Sullivan

**Exhibit 85: Indian custom-made crowns and bridges (USD bn)**



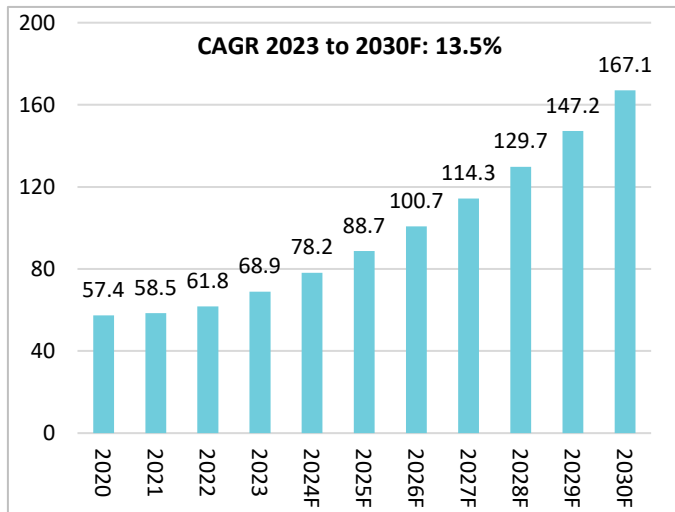
Source: Frost & Sullivan

## Orthodontics market

Orthodontics is a specialty in dentistry, which deals with the identification, management, prevention and treatment of misaligned bite patterns and improperly positioned teeth and jaws. The global orthodontics market—which includes products such as aligners, braces and retainers—is estimated to more than double from USD68.9bn in 2023 to USD167.1bn in 2030, in terms of retail sales, logging a CAGR of 13.5%.

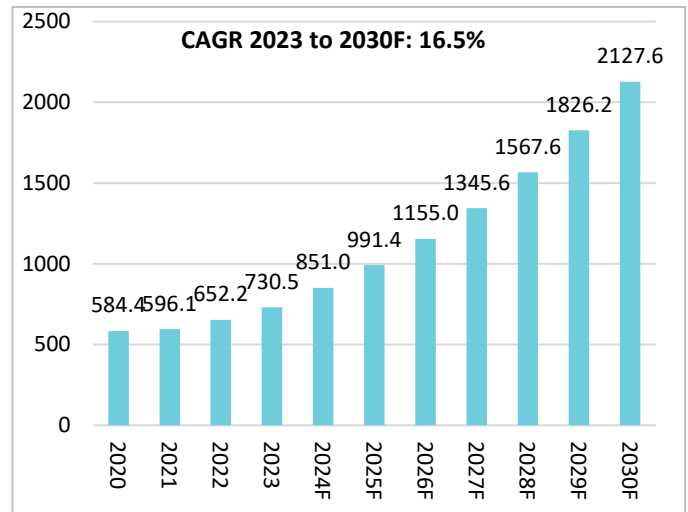
Meanwhile, the Indian orthodontics market, in terms of retail sales, is estimated to outpace the global market at a CAGR of 16.5%. The higher growth is due to huge unmet need of formal occlusion treatment, increasing access to dental care services spurred by a growing number of dental professionals and dental clinic chains, and increasing adoption of orthodontic treatment services.

**Exhibit 86: Global orthodontics market growing fast (USD bn)...**



Source: Frost & Sullivan

**Exhibit 87: ...and Indian market growing even faster (USD mn)**



Source: Frost & Sullivan

## Dental labs

Dental labs fabricate crowns, bridges, dentures and orthodontic products based on the prescription of a dentist. They design and manufacture the dental prostheses using an impression (physician impression using mould or digital impression using IOS) of the patient's teeth provided by the dentist.

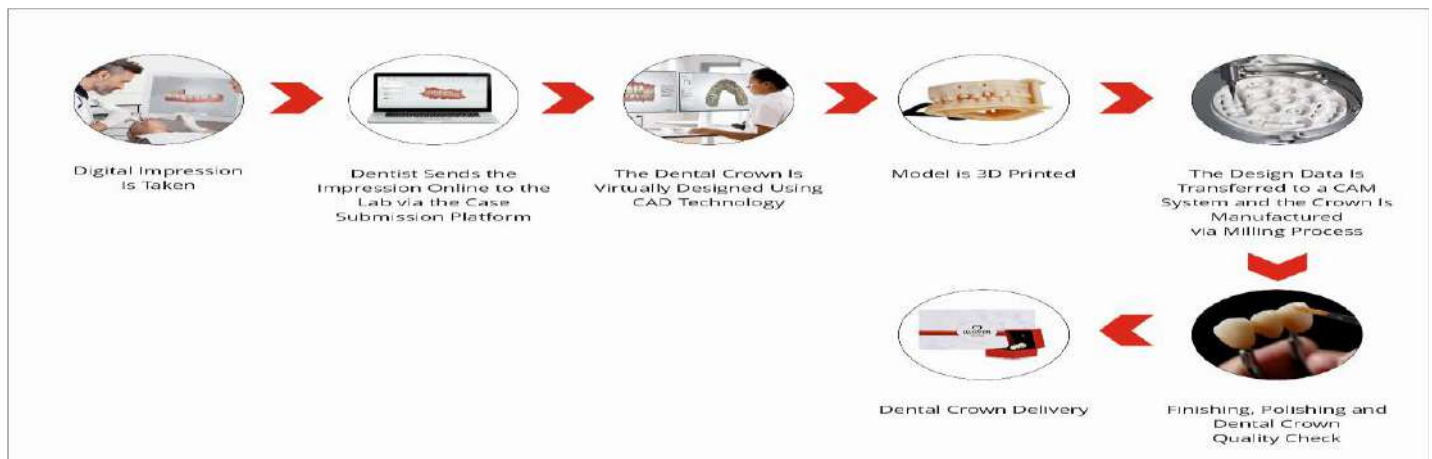
### Recent trends in dental labs

#### Adoption of digital solutions

Large organised dental labs in India integrate technology such as digital dentistry in their workflow, ensuring higher precision and better-quality crowns and aligners, serving a large number of dentists in remote locations and saving logistics costs.

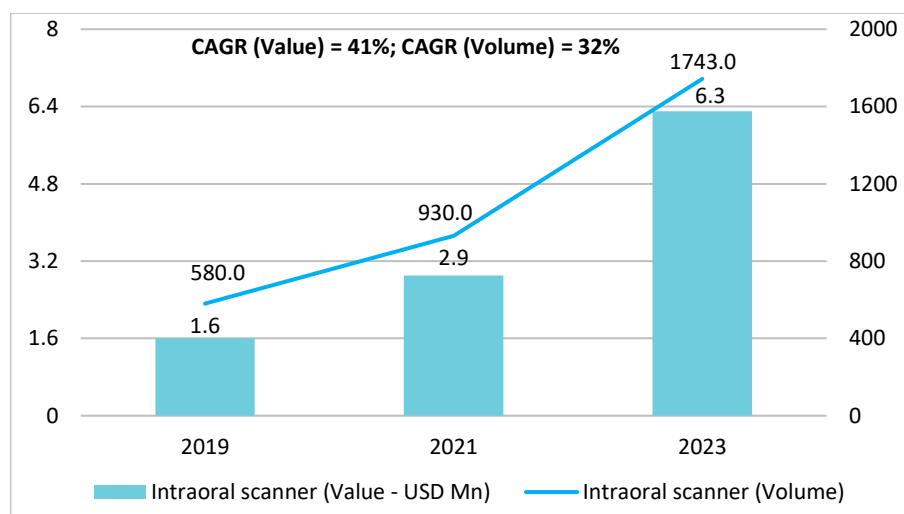
Digital impressions require less than a minute of dentist's time, saves logistic costs, and reduce turnaround time and remake rate by 50% compared with analog impressions. Digital impression cases for large, organised labs in India is growing.

**Exhibit 88: Digital workflow in dental lab**



Source: Frost & Sullivan

**Exhibit 89: Imports of intra-oral scanner systems and parts in India**



Source: Volza, Frost & Sullivan

### Advancement in materials

Crowns made of Zirconia or other second-generation polymers are being increasingly preferred by dentists and patients driven by growing demand for aesthetics, concerns of toxicity and allergic reaction to metal alloys and to mitigate issues such as bite concerns post-treatment. Zirconia crowns are made from a special kind of zirconium dioxide, which is translucent in nature, which allows light to pass through the crown and makes them look like natural teeth.

**Exhibit 90: Materials used in dental crowns**

Crown Type	Material	Strength	Aesthetics	Durability	Preparation	Suitability
Zirconia Crown	Zirconia	Very High	High	Very High	Minimal	General
PFM crown	Metal + Porcelain	High	High	Moderate	Moderate	General
Emax crown	Lithium Disilicate	High	Very High	Moderate	Moderate	Aesthetically demanding
Metal crown	Metal Alloy	High	Low(visible)	Very High	Moderate	Molars
Porcelain crown	Porcelain	Moderate	Moderate	Moderate	Moderate	General
Veneers	Composite Resin	Low	High	Low	Minimal	Anterior teeth
Ceramic Crowns	Ceramic	Moderate	High	Moderate	Moderate	Genera

Source: Frost & Sullivan

### Outsourcing and consolidation in dental labs

Like the US, the Indian dental lab industry is expected to witness consolidation with an increasing share of organised players due to regulatory changes and growing emphasis on professionalisation, adoption of digital workflows and patient-centric approach. In the US, a growing number of dental labs are outsourcing the fabrication of their restorations to overseas laboratories in countries such as China, India and Thailand to remain price competitive, improve efficiency and maintain profitability.

### Growth of dental labs in India

The dental lab industry in India is expected to witness consolidation due to growing emphasis on professionalisation, demand for wider portfolio of products (including premium products), increased regulatory scrutiny and greater emphasis on safety and quality of dental products. To gain economies of scale and expand their service offerings, large dental labs shall acquire small labs. India is increasingly exporting dental lab products to other countries.

**Exhibit 91: Exports of artificial dental teeth and fittings from India (2018–23)**

Product	Export (USD Mn)			Top Export countries by value (2018 –2022)
	2018	2023	CAGR	
Artificial Dental Teeth and fittings	6.9	13.1	14%	US (64.3%), UK (14.8%), Italy (13.3%), UAE (2.9%)

Source: Volza, Frost & Sullivan

Changing regulatory requirements in 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.

**Exhibit 92: Type of dental labs in India**

Type of Lab	Number of technicians	Annual Revenue	Adoption of Digital workflow	Number of Labs
Large	200–1,000	INR 25–100+ crores	High	2
Medium	10–200	INR1–25 crores	Moderate	Less than 50
Small	01-10	Less than INR1 crore	Low	More than 5,000

Source: Frost & Sullivan

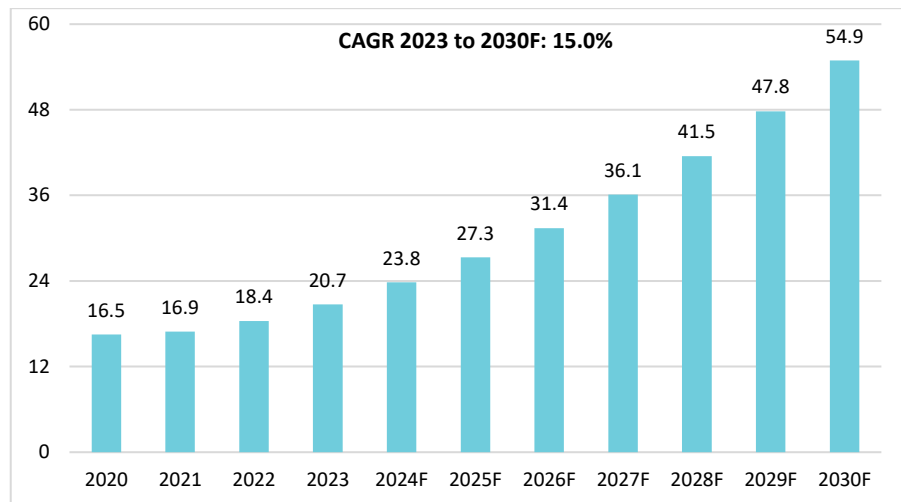


## Clear aligner market

### Global clear aligner market

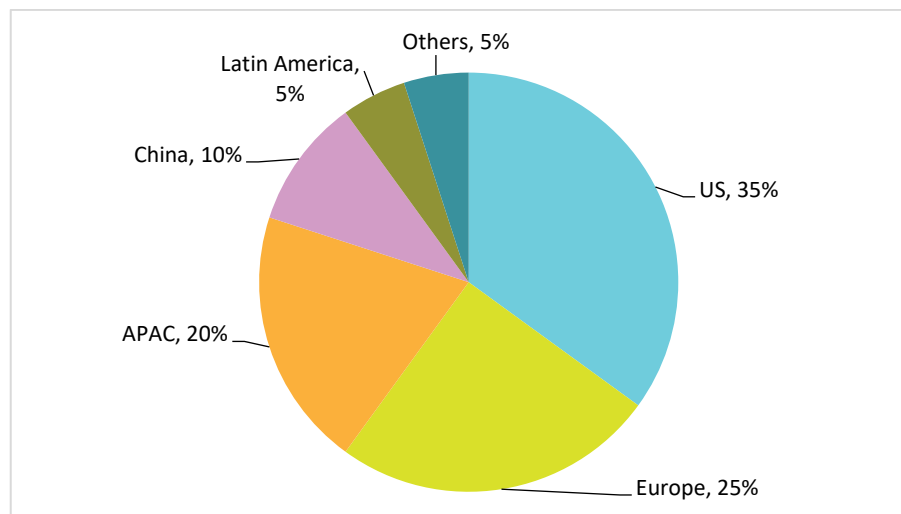
The global aligners market, in terms of retail sales, is projected to clock a CAGR of 15% between 2023 and 2030 due to factors driving the adoption of the clear aligners such as increased awareness, expansion of indications and advancements in technology enabling improved fitment and decreased 'chair time'.

**Exhibit 93: Global clear aligner market (USD bn) continues to swell**



Source: Frost & Sullivan

**Exhibit 94: Clear aligner market by region**

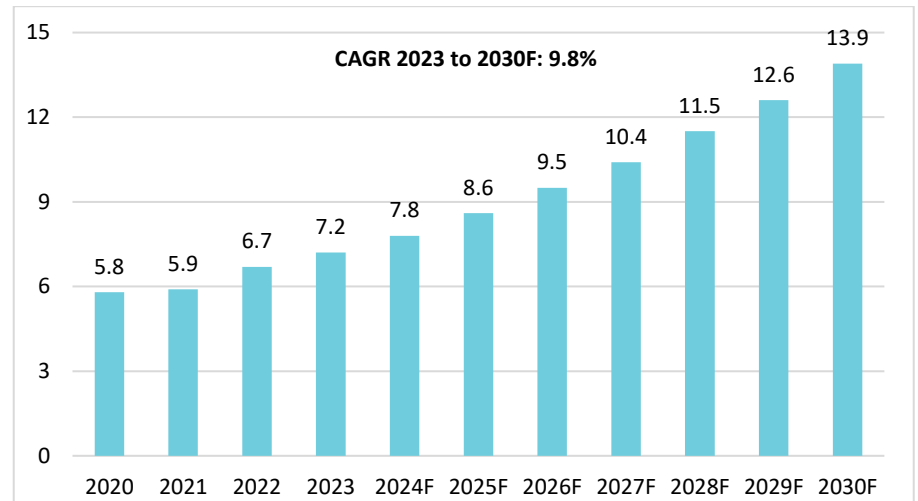


Source: Frost & Sullivan

### US clear aligner market

The US clear aligner market, which has a 35% share in the total global clear aligners market, is expected to grow from USD7.2bn in 2020 to USD13.9bn in 2030 in terms of retail sales. The Clear Aligner market in the US is projected to grow more than the orthodontics market (9.8% versus 8.5%).

**Exhibit 95: US clear aligner market (USD bn)**

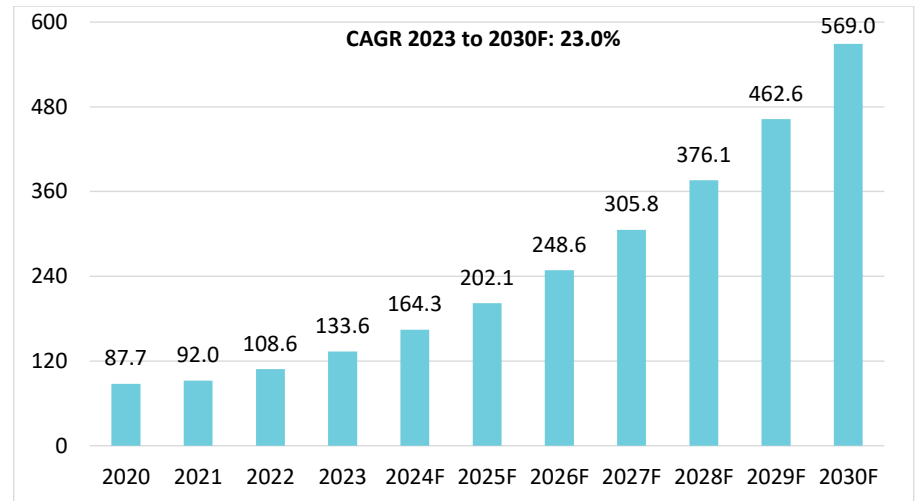


Source: Frost & Sullivan

### Indian clear aligner market

India has high growth potential for clear aligner treatment due to its low penetration compared with the US. The industry’s high growth and rising annual spend per capita is driven by: i) growing awareness and adoption of orthodontic treatments; ii) visible clinical results enabling a shift in traditional orthodontists adopting Clear Aligners; iii) ability of general practitioners to perform malocclusion cases; iv) increased demand for cosmetic dentistry; v) growing dental tourism in India; vi) adoption of newer technologies and vii) increasing disposable income in India.

**Exhibit 96: India clear aligner market (USD mn)**



Source: Frost & Sullivan

### Business model in clear aligners

Leading global companies in the clear aligner industry have largely adopted a B2B2C model to effectively penetrate the existing pool of dentists. The B2B2C model entails sale of aligners to the end consumer through dentists. This ensures lower customer acquisition cost than companies following a D2C model.

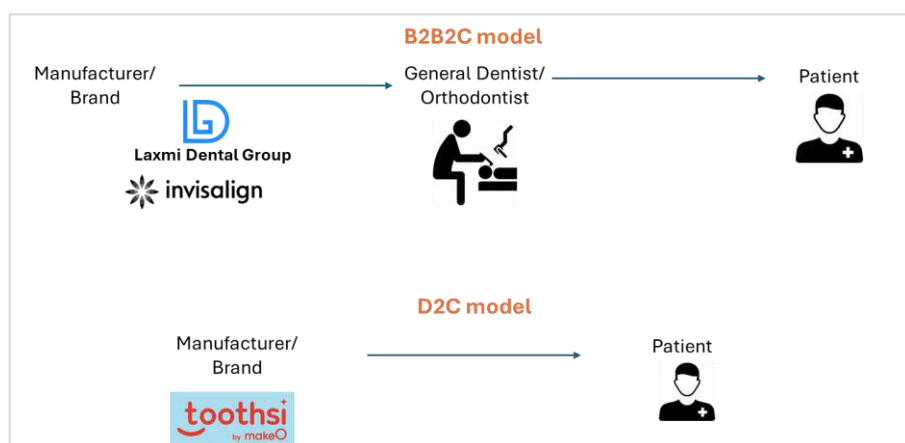
Companies that have adopted Direct-to-Consumer (D2C) models have struggled to find a foothold in the market due to sub-optimal outcomes and failure to engage dentists in the treatment pathway. Align Technology (Align), leader in the clear aligner market, pioneered the doctor-led model for its brand Invisalign. They engage directly with consumers with its Invisalign Brand Consumer Concierge program.

**Exhibit 97: Invisalign global brand consumer marketing**

Year	Website visitors (mn)	Impression (bn)	Consumers contacted	Consultations scheduled	Invisalign cases started
2023	105.9	34.2	Not available	Not available	Not available
2022	14.0	4.0	~ 4.7 Mn	+5,33,000	+1,11,000
2021	21.8	8.0	~ 3.8 Mn	+4,37,000	+88,000

Source: Frost & Sullivan

**Exhibit 98: Business models of Clear Aligner sales**



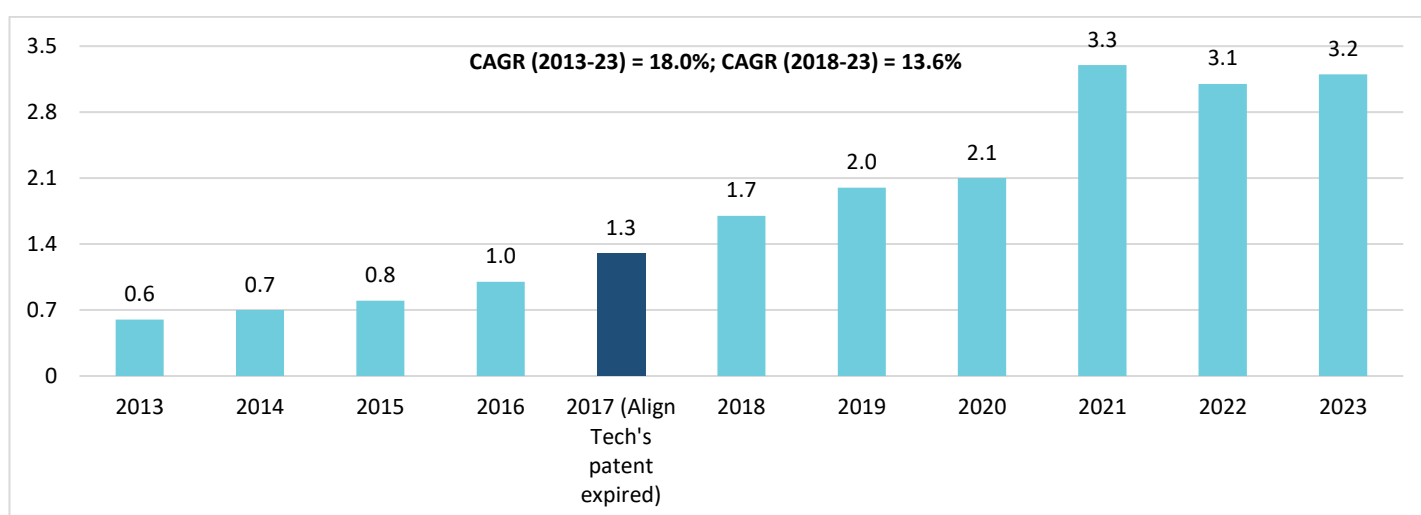
Source: Frost & Sullivan

### Mapping Align Technology's growth in clear aligner market

Align Technology continues to develop new clear aligner products and digital workflow solutions. The company's goal is to help dentists participate in a new and larger market by investing in innovative products and building brands to drive millions of more consumers to their practice.

Align Technology maintains a strong leadership position in the clear aligner market due to its brand awareness and reputation among dentists.

**Exhibit 99: Align's Technology's yearly revenue from clear aligners (USD)**



Source: Company

## Angelalign Technology's growth in China clear aligner market

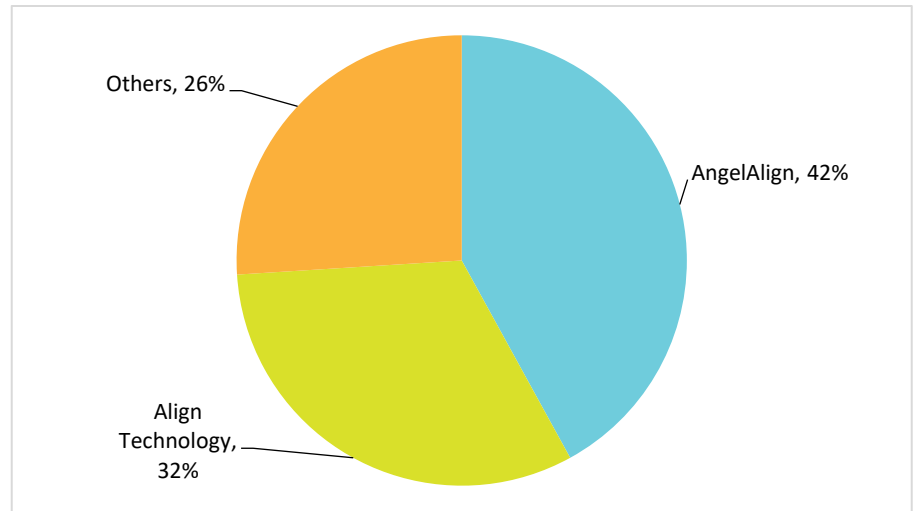
Founded in 2003 in China, Angelalign offers custom-made removable clear aligners and orthodontic treatment planning software. They started global expansion in 2020; at end-2023, their products and services were available in over 30 countries, with Europe being one of its fastest-growing markets.

**Exhibit 100: Angelalign: Case shipments and revenue**

Year	Total case shipments			Revenue (USD mn)	Revenue growth (YoY)
	Total	Domestic	International		
2023	2,45,000	2,12,000	33,000	206.6	16.20%
2022	1,83,900	Not available	Not available	177.7	-6.80%
2021	1,83,200	Not available	Not available	190.7	56.70%

Source: Frost & Sullivan

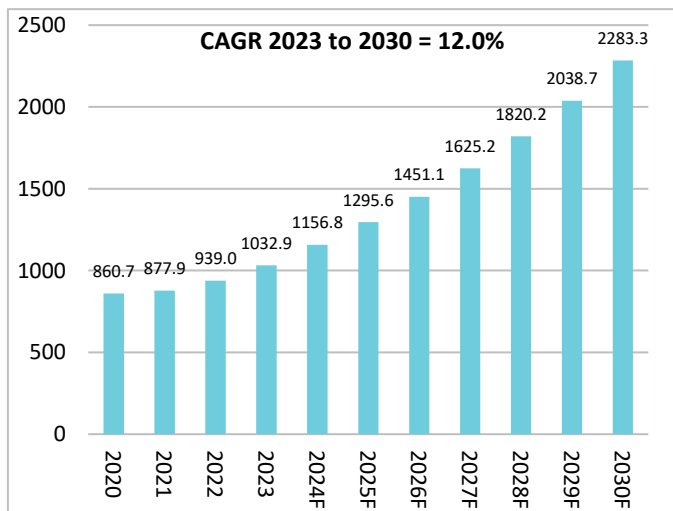
**Exhibit 101: Market share of clear aligner brands in China**



Source: Frost & Sullivan

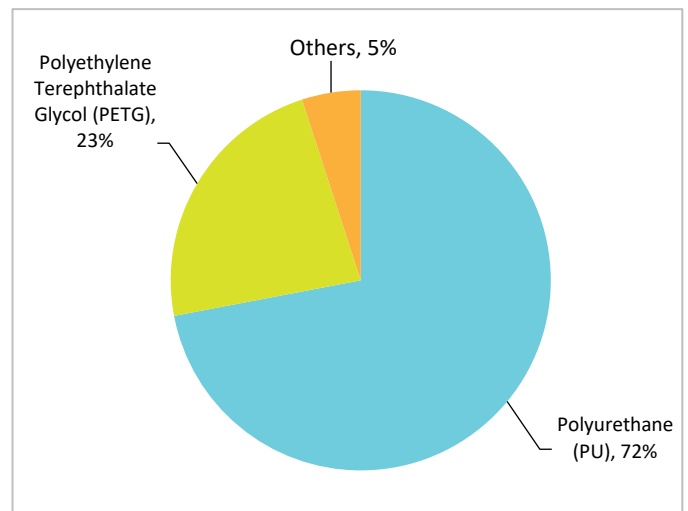
The Indian clear aligner market is expected to follow a trend similar to the one in China, wherein emergence of domestic companies reduced the dominance of international players.

**Exhibit 102: Global aligner sheet market (USDmn)**



Source: Frost & Sullivan

**Exhibit 103: MS of materials used in clear aligner production**



Source: Frost & Sullivan

## Exhibit 104: Aligner sheet market size by country

Country	2023 (USD mn)	2030F (USD mn)	CAGR (2023–2030F)
China	161.9	203.4	8.5%
India	63.0	90.9	6.2%
Germany	38.6	68.5	5.4%
UK	32.1	45.8	5.2%
Italy	20.6	28.2	4.6%
France	23.9	31.1	3.8%
US	161.9	203.4	3.3%

Source: Frost & Sullivan

## Vertical or backward integration in clear aligner production

Multiple large clear aligner brands have followed a backward integration approach by establishing proprietary manufacturing of aligner sheets to differentiate themselves and improve gross margin. Moreover, these brands aim to develop materials with ideal features such as high resilience, low hardness, adequate elasticity and resistance and high biocompatibility.

## Exhibit 105: Sample list of major clear aligner brands with proprietary materials

Company (HQ)	Brand	Proprietary Name	Composition
Align Technology (US)	Invisalign	SmartTrack Material: LD30	Polyurethane
3M (US)	Clarity	3 M Clarity Aligners Flex, 3 M Clarity Aligners Force:	Polyurethane
Institut Straumann AG (Switzerland)	ClearCorrect	ClearQuartz Material	Polyurethane
Ormco Corporation (US)	Spark	TruGEN and TruGEN XR Material	Unknown
Dentsply Sirona (US)	SureSmile	Essix Plastics: Plus, C plus	Polypropylene/ethylene copolymer
Henry Schein (US)	Reveal	ClearWear material	Unknown
Laxmi Dental	Illusion Aligners	Pro and FLX	Polyurethane

Source: Bioactive Materials Journal, Company presentation, Frost & Sullivan

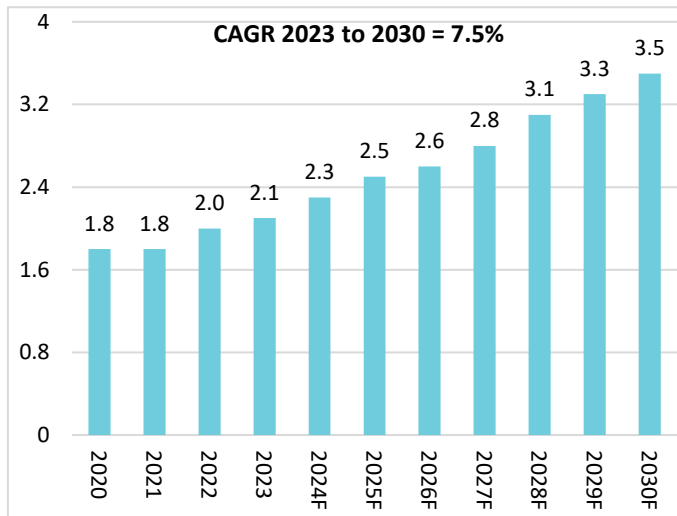
## Paediatric crown market

Increasing incidence of dental disorders in children, mass availability of aesthetic and biocompatible materials, and improved accessibility to specialist dental care are some of the major factors driving the paediatric dental crown market.

The major indications for crown treatment in children are dental caries and enamel disorders. Due to increasing prevalence of Early Childhood Carriers (ECC) owing to poor dental hygiene and genetic predisposition, there is growing demand for preventive and restorative dental treatments.

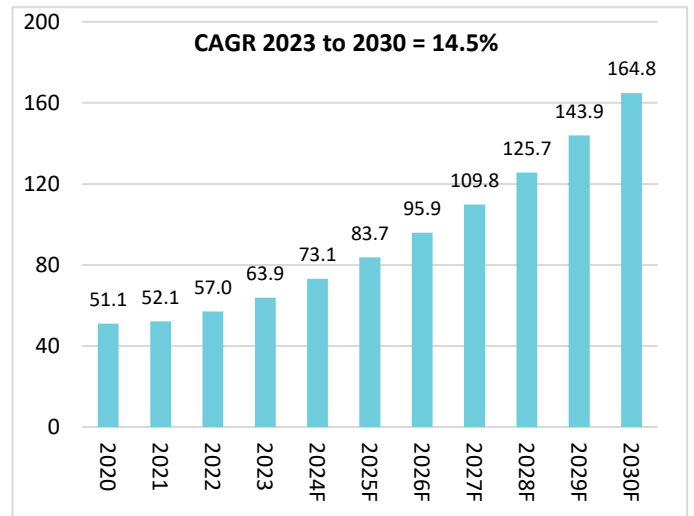
The Global Paediatric Crown Dental Market, in terms of retail sales, is estimated to expand at a CAGR of 7.5%. The Indian paediatric crown market is growing handsomely due to rising prevalence of dental disorders among children, increasing awareness of disorders such as dental caries among parents, and improving access to specialty dental providers. The Indian market for paediatric dental crowns, in terms of retail sales, is estimated to clock a CAGR of 14.5% over FY23–30F.

**Exhibit 106: Global paediatric dental crown market (USD bn)**



Source: Frost & Sullivan

**Exhibit 107: Indian paediatric dental crown market (USD mn)**



Source: Frost & Sullivan

### Market share and growth of paediatric dental crown materials

Crowns' longevity depends on dental material properties, operator ability and age & cooperation of the patient/child to accept the treatment. While composite strip crowns have a lower success rate and higher gingival inflammation, prefabricated zirconia crowns are retentive and gingival friendly.

**Exhibit 108: Market share and growth of dental crown materials**

Material	Share	Growth (2023 – 2030)
Stainless Steel	45%	6.0%
Composite strip	20%	4.5%
Zirconia	18%	8.5%
Resin Veneer	8%	5.5%
Polycarbonate	6%	4.0%
Metal	3%	2.5%

Source: Company

## Additional Data

### Management

Executive Chairman	Rajesh Vrajlal Khakhar
CEO & MD	Sameer Kamlesh Merchant
Executive Director	
CFO	Dharmesh Bhupendra Dattani
Auditor	M S K A & Associates

### Holdings – Top 10\*

	% Holding		% Holding
Orbimed	22.41	ABSL AMC	0.91
Goldman Sachs	3.50	Kotak AMC	0.85
Invesco	2.05	UTI AMC	0.83
HDFC AMC	1.37	ICICI Pru AMC	0.74
HSBC AMC	1.18	Mirae	0.74

\*Latest public data

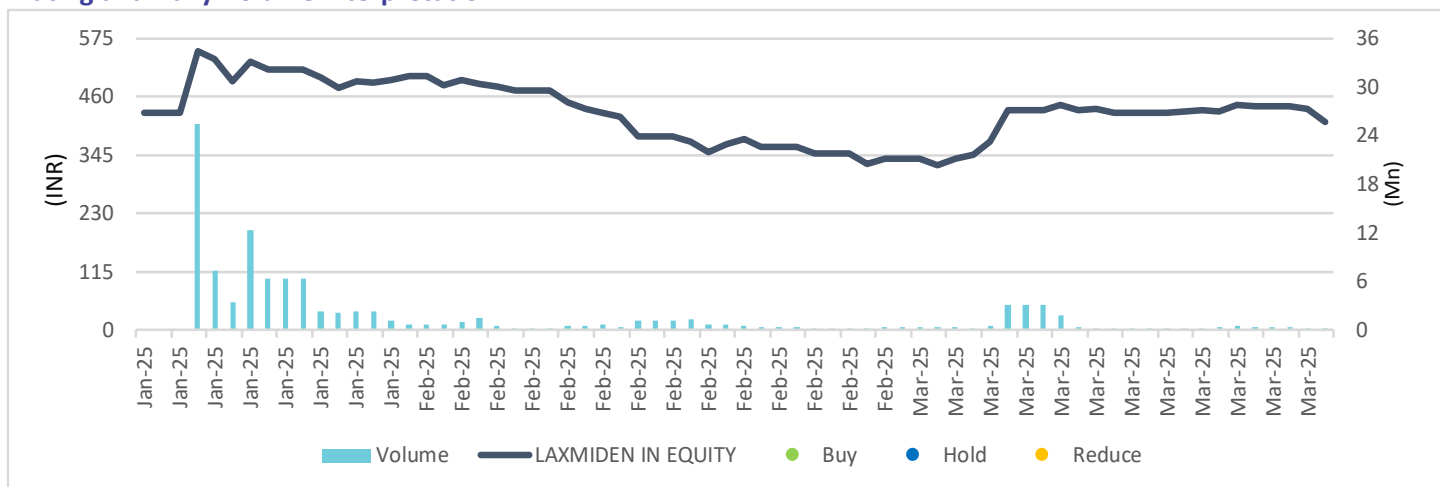
### Recent Company Research

Date	Title	Price	Reco

### Recent Sector Research

Date	Name of Co./Sector	Title
13-Feb-25	VIJAYA DIAGNOSTIC CENTRE	High profitable growth run intact; <i>Result Update</i>
11-Feb-25	Apollo Hospitals	Hospitals steady; 24/7 yet to pick up pa; <i>Result Update</i>
10-Feb-25	Fortis Healthcare	Good showing; eyeing margin expansion; <i>Result Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	236
Hold	<15% and >-5%	61
Reduce	<-5%	23



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