

LAXMI DENTAL

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	380
12 month price target (INR)	510
52 Week High/Low	584/308
Market cap (INR bn/USD bn)	21/0.2
Free float (%)	58.3
Avg. daily value traded (INR mn)	81.9

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Jan-25
Promoter	41.70%	41.70%	41.70%
FII	33.59%	34.20%	29.50%
DII	14.31%	12.90%	15.20%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

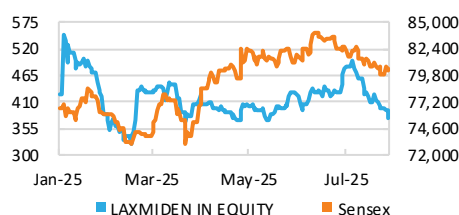
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	1,935	2,391	2,972	3,677
EBITDA	238	419	613	911
Adjusted profit	262	255	508	702
Diluted EPS (INR)	5.1	4.6	9.2	12.8
EPS growth (%)	nm	(8.7)	99.7	38.1
RoAE (%)	83.7	25.6	21.7	23.8
P/E (x)	74.9	82.1	41.1	29.8
EV/EBITDA (x)	89.1	47.3	31.9	20.8
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,972	3,677	-0.5%	-0.9%
EBITDA	613	911	-3.5%	-3.7%
Adjusted profit	508	702	-2.5%	-3.7%
Diluted EPS (INR)	9.2	12.8	-2.5%	-3.7%

PRICE PERFORMANCE



Efforts in place to accelerate growth

Laxmi posted Q1FY26 revenue and PAT in line with estimates; EBITDA beat forecast by 4% on lower opex. Overall revenue grew 10% YoY, but sequential recovery seen (+8% QoQ); EBITDA margin: 18.2% (+245bp).

Management has kept FY26 guidance unchanged (20–25% revenue growth), and expects 8–10% QoQ growth as investments in digital dentistry, deployment of intra-oral scanners and capacity expansion to pay off. Management also expects acceleration in global sales beyond US. We expect revenue/PAT to surge 24%/58% over FY25–28E, but are cutting FY26E/27E EPS by 3%/4% to factor in lower gross margins. Retain 'BUY' with a revised TP of INR510 (earlier INR530) based on 40x FY27E EPS.

Modest top-line growth on high base; sequential recovery seen

Q1FY26 revenue rose 10% YoY to INR656mn with the lab business expanding 15% YoY and the aligners business growing 7% YoY. Within the lab business, the domestic segment expanded 16% YoY while the international segment grew 12% YoY. EBITDA was INR119mn (-15% YoY/+25% QoQ) with a margin of 18.2% (-533bp YoY/+245bp QoQ), impacted by higher employee costs. PAT came in at INR84mn (-23% YoY/+117% QoQ).

Digital penetration, branded mix to support profitable growth

Laxmi Dental remains focused on its digital penetration strategy as evident from its recent investment in AI-Dent and its strategic push to sell scanners, which enables greater digital adoption. Higher digital contribution is expected to reduce logistics costs and shorten turnaround, thereby aiding margins going forward. We expect overall margins to be ~25% in FY27E (versus 18% in FY25). Although higher scanner sales impacted gross margin for the quarter, Laxmi expects it to normalise on the back of an improved product mix, cost optimisation in materials and launches of more premium products.

Aligners likely to recover; tariff uncertainty looms; retain 'BUY'

Laxmi's primary goal remains to digitalise its dentist network and cross-sell (i.e. converting dental customers to aligner customers, and vice versa). Taking cognisance of tailwinds such as focus on aesthetics, rising incomes and increasing digital penetration, we are building in a 31%/49% revenue/EBITDA CAGR for the aligner segment over FY25–28E. Key variable to monitor include: i) the impact of the recently announced 25% tariffs, which could reduce margins by 50–100bp as per Laxmi; and ii) pending regulatory approvals for Kids-E-Dental, which are expected by Q3 or Q4FY26E. We retain 'BUY' with a revised TP of INR510.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	656	597	9.9	607	8.1
EBITDA	119	140	(15.0)	95	25.0
Adjusted Profit	84	109	(23.0)	39	116.7
Diluted EPS (INR)	1.5	2.1	(27.7)	0.7	116.7

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	1,935	2,391	2,972	3,677
Gross profit	1,451	1,819	2,229	2,761
Employee costs	715	858	995	1,144
Other expenses	498	542	620	705
EBITDA	238	419	613	911
Depreciation	119	148	182	215
Less: Interest expense	50	54	10	10
Add: Other income	17	33	98	106
Profit before tax	86	251	519	792
Prov for tax	(94)	65	125	194
Less: Other adj	1	(70)	0	0
Reported profit	252	321	508	702
Less: Excp.item (net)	1	(70)	0	0
Adjusted profit	262	255	508	702
Diluted shares o/s	52	55	55	55
Adjusted diluted EPS	5.1	4.6	9.2	12.8
DPS (INR)	0	0	0	0
Tax rate (%)	109.5	25.8	24.0	24.5

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Gross margin	74.9	76.1	75.0	75.1
Net debt/EBITDA	1.7	(2.3)	(2.0)	(2.0)
OCF as a % of sales	4.2	18.3	25.3	24.7
EBITDA margin (%)	12.3	17.5	20.6	24.8
Net profit margin (%)	13.5	10.6	17.1	19.1
Revenue growth (% YoY)	19.7	23.5	24.3	23.7
EBITDA growth (% YoY)	165.4	76.1	46.4	48.7
Adj. profit growth (%)	nm	(2.8)	99.7	38.1

Assumptions (%)

Year to March	FY24A	FY25A	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	18.7	23.2	21.0
Lab business EBITDA margins	0	0	0	0
Aligners YoY growth	54.2	40.6	30.6	30.9
Aligners EBITDA margins	0	0	0	0
Kids-E YoY growth	236.4	6.0	32.3	31.7
Kids-E EBITDA margins	0	0	0	0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	74.9	82.1	41.1	29.8
Price/BV (x)	46.2	10.0	8.1	6.3
EV/EBITDA (x)	89.1	47.3	31.9	20.8
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	3	110	110	110
Reserves	422	1,975	2,484	3,185
Shareholders funds	425	2,085	2,594	3,295
Minority interest	21	2	2	2
Borrowings	420	114	0	0
Trade payables	158	321	398	493
Other liabs & prov	244	239	178	177
Total liabilities	1,345	2,847	3,234	4,041
Net block	364	411	688	773
Intangible assets	16	18	15	14
Capital WIP	72	78	56	45
Total fixed assets	453	507	760	832
Non current inv	63	140	154	169
Cash/cash equivalent	10	1,094	1,242	1,795
Sundry debtors	249	367	423	524
Loans & advances	0	0	0	0
Other assets	432	410	631	697
Total assets	1,345	2,847	3,234	4,041

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	252	321	508	702
Add: Depreciation	120	150	182	215
Interest (net of tax)	50	54	10	10
Others	9	(70)	31	42
Less: Changes in WC	(156)	19	20	(62)
Operating cash flow	81	438	752	907
Less: Capex	(127)	(142)	(449)	(302)
Free cash flow	(45)	297	303	605

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	83.7	25.6	21.7	23.8
RoCE (%)	25.5	26.3	25.4	25.0
Inventory days	184	138	146	175
Receivable days	43	47	49	47
Payable days	101	104	125	128
Working cap (% sales)	14.4	9.1	16.1	15.0
Gross debt/equity (x)	0.9	0.1	0	0
Net debt/equity (x)	0.9	(0.5)	(0.5)	(0.5)
Interest coverage (x)	2.4	5.0	42.9	71.1

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	nm	(8.7)	99.7	38.1
RoE (%)	83.7	25.6	21.7	23.8
EBITDA growth (%)	165.4	76.1	46.4	48.7
Payout ratio (%)	0	0	0	0

Q1FY26 earnings call highlights

Business/Industry/Guidance

- **FY26 revenue guidance:** 20–25% growth intact. Expect revenue to continue to grow at 8–10% on a QoQ basis. Investments from IPO proceeds are driving geographical and capacity expansion, along with greater digitalisation.
- **Tariffs** – Previously at 10%, which were passed on; the current 25% tariff implemented five days ago is still under review. Laxmi plans to pass on most of it, and the impact on margins is expected to be minimal, 0.5–1%.
- **Competitive landscape** – Laxmi's pricing is largely on a par with China; in fact, in some segments China is more expensive. Overall, Laxmi remains competitive with China and plans to diversify its business over coming years, expanding beyond the sole focus on the US.
- **Other expense** – Credit of ECL is there, which is driving opex. Should be in the same run-rate for the rest of the quarter.
- **Gross profit normalisation** – Drivers for gross profit normalization are expected from an improved product mix, ongoing cost optimization in materials and workforce, and the introduction of more premium products.
- **Advertising expense** – Will be under 5% for FY26.
- Higher digital contribution will drive the growth for the company.
- **Current utilisation level:** Reasonable capacity utilisation in Labs, more scope to increase in others.
- India is the primary driver of growth for Laxmi, with the US contributing 20% and Europe being the second-largest market. Laxmi aims to expand its product sales globally (not just in US).
- **Export** – APAC, Europe & Middle East, Germany are giving good results, have got a lot of leads. Will see results coming in over the next couple of quarters.
- **Hub and Spoke expansion** – Laxmi keeps on evaluating cities; if there is sufficient demand there, Laxmi will expand thereof.
- Capex: INR680mn for the next two years.
- Made strategic investment in IDBG AI Global Private (Co. is a start-up) –Will help Laxmi to increase digital dentistry penetration in the country. It will also help in improving the dental healthcare treatments (leveraging AI). Expect to launch AI-Led product in end of FY26.
- Order book concept in Labs and aligners doesn't exist.
- **Utilisation:** Currently Laxmi has capacity, although will be needing more machines to achieve growth.

Financials

- During the quarter repaid full debt.
- Q1FY25 had a capital gain (on sales of property INR66mn was there), despite that had a good PAT growth in Q1FY26.

- Adjusted EBITDA for Q1FY26 was at INR148mn. Adjustment EBITDA is calculated as Reported EBITDA + 60% of Kids-e-dental PAT + ESOP expenses (non-cash in nature).
- **Employee cost:** To improve sales, few people will be added in FY26, will be increasing in the similar range for the rest of the quarter as well.

Lab business

- **Dentist network** – The primary goal is to digitalize the network and enable cross-selling within it (converting dental customers to aligner customers and vice versa), rather than acquiring new customers externally. The focus is on expanding digital dentistry.

Aligners

- B2B2C Business – The segment faced pricing competition this quarter. With a focus on maintaining margins, Laxmi did not make any changes.
- B2B – All raw materials are sold in India and across the world; In B2B2C - Actual product (aligner) is being sold.
- AI in dentistry is bound to come – It will be touching all aspects.
- **Core strength of Laxmi** – Digitalisation, brand and trust that has been created over decades.

KIDS-E-Dental

- 20–25% YoY growth is expected in Kid-E-Dental in FY26. Currently awaiting certain regulatory approvals which will be done in Q3-Q4.

Scanner

- Scanner is biggest enabler – The company sold over 80 scanners in Q1FY25 and more than ~208 in Q1FY26, with further sales expected. Increased scanner sales expand the customer base and support future revenue growth. Scanner sales come at trading margin. Goal is to deploy 1000 in FY26.
- **Gross margins** – Scanner is a hardware, so has typically margins of 20–25%, compared with manufactured products, which will have an 80–85% margin.
- In Scanners, process is done through digitalisation, results are accurate. Patients get faster delivery. It's not just used for Caps and Crowns, but for Aligners as well.
- Margins made on scanner is not that high vis-a-vis products produced in-house.
- Deployed additional oral scanners during the quarter.

Exhibit 1: Actuals versus estimates (INR mn)

Particulars	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Nuvama Estimates	Deviation (%)
Revenue from operations	656	597	9.9	607	8.1	657	-0.1
COGS	175	144	21.7	129	35.8	158	11.1
Gross profit	481	453	6.2	478	0.7	499	-3.7
Employee benefit expenses	236	178	32.8	244	-3.2	234	0.8
Other expenses	125	135	-6.8	138	-9.4	150	-16.2
EBITDA	119	140	-15.0	95	25.0	115	3.6
EBITDA margin (%)	18.2%	23.5%	-533	15.7%	245	17.5%	65.3
Depreciation	36	34	6.2	43	-16.8	45	-20.6
EBIT	83	106	-21.7	52	59.5	70	19.1
Interest cost	5	14	-67.7	13	-63.4	4	15.0
Other income	17	4	337.1	16	5.6	25	-31.1
Profit before tax	96	162	-40.9	60	59.7	91	5.5
Tax	23	18	29.4	25	-7.7	22	4.8
Share in JV/Associate	10	31	-67.0	7	37.6	15	-31.9
Reported PAT	84	168	-50.1	43	95.9	84	-0.3
Adj. PAT	84	109	-23.0	39	116.7	84	-0.3
Segmental Revenue Breakdown	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Nuvama Estimates	Deviation (%)
Lab offerings	444	388	14.5	367	21.0	440	1.0
International	176	157	12.1	157	12.1	188	-6.6
Domestic	268	231	16.0	209	28.2	251	6.8
Aligner solutions	186	174	6.9	199	-6.5	182	2.4
Bizdent B2B2C	94	107	-12.1	115	-18.3	116	-18.6
Vedia B2B	92	67	37.3	84	9.5	66	39.4
Others	26	35	-25.3	41	-36.5	36	-27.5

Source: Company, Nuvama Research

Exhibit 2: Quarterly snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change	FY25	FY26E	FY27E
Revenue from operations	656	597	9.9	607	8.1	2,391	2,972	3,677
COGS	175	144	21.7	129	35.8	572	743	916
Gross profit	481	453	6.2	478	0.7	1,819	2,229	2,761
Employee benefit expenses	236	178	32.8	244	(3.2)	858	995	1,144
Other expenses	125	135	(6.8)	138	(9.4)	542	620	705
EBITDA	119	140	(15.0)	95	25.0	419	613	911
EBITDA margin (%)	18.2	23.5	(533)	15.7	245	17.5	20.6	24.8
Depreciation	36	34	6.2	43	(16.8)	150	182	215
EBIT	83	106	(21.7)	52	59.5	269	431	697
Interest cost	5	14	(67.7)	13	(63.4)	54	10	10
Other income	17	4	337.1	16	5.6	33	98	106
Exceptional item	0	66		4		70	0	0
Profit before tax	96	162	(40.9)	60	59.7	318	519	792
Tax	23	18	29.4	25	(7.7)	65	125	194
NCI	-1	0		-0				
Share in JV/Associate	10	31	(67.0)	7	37.6	72	114	104
P/L from discontinued ops	0	-7		0		-7	0	0
Reported PAT	84	168	(50.1)	43	95.9	318	508	702
Adj. PAT	84	109	(23.0)	39	116.7	255	508	702
No. of shares	55	52		55		55	55	55
Adj. EPS	1.5	2.1		0.7		4.6	9.2	12.8
as % of revenues								
Cost of revenue	26.7	24.1		21.3		23.9	25.0	24.9
Employee cost	36.0	29.8		40.2		35.9	33.5	31.1
Total operating expenses	81.8	76.5		84.3		82.5	79.4	75.2
Gross profit	73.3	75.9		78.7		76.1	75.0	75.1
Operating profit	12.7	17.8		8.6		11.2	14.5	18.9
Net profit	12.8	28.2		7.1		13.3	17.1	19.1
Tax rate	23.8	10.9		41.2		20.3	24.0	24.5

Source: Company, Nuvama Research

Company Description

Incorporated in July 2004, Laxmi Dental is India's only end-to-end integrated dental products company 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. It serves both domestic and international markets.

Investment Theme

Laxmi Dental is an end-to-end integrated dental company and is the go-to play to ride the wave in the highly underpenetrated and fragmented but fast-growing dental care market. 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. In addition, Laxmi is directly targeting DSOs in US, which should also accelerate exports growth. The aligners segment, which is reporting rapid adoption, is 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. Laxmi has a healthy balance sheet now, with capex provided for.

Key Risks

- Failure to expand dental network and wallet share
- Slower than expected ramp-up in the aligners business
- Geographic concentration in India, US and UK
- Lack of long-term purchase orders raises pricing pressure risks

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	HSBC AMC	1.37
Goldman Sachs	3.51	Kotak AMC	0.86
Quant Money Man	2.77	BOI	0.83
Invesco	1.40	Mirae Asset	0.74
HDFC AMC	1.37	Prudential PLC	0.63

*Latest public data

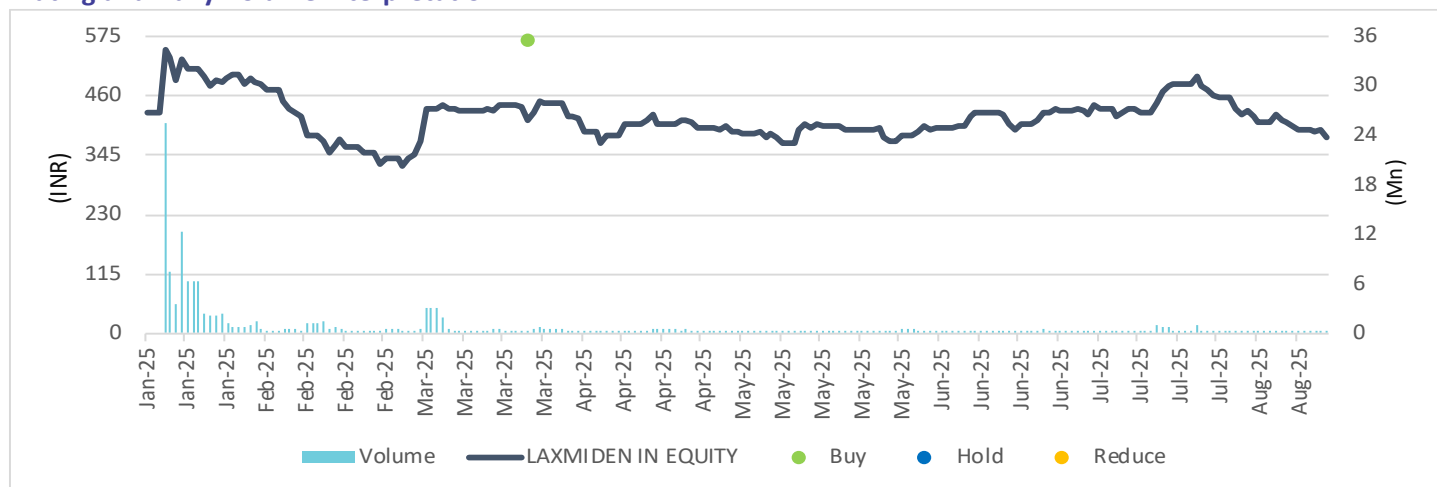
Recent Company Research

Date	Title	Price	Reco
27-May-25	Short-term blip; in for long haul; <i>Result Update</i>	384	Buy
25-Mar-25	'Align'ing with a brighter future; <i>Initiating Coverage</i>	414	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
08-Aug-25	Metropolis Healthcare	Focused execution to unlock growth; <i>Result Update</i>
07-Aug-25	Fortis Healthcare	Momentum building across both verticals; <i>Result Update</i>
04-Aug-25	Jupiter Hospital	Operationally strong; expansion on track; <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%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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