LAXMI DENTAL LIMITED
formerly known as Laxmi Dental Export Private Limited
Registered Office: 103, Akruti Arcade, Opposite A H Wadia High School, Near Azad Nagar Metro Station, Andheri (West), Mumbai –400058.
Tel: 022 61437991 | **Email:** info@laxmidentallimited.com | **Website:** www.laxmidentallimited.com
CIN No: U51507MH2004PLC147394 | **GST No:** 27AABCL0001A1ZL

Date: February 20, 2025

To,
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001
BSE Scrip Code: 544339

Listing & Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, "G" Block
Bandra-Kurla Complex
Bandra (E), Mumbai – 400 051
Symbol: LAXMIDENTL

Dear Sir/Madam,

Re: LAXMI DENTAL LIMITED - ISIN: INE0WO601020

Sub: - Submission of the Transcript of the Q3FY25 Earnings Call of Laxmi Dental Limited ("Company").

Further to our letters dated February 10, 2025 and pursuant to the provisions of Regulation 30 (read with clause 15 of Para A, Part A, Schedule III) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations"), we are enclosing the Transcript of the 'Q3FY25 Earnings Call' (i.e., Post Earnings/Quarterly Call), organized by Nuvama Wealth Management on Friday, February 14, 2025 at 11:00 A.M. (IST), wherein, inter-alia, the unaudited financial results of the Company for the quarter and nine months ended December 31, 2024, were discussed.

The aforementioned transcript of the 'Q3FY25 Earnings Call' (i.e., Post Earnings/Quarterly Call) is also uploaded on the Company's website i.e. www.laxmidentallimited.com.

We request you to take the above on record and treat the same as compliance under the applicable provisions of the SEBI Listing Regulations.

Thanking you,

For Laxmi Dental Limited
(Formerly Known as Laxmi Dental Export Private Limited)

NUPUR JOSHI
Digitally signed by NUPUR JOSHI
Date: 2025.02.20 20:34:58 +05'30'

Nupur Joshi
Company Secretary & Compliance officer
Membership Number: A43768

Encl.: As above.

LAXMI DENTAL LIMITED

Formerly known as Laxmi Dental Export Private Limited

"Laxmi Dental Limited Q3 FY25 Earnings Conference Call"

February 14, 2025

LAXMI DENTAL LIMITED

Formerly known as Laxmi Dental Export Private Limited

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CHORUS CALL

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th February 2025 will prevail.

MANAGEMENT: **MR. RAJESH KHAKHAR – CHAIRPERSON AND WHOLE-TIME DIRECTOR – LAXMI DENTAL LIMITED**
MR. SAMEER MERCHANT – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – LAXMI DENTAL LIMITED
MR. DHARMESH DATTANI – CHIEF FINANCIAL OFFICER – LAXMI DENTAL LIMITED

MODERATOR: **MS. AASHITA JAIN – NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, good day and welcome to Laxmi Dental Q3 FY25 Earnings Conference Call hosted by Nuvama Wealth Management. Before we begin, a short disclaimer. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Aashita Jain from Nuvama Wealth Management. Thank you and over to you, ma'am.

Aashita Jain: Thank you, Muskan and good day everyone. I, Aashita Jain, on behalf of Nuvama Wealth Management, welcome you all to Q3 FY25 Earnings Conference Call of Laxmi Dental Limited. From the management, we have with us today Mr. Rajesh Khakhar, Chairperson and Whole-time Director, Mr. Sameer Merchant, Managing Director and CEO, Mr. Dharmesh Dattani Chief Financial Officer. I now hand over the conference call to Mr. Rajesh Khakhar for his opening remarks and we will then open the floor for Q&A session. Over to you, Rajesh sir.

Rajesh Khakhar: Thank you so much, Aashita for the introduction. Good morning, everybody. Warm welcome to all of you and thanks for joining our first earnings call after the listing. On this call, we are joined by our MD and CEO, Mr. Sameer Merchant, CFO, Mr. Dharmesh Dattani and Strategic Growth Advisor, our Investor Relations Advisors. The results and the presentations are uploaded on the stock exchange and company website. I hope everybody has had a chance to look at them.

We are happy with the overwhelming response to our IPO. We thank all the shareholders for reposing their faith in us. We welcome our new shareholders and congratulate every stakeholder of the company, that is employees, customers, business partners, bankers, lawyers and all of them who made our IPO listing successful. The company has shown a solid performance across all metrics.

The quarter marks our highest ever revenue of INR61.6 crores. We achieved an EBITDA of INR9.6 crores, adjusted EBITDA including our share of profit in the entity Kids-e Dental was INR10.8 crores, PAT stood at INR4.8 crores. Since this is our first earnings call, I would like to take some time to establish who we are and what we do and also give you a bird's eye view of our industry.

Speaking of healthcare, spending trends continue on upward trajectory in developed countries like the USA and UK. Similar trends are visible in the overall dental industry globally. When we look around in India, healthcare has been an underpenetrated segment. Historically, but with rising level of disposable income and increased awareness, focus on healthcare is growing.

Leading to an increased discretionary spending on the segment. The global prevalence of oral health disease was 40 times higher than cancer, 6.7 times higher than cardiovascular disease and

3.6 times higher than mental disorders in 2019. The need of dental care services is evident globally and in India.

India's dental care services market is estimated to be $3.4 billion in 2023 and expected to grow at a rate of 12.6% to reach $7.8 billion in 2030. This growth is expected to be driven by increased prevalence of oral health disorders such as dental queries, malocclusion and periodontal disease among the populations and greater demand for general and specialized dental care due to growing awareness.

The Indian pediatric dental crown market is estimated to grow at a CAGR of 14.5% in 2030 compared to global CAGR of 7.5% for the same time frame. At Laxmi Dental with our integrated offering, we are well positioned to capture this vast market opportunities with our comprehensive portfolio of dental products which caters to the dental life cycle of a person from early years to old age.

Now to talk about our journey and give you some more details on the business. We started this journey back in 1989 with a very small setup to manufacture dental crowns for a few clients. We were formally incorporated in 2004. This small business overtime evolved into an end-to-end dental company with a comprehensive portfolio of dental products. Today our offering includes custom-made crowns and bridges, branded dental products such as clear aligner, thermoforming sheet and aligner related product as a part of aligner solutions and pediatric dental products.

We have adopted a B2B2C business modules for sale of most of our products which are sold through the dental network to the end-consumer patient, lending credibility to our dental products since they are being recommended by our dental networks. This element is important to our strategy as a number of our products including crown, bridges, clear aligner, denture are custom-made to the teeth of end-consumers.

This means that the dentist takes impressions either manually or digitally then share it with us for each order that's placed. In the recent times, we have seen rapid adoption of digital impressions among dentists across many countries including India due to increased uses of intraoral scanner, IOS. Globally, the penetration of intraoral scanner is about 23% and it is expected to grow 28% in 2027 due to increase in number of brands and significant decrease in its price.

Unlike conventional physical dental impressions, digital impressions using IOS offering increased speed, better clinical efficiency, greater comfort for patients and ease of use for clinicians. It also delivers comparable or even superior accuracy to physical impressions. Increasing number of digital impressions will help us eliminating logistic as well as cut down on a couple of steps in the manufacturing process, thereby helping us improve our capacity utilizations and margin profile.

Today at Laxmi Dental, about 60% of units produced at our domestic lab are done via digital medium. With increasing adoption of digital dentistry, we supply our dental products to various international markets. Higher adoption of intraoral scanner is expected to be a major lever for our growth going ahead.

We cater to our customers across 95 countries including India through six facilities, three of which are located in Mira Road, Mumbai metropolitan region, Maharashtra. Two in Boisar, Mumbai metropolitan region, Maharashtra and one in Kerala, Kochi. And further five supporting facilities, two of which are located in Mumbai and one each in Delhi, Bengaluru and Ahmadabad with manufacturing capabilities.

We are proud to share that 40% of our employees are women. Our manufacturing facilities in Boisar and one of our manufacturing facilities in Mira Road have been registered with USFDA and all of our manufacturing facilities in Mira road and Boisar have been certified by ISO. We are able to ensure high quality standard with such stringent regulatory compliances.

The overall Indian dental care and dental lab market is highly fragmented in nature. On the clinic side, large hospitals and dental chains account for less than 10% of all practices. This is expected to move towards an organized market with growth of large dental networks. The number of dental chain networks is expected to double in the next 5 years. Currently we work with about 22,000 dentists across India of the total network of approximately 3 lakh dentists on the lab side.

Growing emphasis on compliances for quality standards and licensing requirement of dental products from the CDSCO, Central Drug Standard Control Organization is expected to drive the growth of large organized dental labs in India. In order to increase the awareness over our range of products, we have roped in Bollywood celebrities Madhuri Dixit Nene and Kareena Kapoor Khan for products like our Zirconia range of dental crowns and aligners respectively.

Now I will request Sameer to give out some more facts about our business performance and speak about the path going ahead. Thank you.

Sameer Merchant: Thank you, Rajesh bhai. Good morning to everyone and thank you for being a part of our first earning call. As you understand that our business has reached across multiple geographies, just to give you a flavor on that front with respect to the quarterly performance, in the domestic business where we typically cater to large network of dentists, we contributed 66% of the revenues in quarter 3 FY25.

However, international business contributed 34% of the revenue in Q3 FY25. We continue to expand our geographic reach globally for all the products including pediatrics. Looking at the performance from the lens of our products offering, for the 9 month ended FY25, the dental laboratory offering constituted 62% of the revenues where we manufacture crowns, bridges, and prosthesis for dental network in India under the name of Illusion Zirconia.

Also, we manufacture and supply the same products across US, UK and Europe to cater to the international markets under Laxmi Dental. Aligner solutions contributed 33% of the revenues. Over here, we also provide branded clear aligners with a dentist-led prescription under Illusion aligners. Also, with the vertical integration, we provide branded aligner sheets, automated thermoforming machine and 3D printing resin under our brand Taglus. This is a B2B offering for dentists and dental labs. The balance revenue came from our other businesses.

We entered the pediatric dental market through a jointly controlled entity Kids-E-Dental LLP by acquiring a 60% stake in 2021. For 9 months FY25, this segment delivered revenues of

INR21.5 crores with an EBITDA of 11.32 and a PAT of 10.7. Kids-E-Dental provides a range of preformed pediatric dental crowns, silver diamine fluoride and others. Essentially, this is part of our portfolio, which is not custom made.

However, due to IndAS norms, we are not able to consolidate this entity's performance in terms of revenue. For FY25, we are targeting to close the year with a top line of around INR240 crores with a PAT margin to the tune of 13% to 15%. Now, with the proceeds from our IPO, we plan repayment, prepayment of INR23 crores of outstanding borrowings availed by the company as part of its already done Q4 in FY25.

Investment in certain subsidiaries for repayment, prepayment of INR4.6 crores worth of outstanding borrowings, INR43.5 crores of capital expenditure for purchase of new machineries, INR25 crores investment in subsidiary Bizdent Devices Private Limited for the purchase of new machinery and as we look ahead, the overall market for our offering is sizable and expected to grow at double digits.

Due to the growing awareness of oral healthcare and cosmetic dental procedures, high prevalence of dental problems and increase in the penetration of dental care, technological advancements like 3D printing, CAD-CAM technology, teledentistry. Besides, India as a market will further benefit from increasing medical tourism, dental tourism, higher dental insurance, and China plus one policy by the global companies.

With our strengthened balance sheet position, Laxmi Dental is committed to invest in physical and operational infrastructure to leverage this tailwinds. With this tailwinds over the next 3 to 5 years, we expect and are comfortable to continue on this trajectory and grow at a CAGR of 20% to 25%. Just to add a bit on the business side, we are exhibiting in the world's largest dental conference which happens in Cologne, Germany and it happens once in every 2 years.

We have three dental booths over there from three different companies and we expect good momentum going forward post this exhibition. Now, I will hand over to our CFO, Mr. Dharmesh Dattani, to take it forward. Thank you so much.

Dharmesh Dattani: Thank you so much. Allow me to walk you through our financial performance. Let me give you a glance at our consolidated financial performance during quarter 3 of FY25. Revenue from operations rose by 29% year-on-year to INR61.6 crores. We delivered our highest ever quarterly revenue. Gross margin stood at 73.9 percentage. Typically, it hovers in range depending on the product mix. Employee costs which is a major cost in our business, stood at INR21.8 crores.

It includes ESOP expense of INR36 lakh in quarter 3 of FY25. With higher proportion of digitalization and automation, we expect to achieve efficiencies in this cost. The EBITDA reached INR9.6 crores up from INR3.9 crores in the same quarter last year. The EBITDA margin stood at 15.6%. Our finance cost was INR1.5 crores. Following the IPO, we have repaid approximately INR12.6 crores of borrowing in Q4 FY25.

In line with our use of proceeds, we plan to further bring down our debt. As a result, we expect a considerable reduction in the finance cost from Q1 FY26. PAT for the quarter total INR4.8 crores vis-à-vis INR2.3 crores in the previous year, resulting in a PAT margin of 7.8%. Now, coming to 9 months FY25 performance. Revenue from operations at INR178.4 crores, year-on-year growth of 28.8 percentage.

EBITDA at INR32.3 crores year-on-year growth of 167.2 percentage. PAT at INR27.6 crores year-on-year growth of 57.3 percentage. Looking at the hard work of all our people, we wanted to reward them with ESOP and this will keep them motivated and aligned towards the growth of our company. For FY25 and FY26, the company expects to record ESOP expense to the tune of INR2.19 crores and INR6.35 crores respectively.

In the next 2 years, we plan to do capex of INR68.5 crores. With this, we conclude our opening remarks and open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Tanay Gabhawala from Trust Mutual Fund. Please go ahead.

Tanay Gabhawala: Hi, sir. Congratulations on a good set of numbers. A couple of questions. One was just trying to understand if you can give me a breakup of lab offerings, how that segmented in terms of EBITDA and your aligner solutions and kind of if you can walk me through how you expect those businesses to improve their margins going forward over the next couple of years.

And maybe you can also walk me through how you see your top line going to about, say, a couple of INR200 crores, incremental INR200 crores, where that will come from and how your domestic exports will be sanctioned?

Sameer Merchant: Sure. So, like we mentioned over here we are comfortably forecasting to grow between 20% to 25%. So, based on that, you can populate the number of how we can add additional couple of INR100 crores in the next few years. Now, on the lab and the aligner solutions, the breakup is the lab margin is currently at 16% and aligner solution is at 24%. And over here, if you see our efforts of digitization and also increasing our sales team.

We've added a few sales resources as well and in terms of geographical spread and also DSO network in US and a couple of other parts of the world, we are confident that this will in the next moving forward, a few quarters, we will start seeing traction in those categories.

Tanay Gabhawala: Right. Thank you. So, I only want to guide towards how your margins are going to improve. You've seen a steady state improvement from, say, 20 to 23. It's continuously improved what's your target EBITDA margin over say by FY27, 28 rough cut?

Sameer Merchant: Yes, as we move forward quarter-on-quarter, we will keep you posted, but the goal from here is to definitely improve this as the operational leverage will keep coming in and as we keep growing in India with digitization and automation, as we deploy the capital towards a capex of machinery and as we also expand our geographical reach.

Tanay Gabhawala: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Jatin from RTL Investments. Please go ahead.

Jatin: Yes. Hi. Good afternoon. And thanks for the opportunity. My first question is on the margin side. You've given a PAT guidance of 13 to 15% for the full year Whereas your PAT margin for this quarter is about close to 8%. So there is a big gap. I think there is some one-off of INR6.5 crores, which is helping the margins for the full year. So this 13% to 15% PAT margin, is this the guidance only for this year or do you expect to sustain this kind of margin going forward as well?

Sameer Merchant : So, what we have said we will end between 13% to 15%. We are very confident for the full year and even moving forward, we expect this trajectory to continue and move upwards. Since we are making sure that when we grow say from 20% to 25%. And even the tailwinds, the whole environment for dental in India and across the world is growing. And we now getting an additional credibility of a listed company moving forward from India to the world. We expect this momentum to carry forward.

Jatin: Let me pose the question in a different way. So your 9 month PAT margin is 15% and this quarter is only 8%. So what is the reason that this quarter's margin is so much lower than the 9 month margin?

Sameer Merchant: So one of the key drivers there was we had increase in cost. And also the plan was to repay the debt in Q3, which eventually happened. The IPO happened in Q4 and we are repaying the debt in Q4. So blended based on that the margin profile will improve in Q4 and also throughout the year as well.

Jatin: Okay. When I look at your quarter wise numbers, your employee cost in 1Q was close to INR18 crores. And that has increased to now almost INR22 crores in 3Q. So this increase is driven by what and what is a sustainable employee cost number that we should look at?

Sameer Merchant : So this, on the two parts here. One, we had an appraisal so that went through. Two, we have added people for growth in Q3 as we see the company growing, moving forward. In fact, if you see as compared to last year, our cost has gone down this year and we see that trajectory moving downwards as we keep scaling up with our digitization and automation efforts.

Jatin: When you say cost has gone down, you're saying employee cost as a percentage of sales?

Sameer Merchant : Yes. As compared to last year, as a percentage of sales it has gone down.

Dharmesh Dattani: Our employee cost last year was 36.9% as compared to revenue and this 9 months, we are at 33.7 percentage.

Jatin: Okay. Got it. Got it. And on the Kids-edental side you've spoken that there has been some impact. We have seen numbers come off and 4Q is also expected to be soft. So what has really happened and I think you're saying FY26 onwards, growth should come back. So what would be the driver of that?

Sameer Merchant: So the majority, the reason is we are awaiting registration clearances in countries, which we were hoping should happen in December, but due to the holiday and the extensive MDR, which is going across the world, there has been a delay on that. So the expectation is it should arrive anytime, just based on the registration authorities. So once that kicks in, we will be able to sell in those countries and then the revenue will start moving upwards.

Jatin: So what sort of growth do you expect for Kids-e dental?

Sameer Merchant Similarly, what we have forecasted over years, the blended growth, but again like I said it's hard to say how the registration clearances will happen. As and when it happens, you know, you will see the update quarter-on-quarter, but we are very confident that it is only a matter of registration clearances.

Jatin: Got it. Great. Thanks a lot for the opportunity.

Moderator: Thank you. Next question is from the line of Karan Mehra from Mehta Investments. Please go ahead.

Karan Mehra: Hi, thank you for the opportunity. Just two questions from my end. First, I would like to understand more on the raw material side. What are the raw materials that you typically use and from where do we source it? If you can help some, give some idea over here?

Sameer Merchant: Sure, Karan. As a company, we are pretty balanced in terms of raw materials from US, Europe and APAC. And we have one, two, three companies who can supply us certain raw materials. So that way we are pretty leveraged. And even if you see our raw material cost, it's still reasonable in terms of what we are. So we don't see that as a challenge for us. It's never been. Since 35 years, we've been doing business 20 years since the formal incorporation. We have never had a challenge in terms of raw material procurement.

Karan Mehra: Understood. And sir this seems like a people intensive business. So how do we train and retain the talent and also employee cost in this business seems to be on a higher side. So do you think this can be reduced with scale going ahead?

Sameer Merchant: Absolutely. In fact, when Rajesh Bhai mentioned on the call here in dentistry, the people cost has been historically higher. And now with our efforts, like Rajesh Bhai mentioned that globally, the digitization is about 23% penetrated of intraoral scanner. While we are already today at 60% digitization in terms of intraoral scanner. So we are leading that in India in terms of putting digital technology and scanners out.

So as we move towards those digitization efforts in scanning, these number of people which will be needed to produce in the manufacturing will only go lower and that is the leverage we have brought up till now, where we have reached 60% and that's the leverage we will bring in the future as well.

Karan Mehra: Understood sir. Sir thanks for elaborating that. That answers my question. Thank you.

Moderator: Thank you. The next question is from the line of Ankit Dharamshi from RNM Capital Advisors. Please go ahead.

Ankit Dharamshi: Good morning and congratulations for the good set of numbers. My question is you just mentioned that we have used IPO proceeds for repaying debt this quarter and we have repaid 12 crore . So can you guide us what would be the closing number for the debt for the FY25?

Dharmesh Dattani: So on the debt side, currently we have repaid about INR12.5 crores of debt. And eventually our goal is to pay off the debt from the proceeds and we will be a debt-free company in FY26. So last financial year we had an outlay of interest cost of INR5 crores. So there will be savings on the finance cost going forward.

Ankit Dharamshi: Okay. So we are saying that we will be paying off most of the debt by the end of this year?

Dharmesh Dattani: That's correct.

Ankit Dharamshi: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Swaraj Mehta from Perpetual Capital Advisors Capital Advisors. Please go ahead.

Swaraj Mehta: I just had two questions. What are the margins on a steady state basis and if it is possible to give segment-wise margins and what are the growth levers? So is it the growing number of dentists or growing network of dentists or what would drive growth going forward?

Sameer Merchant: Thanks, Swaraj. I think on the growth path like we mentioned, there are tailwinds from the number of dentists. Of course, every year there are number of dentists which are growing. And at the same time, the discretionary spend is also growing. Now if you see dental awareness in India and across the world, especially if you talk about India across the world we have a great awareness anyway.

In India, if you see, awareness is growing, Swaraj. And I tell people when I meet a lot of people from the industry that kids nowadays know dentists. They go to a dentist. Pediatric dentists are doing well. There are a lot of dental checkups happening in school where patients at a young age have been made aware of dentistry. Discretionary spend of lot of young people towards aligners on aligning their teeth.

Even now saving tooth, putting an implant, putting a cap or a crown is treated as a more functional thing rather than a need-based. It's now a want-based movement which is happening in dentistry as compared to need. And we see this trend going upwards in India as we have seen it a lot of other parts of the world. So we are very clear that this is an industry which is there to grow for the next decade and so on and so forth.

Now on the margin side, we have showcased margin improvement as you would have seen year-on-year. And we are confident that as we move forward, quarter-on-quarter, we will keep updating we are confident of improving the margins.

Swaraj Mehta: Is it possible to give segment-wise margins?

Sameer Merchant: So already segment-wise margin we gave that we are approximately 16% in the lab segment and 24% in the aligner segment.

Swaraj Mehta: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Yash Mehta from Art Ventures. Please go ahead.

Yash Mehta: Thank you for the opportunity. Sir, I wanted to ask that at the time of the IPO, you had given a PAT guidance of INR50 crores for FY25. So now we have given a PAT margin guidance of 14%. So you will end a PAT at INR34 crores for FY25? So sir are you lowering your PAT guidance?

Dharmesh Dattani: We have provided a PAT guidance of 13 to 15 percentage for this current fiscal year.

Sameer Merchant: And that is what we have maintained.

Yash Mehta: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Tanay Gabhawala from Trust Mutual Fund. Please go ahead.

Tanay Gabhawala: Hi. Thanks for the opportunity again. Could you kind of touch on how DECA Dental Brand is growing and Heartland clinic in new client, how that scaling up and maybe touch on so US, China I think, with a new UK distributor as well as a new client. Just trying to understand the model, how it's working with them because they're bigger clients. And whether that will affect your margin profile and whether that is going to drive a lot of the growth. That's part one.

Secondly, if you touch on bills that you'll sell, the machines that you'll sell for aligners. How that trajectory has been monthly?

Sameer Merchant: So on the US and the UK DSO side and new partnerships which have happened in past this year, things are moving well in good direction. In fact, post the credibility of an IPO, we have shared those things, we have received a lot of congratulations on that. We only expect things to move strongly going forward.

And on the machine part, on the aligners, it's been there, so we are doing well. In fact, like I mentioned we are just exhibiting in the largest dental event ever which happens in dentistry once in 2 years where we are displaying these machines and other companies also like. We have three companies who have taken booths.

I don't know if there are any Indian companies who have three booths in this large event, which is one of the biggest in the world. So we are very confident that this will show good traction in the coming quarter.

Moderator: Thank you. The next question is from the line of Rohit Mehra from SK Securities. Please go ahead.

Rohit Mehra: Yeah. Hi, sir. Good morning. Thank you for the opportunity. So I have only one question. Can you help us to understand the structure of business better and why are we not consolidating a 60% entity into a top line?

Sameer Merchant: So that's on the Kids-e dental, the question on the 60% As per Ind AS we are only able to consolidate the PAT margins there. And that is what we are currently doing. And while we have just finished the IPO, as you would understand it's been hardly about, say 20 days odd two to two and half weeks. We will look at everything and all the things that we can to make sure that we keep doing better and better as things move forward, whether it's in terms of the structure of the company.

Whether it's in terms of the product offering that we have, whether it's in terms of the geographical spread or the digitization that we do, the automation that we do, the branding that we do. We are just getting started. We've just come after a long work on the IPO. We've just come back. It's been two weeks and you will start seeing things which will improve in all directions.

Rohit Mehra: Sure, sir. Okay, got it. Thank you.

Moderator: Thank you. The next question is from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.

Kamlesh Jain: Yes, thanks for the opportunity, sir. So just one question on the part of the margins. If I see 6 monthly margins when you posted in your IPO, DRHP or RHP then it was roughly around 19% odd margins, but as we see for this quarter and the subsequent quarter the margins have gone down to like, say, 15.5%, but even if I adjust for your ESOP chart like say it would be around 50 basis points. Even then the margins are down roughly around 350 basis points over H1 and so that particular clarification might be needed on that?

Sameer Merchant: No, over here like I said, we have added employees for growth. If you see, that is where I would say the majority of the difference is. And we wanted to build some traction here for future because for us in the next 3 years to 5 years a dentistry is something which is growing extremely well in India and across the world. There are a lot of tailwinds like I mentioned, discretionary spend.

People from a very young age, from pediatric are going to the dentist and are getting dental awareness. So the overall construct is that whatever is important for the growth of the company, we are doing that. And like I said, we anticipated this to happen in November while it happened in January. And then now with the proceeds that we have, the deployment that we are doing in this quarter and the coming years, we will definitely see results going upward.

Kamlesh Jain: Can you attribute how much headcount increase you have seen over the sequential basis and year-over-year basis because otherwise it can be an increase in managerial revenue addition as well?

Sameer Merchant: No, we have added approximately 95 people in the last 3 to 6 months.

Kamlesh Jain: And in percentage terms, how much it would be because your employee cost has gone up from like INR182 crores. Even on 9 months, I'm not seeing such a sharp increase in employee cost?

Sameer Merchant: So it is currently about 35.3%.

Dharmesh Dattani : So in the current quarter we are at 35.3 percentage and on a YTD basis, 9 months we are at 33.7 percentage. As we mentioned that as the growth keeps seeing further, this percentage is going to be coming down over the period of time in the coming quarters and the years.

Kamlesh Jain: And lastly, sir, what are your guidance for like say FY26? You have provided for FY25, but there are barely a quarter is left there. But going forward, like say FY26 and 27 what guidance we are projecting on the overall revenue numbers, growth numbers and margins?

Sameer Merchant: Like I said on the revenue side, we have given a guidance in terms of 20% to 25% growth. And hopefully in the next quarter, we will keep you posted on the guidance for the other numbers as well.

Kamlesh Jain: Great and best of luck, sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Aashita Jain from Nuvama Wealth Management. Please go ahead.

Aashita Jain: So I have one or two questions. So firstly on your gross margins. So in this quarter, there was some contraction despite International Lab and Aligner business growing very good in this quarter, which I believe have high gross margins. So were you seeing any raw material pressures, maybe due to USD, INR or any other reason that you would assign to and what are the sustainable gross margins that we should build in for coming years?

Sameer Merchant: So, material is close to 26%. So there could be minor fluctuations in terms of USD, how the USD has gone up because we are importing majority of the material. But on an overall side, I think there have been a few minor percentage which has changed, but I think moving forward, we don't see this as a major challenge.

Dharmesh Dattani: And Aashita, we also have the exports. So close to 33% of our revenue comes from the exports. So we have a natural hedge there. So we don't anticipate any loss due to the fluctuation in the foreign currency.

Aashita Jain: Sure. This is helpful. My second question is on your employee costs. While you have mentioned that you've hired people, 95 people in the last 3 to 6 months, but could you give us more color? Where have we hired people, which departments or segments more granularity on that front would be really helpful?

Sameer Merchant: If I have to give you a top three versus the whole granular thing, it would be in regulatory. It would be in finance and sales. Those are the three major areas that we have added. Since we as a company believe we need more clearances and more geographies across the world. So regulatory is one addition. Two is on the finance part. Three is on the sales part to grow the business.

Aashita Jain: Understood. And just lastly when I look at your aligners margin on a 9 month basis, there is some marginal compression on a Y-o-Y basis. Is it only because of employee costs or were there any marketing spends or any other costs that you would like to highlight and how should we see the trajectory from here?

Sameer Merchant: Yes. So there was the employee cost addition. Like I said, we are forecasting growth there. So that's why we've added a few employees and also we have put in a little bit more effort on the marketing side as well to grow the brand.

Aashita Jain: Sure. That's all from my side. Thank you.

Moderator: Thank you. Next question is from the line of Karthik K from Suyash Advisors. Please go ahead.

Karthik K: Sir, good morning. My very first interaction. Excuse me, I'm asking a very basic question. Just wanted to understand how is your industry structured as such? Would there be players of similar size in your specific segment and how organized is the business?

Sameer Merchant : Thank you, Karthik. That's a great question. You know, this is a very fragmented industry. And like we mentioned, hopefully with the CDSCO which came in 18 months back, where we are trying to see that the industry is working towards consolidation and getting more organized, but currently majority I would say a major percentage is very, very unorganized currently.

Karthik K: And how would the average size of the companies be in your space? Are there companies of your size smaller than you?

Sameer Merchant: Like I said hard to predict because all of them are private and extremely small, but as an end-to-end product company we do not see a player currently which is doing end-to-end like we are doing. There may be some in some different categories and some in India, like on an export side, we're doing extremely well. So it's still, I would say still very fragmented. Very small in terms of numbers and like a lot of them do not even have a GST. So very hard to compile data from an industry perspective.

Karthik K: Interesting. Second question would be, sir, people intensity is obviously there on account of various reasons. So a couple of things. One is how do you achieve, what would be your current reach of dentists in India both directly and through hospital networks?

Sameer Merchant: So currently about 22,000 dentists is what we are reaching as part of home-making work.

Karthik K: And what would be the addressable market there 100,000?

Sameer Merchant: There are about 200,000 dental clinics in India.

Karthik K: 200,000. So there is obviously a large amount of reach-related expansion that is possible?

Sameer Merchant: Absolutely, Karthik.

Karthik K: The third one, sir, on the people intensity part again, I'm just trying to understand this better. Is it very labor intensive as in, is it very assembly intensive? Why exactly would you require so many people and what is the typical background of the employees in this category? How do you acquire them? How do you train them? Is there a large attrition number? Just trying to understand that?

Sameer Merchant: So this, like you said, it is a very skilled, semi-skilled to skilled people who are part of the job. And training and when you said it's intensive, currently it's yes. In fact, in the past if you take 10 years back this was like your cost would be 50%, 60% of the cost would be people. Even for a lot of dental labs today, it's still that high cost because they are not digital and they are not using a lot of technology.

While we have brought it down to close to 34%. We evaluating the automation and the digitization efforts that we are doing. And I'm sure in the next couple of years, we will see that improvement. In the people space we hire people who come from different kinds of background because there are a lot of steps which are needed.

This is not one kind of people for the whole dental industry. There are a lot of steps some are technology steps. So we will have CAD engineers and other guys coming in. Some are very artistic steps. So we will have someone from art background coming in.

Some are very number driven steps. So we would have people from finance or account background who will come in. So it's a hybrid mix of people that we choose from based on the process for which we need them.

Karthik K: And how do you ensure quality as in because there is an element of skill here versus something that is standardized? How exactly do you ensure quality of your products or does it depend on the employee on the job?

Sameer Merchant: No, because like I said, we are doing a lot on the digital side. And also we've been doing this since a lot of years, Karthik. It's been if you compare just me and Rajesh Bhai as a management team, we have more than 50 plus years of experience just doing this. So we know how to do this. Of course, we have the ISO, QMS systems, all of that to make sure what we deliver are world class products.

Karthik K: I was just trying to get a sense because the description you gave me is it's a combination of skill plus art?

Sameer Merchant: You need good hands and that's most important. You need good hands to make a nice looking crown and you need good eyes to detect.

Karthik K: Fair. Which is really why I was asking you that question because standardization on scale is a complex challenge. So therefore. Thanks very much for indulging me and best wishes.

Moderator: Thank you. The next question is from the line of Ismile Ansari from Paradise Investments. Please go ahead.

Ismile Ansari: Just wanted to check on the working capital. The debtors have increased substantially in September 24 and your working capital days have also gone up to 83 from 64 days. So is there any stress that you are seeing in recovery and what would be the position as on end of Q3 of FY25?

Sameer Merchant: So on that part proportionate to the business as we keep growing the business. If you see in terms of percentage, it has in a very minor way gone up, but there are international contracts, there are Indian, there are some large customers where we have slightly different payment terms. And especially on our digitization efforts on the scanner which we are pushing a lot. That is where we are giving dentists a little bit more leeway than normal to make sure they go digital.

Because if they go digital, the advantage is more on our side, where we can have driving a lot of operational efficiency. So making sure that we are able to take the dentist digital, we are okay with slightly extending the credit limits to them.

Ismile Ansari: Second question would be on the breakup of the revenues that you have generated predominantly from the West, which is about 56%. And now with the digitization, it should be coming equally across all the regions of the country. So, what are the things that you are doing, especially when you have connected with about 22,000 dental networks versus a universe of 300,000, which is just a penetration of 7.3%.

So, what are the efforts that you are taking to increase this because definitely an increase in the dental network is going to increase your revenues, that's what it looks like and your domestic revenues have been flat for this quarter?

Sameer Merchant: Okay, so on the - I think I missed a few things between, but hopefully I got the gist of it. On the dental network increase today we have close to 320 odd people in sales. So, that's their job to make sure we keep adding new dentists and also important criteria that we have spoken about is also cross-selling. Since we have the Crown and Bridge Dentist. Our effort is to cross-sell the aligner business.

If it's in the aligner dentist, our effort is to cross-sell the Crown and Bridge business. So, that way the sales team is very aware that there is a hybrid mix to increase revenue. One is addition of new dentists like you said and two is the cross-selling of the different products to the existing dentists. This is how we see that in the future as well. We will keep continuing with this hybrid thought process.

Ismile Ansari: Any focus on increasing the revenue from the other regions because right now it's only the West that is predominant in your profile.

Sameer Merchant: Sir, can you repeat the question?

Ismile Ansari: Predominantly, our revenues are coming from the West region and Northeast is very much down, it's just about 2%. So with the digitization that you are talking about, why aren't the revenues getting spread equally or in a more uniform manner across all the four regions?

Sameer Merchant: So, great question. We started in the West. So, West has been the stronghold. It's been a long time we started from Mumbai. So, the facility first dental lab was started in Mumbai. And today, I would say 5 years, 10 years back, we were probably 90% West. Today, we are close to 50% in the West, 23%, 24% in the North, similar in the South and East is what we have just started. We see that percentage being lower.

Ismile Ansari: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, I will take this as the last question. I now hand the conference over to the management for closing comments. Over to you, sir.

Rajesh Khakhar : Yes, just one second. Thank you. With this, I conclude the call. If you have any further queries, please contact SGA our Investor Relations Advisors. Thank you, everyone for joining us today on this earning call. Thank you.

Dharmesh Dattani Thank you so much, everyone.

Moderator: On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.