

**IPO Details**

<b>Opening Date</b>	May 23, 2023
<b>Closing Date</b>	May 25, 2023
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	1000 shares
<b>Issue Price</b>	₹ 128 per share
<b>Issue Size</b>	42,24,000 Equity Shares
<b>Application Amount</b>	₹ 1,28,000
<b>Amount Raised (Issue Type)</b>	₹54.07 Cr (Fresh Issue- ₹40.63 Cr & OFS - ₹13.44 Cr)

**IPO Objective**

1. To Meet Working Capital Requirements.
2. Expenditure to enhance visibility and awareness of its brands.
3. General Corporate Purposes.
4. To meet Offer Expenses.

**Pre-Issue Shareholding**

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,22,00,000	95.00%
Public	6,42,208	5.00%

**Promoter of the Company**

1. Dr. Vikas Agarwal
2. Mr. Sandeep Aggarwal
3. Mr. Manish Kumar
4. Mr. Nakul Varshney

**Competitive Strengths**

1. A one stop shops for Dental products with a diverse range of products across customer preferences.
2. Digital-first omnichannel distribution.
3. Efficient distribution Network.
4. Founder-led company supported by a professional management team

**Company Background**

- Vasa Denticity Limited was incorporated in the year 2016 headquartered in New Delhi-India, is in a dental care industry.
- The company is in the business of marketing and distribution of a comprehensive portfolio of dental products including consumables, instruments, equipment, and accessories for diagnosing, treating and preventing dental conditions
- They have an online portal named as "Dentalkart.com".
- Company operates an online channel housing approximately 300 domestic and international brands with a comprehensive product range of more than 10,000 dental products.
- As on date of filing of this Red Herring Prospectus, company have 184 employees on their payroll.

**Financial Summary**

(INR In Lacs.)

For the Period Ended	Mar-21	Mar-22	Dec-22
<b>Total Assets</b>	691.05	1,945.91	2,695.18
<b>Net Assets</b>	59.78	600.76	1,102.66
<b>Total Borrowings</b>	197.24	326.29	266.31
<b>Total Revenue</b>	4,017.72	7,714.08	8,757.11
<b>Profit After Tax</b>	32.58	540.98	501.90

**Tentative Timeline**

<b>Opening Date</b>	May 23, 2023
<b>Closing Date</b>	May 25, 2023
<b>Basis of Allotment</b>	May 30, 2023
<b>Initiation of Refunds</b>	May 31, 2023
<b>Credit of Shares to Demat</b>	June 01, 2023
<b>Listing Date</b>	June 02, 2023

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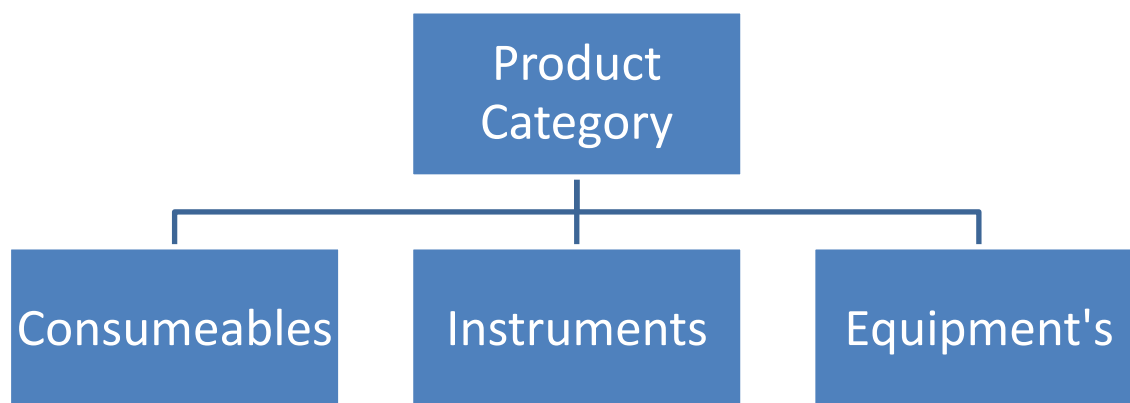
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## Company Overview

Vasa Denticity Limited was incorporated in the year 2016 headquartered in New Delhi-India, is in a dental care industry. They are in the business of marketing and distribution of a comprehensive portfolio of dental products including consumables, instruments, equipment, and accessories for diagnosing, treating and preventing dental conditions as well as improving the aesthetics of the human smile through their online portal “Dentalkart.com”. The same is operated through their website and mobile application “Dentalkart”. They operate an online channel housing approximately 300 domestic and international brands with a comprehensive product range of more than 10,000 dental products. The Company operates through a centralized distribution hub of 13000 sq. ft located in Gurugram, India. They also have a portfolio of more than 30 owned brands, which are manufactured/procured from third parties based on the specifications built by them through their dedicated research and development team.

## Analysis

Being in operations since 2016, the company has a decent track record of existence, all the promoters of the company have a decent experience in the industry. Company generates most of its sales through its online portal “Dentalkart.com”, The same is operated through its website and mobile application “Dentalkart”. Brands owned by company are available on their online channels, as well as at third party platforms such as Amazon and Flipkart. They also provide after sales service in relation to their own products. Company delivers its products across India and overseas with the help of their dedicated fulfilment centre in Gurugram and third-party logistics services. The company has a wide variety of product portfolio, their product offerings can be categorised as given below: -



Products Portfolio can be further classified as below:

1. Consumable items are - Composite, Cotton Products, Brackets, Dental Impression Materials, Rotary Files, Burs and Intracanal Medicaments.
2. Instruments are - Cotton Holders, Mouth Mirror, Probes, Explorers and Implant Instruments.
3. Equipment - Dental Chair & Spare Parts, Ultrasonic Scalers, Endomotors, LED Light Cure Unit, X-Ray Machines and Lab Equipment.

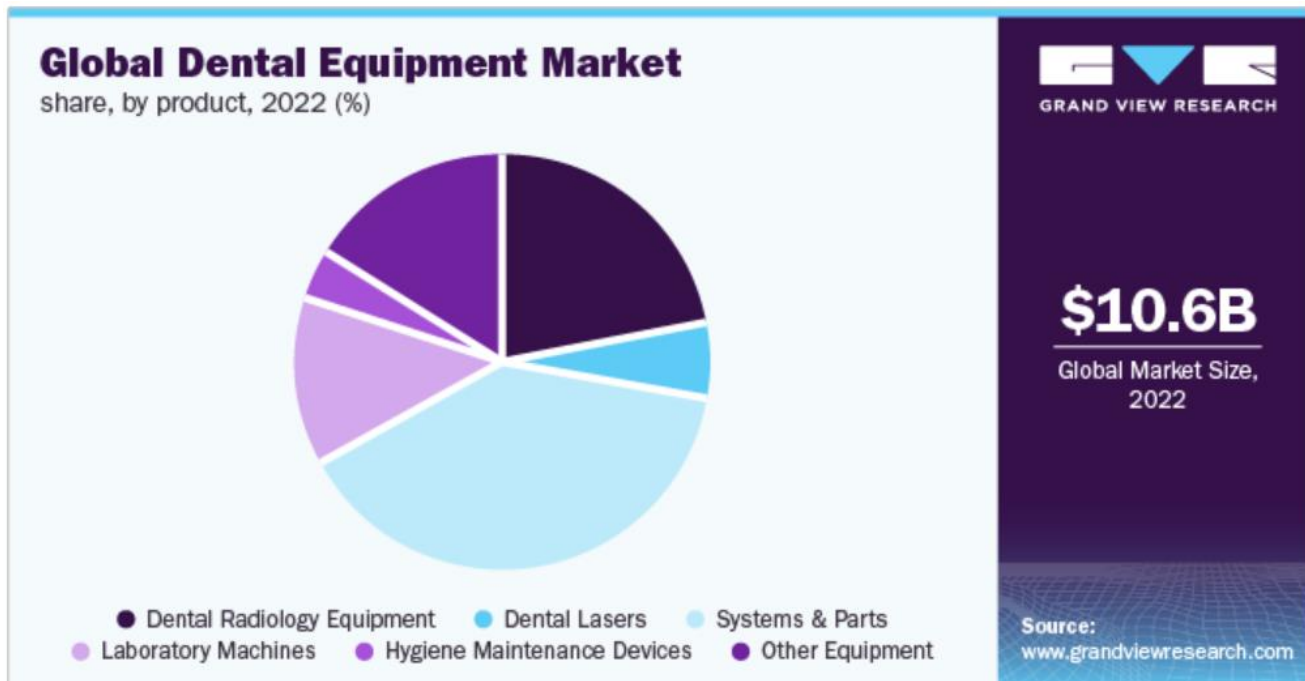
In the F.Y. 2021-22, Company have served over 2 lakh orders placed by over 61,000 customers through website, mobile application and directly. These orders have been placed from all the 28 states and 6 Union Territories of India. Detail of Orders, Customers, Average Revenue per Order and there CAGR Growth for the period/years indicated below:

Particulars	As of and for the year/period ended				CAGR Growth
	December 31, 2022	FY 2021-22	FY 2020-21	FY 2019-20	
Number of Orders	2,37,603	2,02,335	1,13,640	91,316	41.59%
Number of Customers served	61,516	61,465	40,164	32,402	26.25%
Revenue from operations (Rs. in lakhs)	8,728.59	7,692.05	4,007.08	3,041.81	46.72%
Average Revenue per Order (in Rs.)	3,673.60	3,801.64	3,526.12	3,331.08	3.62%

To conclude, the market for dental products is highly competitive and rapidly evolving, company operations have good prospect in the future and also company is planning to increase its revenue further by expanding its operation globally. The company has seen a good growth in number of orders, number of customers served and revenue from operations. Company offers a wide variety of dental products, including consumables, instruments, equipment, and accessories, all under one roof. This diverse range of products will attract and help to retain customers and increase revenue streams.

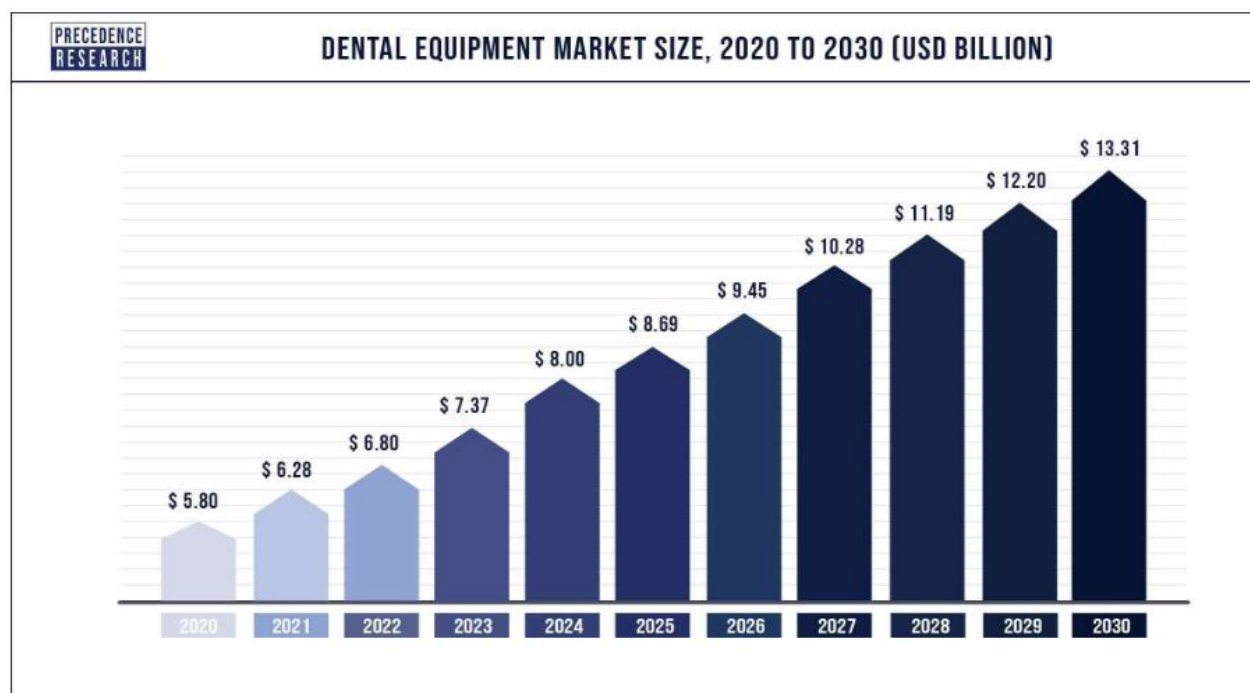
**Industry Charts**

Exhibit 1: Global Dental Equipment Market



(Source- [www.grandviewresearch.com](http://www.grandviewresearch.com))

Exhibit 2: Dental Equipment Market Size



(Source- [www.precedenceresearch.com](http://www.precedenceresearch.com))

## Investment Overview

### INDIAN DENTAL CARE INDUSTRY

Certain demographic and epidemiological changes are expected to increase healthcare demand while also influencing the types of health services required in the future. One such development is increased income, which can result in roughly 73 million Indian households entering the middle class over the next ten years, encouraging their purchasing power, especially in healthcare. By 2026, it is expected that 8% of Indians will earn more than USD 12,000 per year. Another noteworthy trend is the rise in life expectancy and the ageing of the population. India's life expectancy is expected to exceed 70 years by 2022, while the country's population is expected to grow to 1.45 billion by 2028, making it the world's most populous country.

While India has the largest population of youth of any country in the world, the number of senior citizens (those aged 60 and more) is also increasing. In fact, it is predicted that by 2041, the proportion of senior citizens in India's population will have doubled, from 8.6% in 2011. India is anticipated to have 300 million senior persons by the year 2050. The Indian dental industry consists mainly of independent clinics operated by individual dentists. However, there has been a recent emergence of dental specialty chains in major cities of India, which are often supported by venture capital or private equity funding. These chains have contributed significantly to the growth of the industry by promoting the use of advanced, high-quality tools, fittings, and equipment. Indian companies primarily focus on the production of clinical disposables, instruments, disinfectant tools, sterilizing equipment, impression materials, and temporary materials for tooth filling.

The high-end segment of the market, such as dental implants, fittings, and prosthetics, is mainly dominated by foreign players with local presence in India, although many Indian companies also manufacture under license for foreign manufacturers while simultaneously engaging in trade and importing activities. Currently, there are around 5,000 dental laboratories and 300 dental institutes providing basic and advanced oral health care. As the number of dental chains increases, the organized dental clinics' share is expected to grow across the country.

India's hospital industry is experiencing significant interest from investors, both domestic and international. The government's intention to increase public health spending to 2.5% of the country's GDP by 2025 is expected to be advantageous for the hospital sector. The Indian Investment Grid (IIG), which is a platform managed by Invest India for displaying investment opportunities by sector, has almost 600 investment possibilities in the hospital/medical infrastructure sub-sector valued at USD 32 billion (INR 2.3 lakh crore).

### **DEVELOPMENT OF INNOVATIVE MATERIALS**

The development of innovative materials can differentiate dental practices and laboratories from their competitors. Dental professionals who offer the latest materials and technologies can attract new patients who are looking for advanced treatment options.

The development of innovative materials can open up new applications in the dental industry. For example, the use of new materials in regenerative dentistry can provide opportunities for the development of new treatments for damaged dental tissues.

Innovative materials can improve patient outcomes by providing better aesthetic results, reducing the risk of complications, and improving overall patient satisfaction. Materials that are biocompatible, long lasting, and easy to use can help dental professionals achieve better clinical outcomes and provide a higher standard of care.

*(Source- Prospectus)*

## **Addressable market for Vasa Denticity**

Vasa Denticity customer base includes hospitals, clinics and medical establishments. Through their website, mobile application and also directly company have managed to receive orders from 28 states and 6 Union Territories of India, with an intend to increase their offline presence through offline marketing initiatives. According to statistics from the Dentist Council of India (DCI), India is the second largest producer of registered dentists, with over 294,000 as of February 2023 (*Source: "Marketysers Report"*). Continuously increasing such number of registered dentists will eventually increase the demand of the products.

## **Competition**

The market for dental products is highly competitive and rapidly evolving. They have a number of competitors offering products and services similar to them. Competition emerges from both small and big players, which increases the bargain power of the customers. There is relatively less barrier to entry as they are in the business of marketing and distribution of dental products. The principal elements of competition in this industry are product quality, reliability and quality of service and most importantly the pace in keeping up with the required inventories due to changing technology.



## **PEER ANALYSIS**

As mentioned in the prospectus there is only 1 peer company viz. Prevest Denpro Ltd. An analysis of the same has been given below –

Particulars	Vasa Denticity Ltd			Prevest Denpro Ltd.		
	Mar-22	Mar-21	Mar-20	Mar-22	Mar-21	Mar-20
Net Profit Margin	7%	1%	0.31%	32%	25%	22%
EBITDA Margin	8%	1%	1%	39%	32%	22%
Return on Capital Employed	71%	46%	30%	24%	37%	31%
Return on Equity	90%	54%	35%	21%	31%	33%
EPS (INR)	16.05	10.57	5.14	9.64	240.33	175.44

Based on the above analysis all the margins, and EPS of the company when compared to its peer is very low in previous years. The RoCE, ROE of the company when compared to its peers are high in previous years and have increased from March-21 to March-22 for the company, whereas both the margins and returns have decreased for the peer companies.

### **Vasa Denticity:**

- Leading P/E as on 19/05/2023 - 14.60 times.
- EPS is based on post-IPO – Rs. 4.18

## Promoters' Profile and Management Analysis

### Dr. Vikas Agarwal



- Dr. Vikas Agarwal, aged 34 years, is chairman & Managing Director of the Company.
- He has completed his Bachelor of Dental Surgery from University of Delhi, in 2011.
- He has been associated with the Company since incorporation.

### Mr. Sandeep Aggarwal



- Mr. Sandeep Aggarwal, aged 33 years, is the Whole Time Director & CFO of the Company.
- He has completed his Bachelor of Technology in Computer Science & Engineering from the LNM Institute of Information Technology, Jaipur, Rajasthan in 2013.
- He has been associated with the Company since incorporation.

### Mr. Manish Kumar



- Mr. Manish Kumar, aged 33 years, is Promoter of the Company.
- He has completed his Bachelor of Technology in Electronics and Electrical Engineering from the National Institute of Technology, Hamirpur, Himachal Pradesh in 2013.
- He has been associated with the Company since 2017.

### Mr. Nakul Varshney



- Mr. Nakul Varshney, aged 29 years, is the Promoter of the Company.
- He has completed his Bachelor of Technology in Computer Science & Engineering from the LNM Institute of Information Technology, Jaipur, Rajasthan in 2016.
- He has been associated with the Company since 2016.

## **Analysis on the Company's Promoter and Board of Directors**

**Dr. Vikas Agarwal**, aged 34, is one of the Promoters and chairman & Managing Director of the Company and has been associated with the company since incorporation. He completed his Bachelor of Dental Surgery and has a work experience of around 10 years in the same field. He is looking after the core management of the company. He is primarily responsible for the performance and supervision of technical, administrative, and day-to-day operations of the company.

**Sandeep Aggarwal**, is one of the Promoters and the Whole Time Director & CFO of the Company. He too has been associated with the Company since incorporation and has completed his Bachelor of Technology in Computer Science & Engineering. He has a work experience of over 10 years in the Dental Industry and he is playing vital role for the company in formulating administration and Accounting, Financial, Taxation and Legal operations.

**Akanksha Aggarwal**, aged 33, is the Non-Executive Director of the Company. She has been appointed as Non-Executive Director of the Company. She completed her Bachelor of Dental Surgery (BDS) and has over 8 years of experience in the field of dental industry including over 5 years as a Non- Executive Director of the Company, she is responsible for providing her expertise for growth and expansion for the Company.

**Varun Chugh**, aged 27, is an independent director of the Company. He is a qualified member of the Institute of Chartered Accountants of India since year 2017. He has a work experience of around 5 years in the field of Audit and Income tax matters.

**Ravi Kant Jagetiya**, aged 36, is an independent director of the Company. He is a qualified member of the Institute of Chartered Accountants of India since year 2009. He has a work experience of around 12 years in the field of Audit and Income tax matters.

To conclude the company's promoters, have vast experience in the industry to which the company belongs to. The Non -Executive has good experience in the industry and the independent directors of the company also have decent experience in the sector which helps in the growth of the business.

**Financial Snapshot**

(Amount in Lacs)

Particulars	As at 31 <sup>st</sup> March, 2021	As at 31 <sup>st</sup> March, 2022	As at 31 <sup>st</sup> Dec, 2022
<b><u>Profit and Loss</u></b>			
Revenue from operations	4,007.08	7,692.05	8,728.59
Other income	10.64	22.03	28.52
Total Revenue	4,017.72	7,714.08	8,757.11
Expenses	3,957.75	7,097.04	7,988.16
Depreciation and Amortisation Cost	9.28	32.56	36.25
Finance Cost	6.42	49.91	33.50
Total Expenses	3,973.45	7,179.51	8,057.91
PBT	44.27	534.57	699.20
PBT Margin	1.10%	6.95%	8.01%
EBITDA	49.33	595.01	740.43
EBITDA Margin	1.23%	7.74%	8.48%
Net Profit	32.58	540.98	501.90
Net Profit Margin	0.81%	7.03%	5.75%
<b><u>Balance Sheet</u></b>			
Total Borrowings	197.24	326.29	266.31
Net Worth	59.78	600.76	1,102.66
Fixed Assets	47.25	95.55	120.43
Net Working Capital	28.41	567.23	1,031.04
<b><u>Financial Measures (Annualised)</u></b>			
Inventory Turnover Ratio	14.43	7.75	7.11
Receivables Turnover Ratio	52.64	56.63	64.23
Payables Turnover Ratio	12.16	12.79	15.56
Fixed Assets Turnover Ratio	84.81	80.50	107.42
Return on Capital Employed	45.88%	70.58%	16.64%
Return on Equity	54.50%	90.05%	12.28%
Debt-Equity Ratio	3.30	0.54	0.04

(The data has been taken and calculated from the financials given in the prospectus)

## **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

The EBITDA of the company has increased from Rs. 49.33 lacs in 2021 to Rs. 595.01 lacs in 2022 and on 31st Dec 2022 it was Rs. 740.43 lacs and if we annualize the same it would be around Rs. 987.24 lacs. The EBITDA on annualized basis has grown at a CAGR of 347.36%. The EBITDA margin in 2021 was 1.23%, 7.74% in 2022, and 8.48% up to 31st Dec 2022. The EBITDA margin has increased due to a substantial increase in revenue from operations with a percentage increase of 13.5% as on 31st Dec 2022 and increase in EBITDA margin is also due to decrease in percentage contribution of direct expense i.e., COGS.

## **Net Profit**

The Net Profit of the company has increased from Rs. 32.58 lacs in 2021 to Rs. 540.98 lacs in 2022 and as on 31st Dec 2022 it was Rs. 501.90 lacs and if we annualize the same it would be around Rs. 669.20 lacs Growing at a CAGR of 353.21%. The Net Profit margin in 2021 was 0.81%, 7.03% in 2022, and 5.75% up to 31st Dec 2022. The company's Net Profit increased from Mar 2021 to Mar 2022 due to a percentage increase of 91.96% in revenue from operations. Foreign Exchange Gain has also contributed with a percentage increase of 185.6% as on 31st Dec 2022 along with a percentage decrease in the overall other expenses.

## **Finance Cost.**

The company's finance cost mainly comprises interest expenses till 31st Dec 2022 and other borrowings costs till 31st March 2022.

## **Financial Measures/Ratios**

RoCE of the company up to 31st Dec 2022 is 54.35% vs 70.58% in 2022 and 45.88% in 2021. If we annualize the RoCE of FY 2022 – 2023, the RoCE is expected to be around 16.64%. The decrease in RoCE is due to an increase in Equity base of the company.

ROE of the company in 2021 was 54.50%, 90.05% in 2022, and 45.52% up to Dec 2022, if annualized, ROE would be around 12.28%. Along with RoCE, ROE has also decreased. With an increase in equity base, the ROE is expected to come further down on annualized basis resulting in an estimated CAGR of -52.53%.

The inventory turnover ratio of the company has decreased from 14.43 in 2021 and 7.55 in 2022 to 5.33 as of 31st Dec 2022. If we annualize for FY 2022- 2023, it is expected to be around 7.11. The decrease in inventory in hand for the company is not a good indicator.

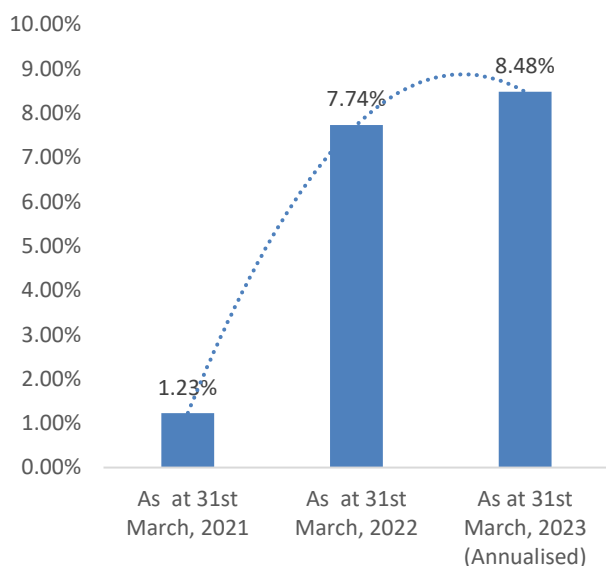
Receivables turnover ratio has decreased from 56.63 times to 48.17 times in 2022. The company converting its receivables to cash reduced 48.17 times and is expected to increase to 64.23 times on an annualized basis. Payables Turnover Ratio has increased from 12.16 times to 12.79 times Y-O-Y. and decreased to 11.67 times as on 31st Dec 2022. It is expected to increase to 15.56 times on an annualized basis.

Fixed assets turnover ratio has decreased from 80.50 to 72.48 in 2022 which implies that management is not using its fixed assets more effectively but is expected to increase to 107.42 on an annualized basis.

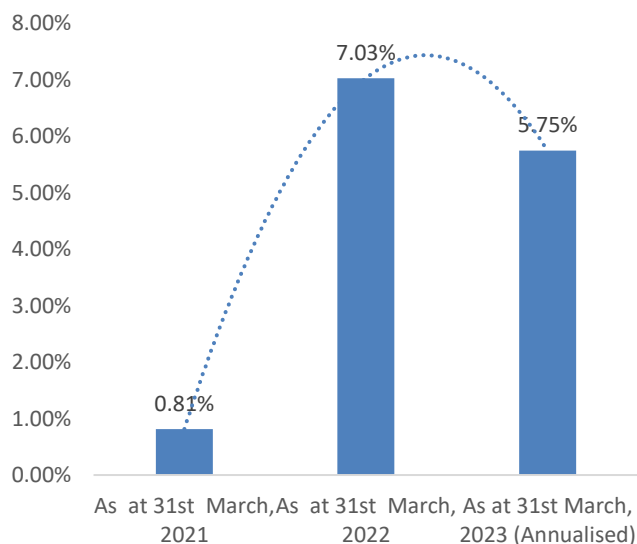
The company has a debt – equity ratio of 0.24 as of 31st Dec 2022 which shows the company is not highly leveraged. The debt – equity ratio is going to go down to around 0.04 times post-IPO. The company is not fully utilizing its debt opportunity.

## Financial Charts

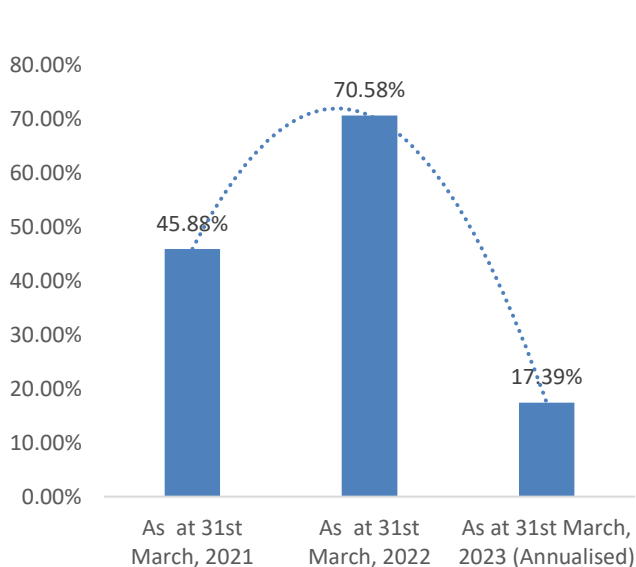
### EBITDA Margin



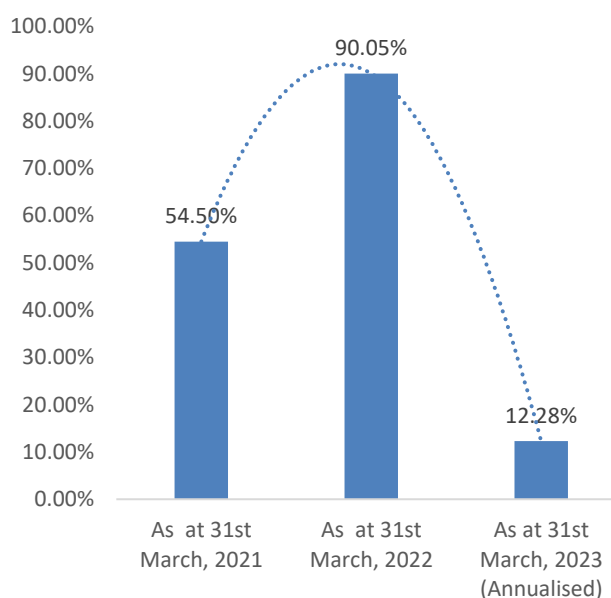
### Net Profit Margin



### Return on Capital Employed



### Return on Equity



## Key Risk Factors

1. The Indian dental care market is highly competitive with the presence of both domestic and international players. Some of the leading players in the market include 3M, Dentsply Sirona, Prevest Denpro Ltd., Danaher Corporation etc. These companies are focusing on innovation and product development to maintain their market position. Their competitors also include a number of online marketplaces, such as Pink Blue Supply Solutions Private Limited, Dentalmart E-Commerce Pvt. Ltd etc, offline retail stores, and brands that take a direct-to-customer approach, effectively removing them from the distribution and sales process.
2. Company have experienced negative cash flows from operations in the recent past, and it may have negative cash flows in the future i.e., net cash flow from operations was negative (Rs. -45.71 Lacs) as of March 31<sup>st</sup>, 2021.
3. Company is involved in import and export transactions with foreign companies, which is paid or received in foreign currencies, any fluctuation in foreign currency exchange rates could affect its financial condition and results of operations.



## Track Record of Lead Manager

The lead manager to the issue is Hem Securities Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

### Hem Securities Limited: -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	Labelkraft Technologies Limited	4.75	55.00	March 23, 2023	82.99
2.	Systango Technologies Limited	34.82	90.00	March 15, 2023	180.00
3.	Macfos Limited	23.74	102.00	March 01, 2023	332.60
4.	Earthstahl & Alloys Limited	12.96	40.00	February 8, 2023	53.85
5.	Chaman Metallics Limited	24.21	38.00	January 16, 2023	55.00
6.	Baheti Recycling Industries Limited	12.42	45.00	December 08, 2022	106.75
7.	Vedant Asset Limited	3.00	40.00	October 12, 2022	42.60
8.	Lloyds Luxuries Limited	24.00	40.00	October 11, 2022	43.00
9.	Concord Control Systems Limited	8.32	55.00	October 10, 2022	115.40
10.	Silicon Rental Solutions Limited	21.15	78.00	October 10, 2022	84.00

### #CMP is taken as on 19<sup>th</sup> May 2023

As per the offer Hem Securities Limited have had 24 mandates in the last three fiscals (including the ongoing one). For Hem Securities Limited out of the last 10 that are mentioned above, all mandates have opened at a premium ranging from 0.02% to 166.67% on the listing date.

## Recommendation

The company has been into this industry since 2016 and have a decent track record. However, the company has also managed to increase its revenue exponentially, along with an exponential growth in EBIT margins and net profit margins.

The company has been in an industry which is highly competitive with the presence of both domestic and international players.

The management outlook of the company is good, as they have almost all the personnel in the top management with required work experience relating to the company operates in. The roles and responsibilities of the management has been delegated accordingly.

The company is getting listed with a leading P/E of around 14.18 times which seems fairly priced, looking at the performance of the company over the past years.

In conclusion, the company has shown an exponential growth of revenue, along with an extra-ordinary growth in EBIT margins and net profit margins, which will be difficult to sustain for the company to grow at the same rate going forward. With an online portal and no high entry to barriers, the company's market share would be easily diverted with some good company coming in. The company is only established in 2016, being relatively new to the business and an extra-ordinary growth in the revenue raises questions on the reliability of the growth in the long-run making this stock a risky bet and therefore **Risk Averse Investors should wait and Risk Seekers should apply.**

## Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

**We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.**