

Retail Research	IPO Note
Sector: Healthcare Solutions Provider	Price Band (Rs): 1,265 – 1,329
11th December 2024	Recommendation: Subscribe

Inventurus Knowledge Solutions Ltd

Company Overview:

Inventurus Knowledge Solutions Ltd (IKS) is a technology-enabled healthcare solutions provider, offering a care enablement platform for assisting physician enterprises in US, Canada and Australia. It partners with outpatient and inpatient care organizations, allowing healthcare organizations to focus on their core operations.

Key Highlights:

- One-stop platform with diversified offerings:** IKS focuses on providing a comprehensive enablement platform that caters to the needs of a wide spectrum of healthcare organizations across outpatient and inpatient care value chain under a single platform. The platform provides offerings ranging from revenue optimization to clinical support solutions, digital health solutions and helping assimilate or migrate EHR systems.
- Strong clientele:** The company has managed to establish long-standing relationships with its clients which includes academic medical centres & healthcare systems, multi-specialty and single-specialty medical groups, ancillary healthcare organizations, among others. Some of the company's key clients include Atlanta Women's Health Group, Boston Children's Health Physicians, Lightbeam Health Solutions, etc.
- Strategic acquisition to boost operations:** In Oct'23, IKS acquired Aquity Holdings, a company engaged in providing technology-enabled clinical documentation, medical coding and revenue integrity solutions for healthcare. Through this acquisition, IKS will be able to cross-sell its products to Aquity's existing customer base of over 804 customers. Similarly, the company will also be able to offer the solutions offered by Aquity to its customers. As of Mar'23, IKS had a total client base of 49 clients, which has grown to 853 clients post-acquisition (as of Sep'24).
- Immense market opportunity:** The healthcare expenditure in US is anticipated to grow from US 4.8 tn in CY23 to USD 6.2 tn by CY28, exhibiting a CAGR of 5.3%. On the back of which, the total addressable market for US enablement technology solutions providers is expected to reach USD 323 bn by CY28 from USD 222 bn in CY23, growing at a CAGR of 7.8%. This growth potential will be driven by the widening supply-demand gap of healthcare professionals, shrinking margins, adoption of value-based care and increase in healthcare consumerism.

Valuation: At the upper price band of Rs 1,329, Inventurus Knowledge Solutions Ltd is valued at FY24 P/E multiple of 61.5x on post issue capital. The company has showcased remarkable financial performance over the years with Revenue/EBITDA/PAT growing at a CAGR of 54.3%/32.3%/26.1% respectively over the FY22-FY24 period. However, any adverse developments from the ongoing litigations against the company can act as a possible pain point in future. The company operates a unique business model and does not have any like-to-like comparable listed peers. We recommend investors to subscribe to the issue at cut-off price.

Issue Details	
Date of Opening	12 th December 2024
Date of Closing	16 th December 2024
Price Band (Rs)	1,265 – 1,329
Offer for sale (No. of shares)	1,87,95,510
Fresh Issue (Rs cr)	-
Issue Size (No. of shares)	1,87,95,510
No. of shares	1,87,95,510
Face Value (Rs)	1
Post Issue Market Cap (Rs cr)	21,704 – 22,802
BRLMs	ICICI Securities Ltd, Jefferies India Pvt Ltd, JM Financial Ltd, J.P. Morgan India Pvt Ltd, Nomura Financial Advisory and Securities (India) Pvt Ltd
Registrar	Link Intime India Pvt Ltd
Bid Lot	11 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NII shares	15%

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	11,96,42,752	69.7
Public & Others	5,19,30,407	30.3
Total	17,15,73,159	100.0

Post Issue @ Lower Price Band	No. of Shares	%
Promoter & Promoter Group	11,28,82,028	65.8
Public & Others	5,86,91,131	34.2
Total	17,15,73,159	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	11,28,82,028	65.8
Public & Others	5,86,91,131	34.2
Total	17,15,73,159	100.0

Source: RHP, SSL Research

Key Financials

Particulars (Rs cr)	FY22	FY23	FY24	1HFY25
Revenue from operations	763.6	1,031.3	1,817.9	1,282.9
EBITDA	297.2	391.3	520.3	359.1
PAT	252.7	336.1	370.5	208.6
EBITDA Margin (%)	38.9	37.9	28.6	28.0
PAT Margin (%)	33.1	32.6	20.4	16.3
RoE (%)	39.1	40.6	32.0	-
RoCE (%)	45.5	47.7	21.3	-
P/E (x)*	89.1	67.0	60.8	-

**Note: Pre-issue P/E based on upper price band*

Source: RHP, SSL Research

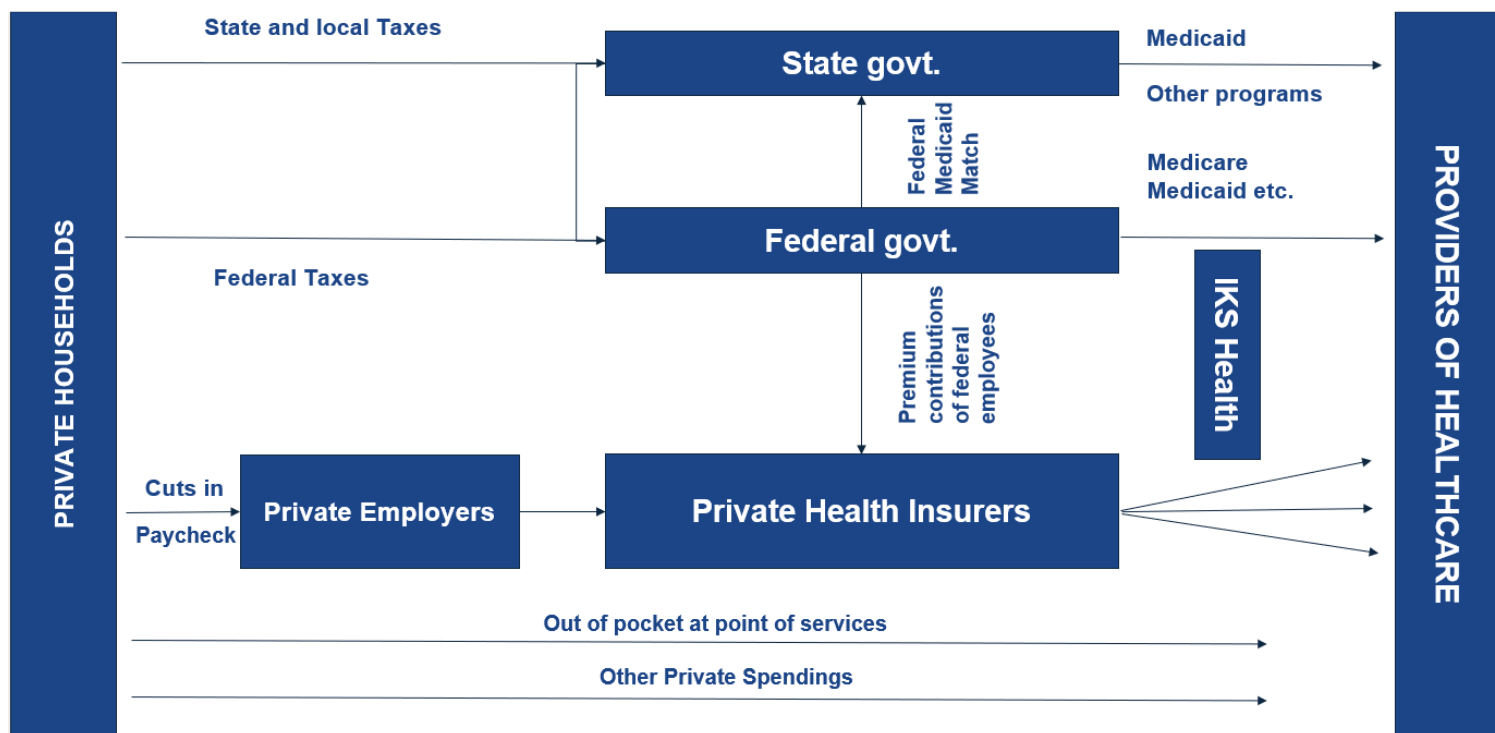
Risk Factors

- **Outstanding litigations and non-compliance in the past:** There are certain ongoing legal proceedings against the company which are pending at different levels of adjudication. The company has also been flagged with certain FEMA related compliance deficiencies in the past. Thus, the arrival of an adverse outcome from the litigation may adversely affect the company's business and reputation.
- **Failure to develop and introduce new solutions:** The company's success depends on its ability to develop, innovate and introduce new solutions or adding new features to its existing solutions. Hence, if the company suffers setbacks in its efforts to employ artificial intelligence and machine learning tools to develop solutions to cater to the client's changing requirements may lead to loss of business and market share.
- **Regulatory risk:** The company's offerings cater to the healthcare industry which is subject to stringent regulatory requirements and regulations. Any instance regarding non-compliance with applicable laws and government regulations could subject the company to regulatory action, including penalties and other civil/criminal proceedings.
- **Slowdown in the US healthcare industry:** The company operates in the healthcare information technology industry and primarily in the United States. Its revenue pipeline is majorly dependent on the US healthcare industry. The company served 778 clients in total during 1HFY25, of which 765 were US-based.

Growth Strategies

- Maximize revenue from existing clients through a "land and expand" approach
- Focus on large healthcare organizations
- Move from a "human-led tech-enabled" model to a "tech-led human-enabled" model
- Bundling solutions for greater value-add
- Leverage automation and Generative Artificial Intelligence (AI) to aid operations
- Partner with innovative clients for product development and innovation

Role of IKS in US Healthcare value chain



Source: RHP, SSL Research

Client and Employee count

Particulars	FY22	FY23	FY24	1HFY25
Company + Material subsidiary IKS Inc.				
Clients	45	49	49	52
Employees	5,413	6,802	6,892	7,823
Including Aquity Holdings				
Clients	45	49	853	778
Employees	5,413	6,802	13,241	13,528

Source: RHP, SSL Research

Operational Metrics – Company + Material subsidiary IKS Inc.

Particulars	FY22	FY23	FY24	1HFY25
Clients	45	49	49	52
Average revenue per client (Rs cr)				
Top 10 clients	52.1	69.2	78.0	38.2
Average vintage of clients (years)				
Top 10 clients	4.7	5.6	6.0	4.9
Top 5 clients	6.3	6.5	8.0	4.9

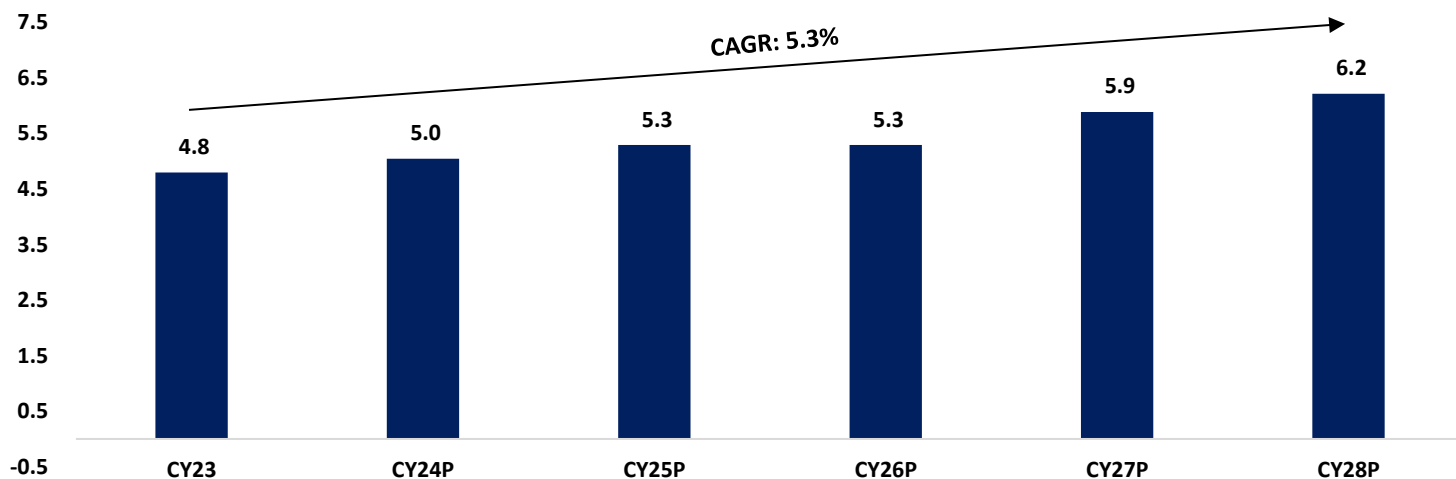
Source: RHP, SSL Research

Industry Overview

US Healthcare spending:

The US Healthcare spending is projected to increase from USD 4.8 tn in CY23 to USD 6.2 tn by CY28, marking a CAGR of 5.3%. This growth in spending will be triggered by factors like increasing life expectancy, rising population of elderly, surging chronic medical conditions and growth in health insurance coverage, among others.

US Healthcare spending (USD tn)

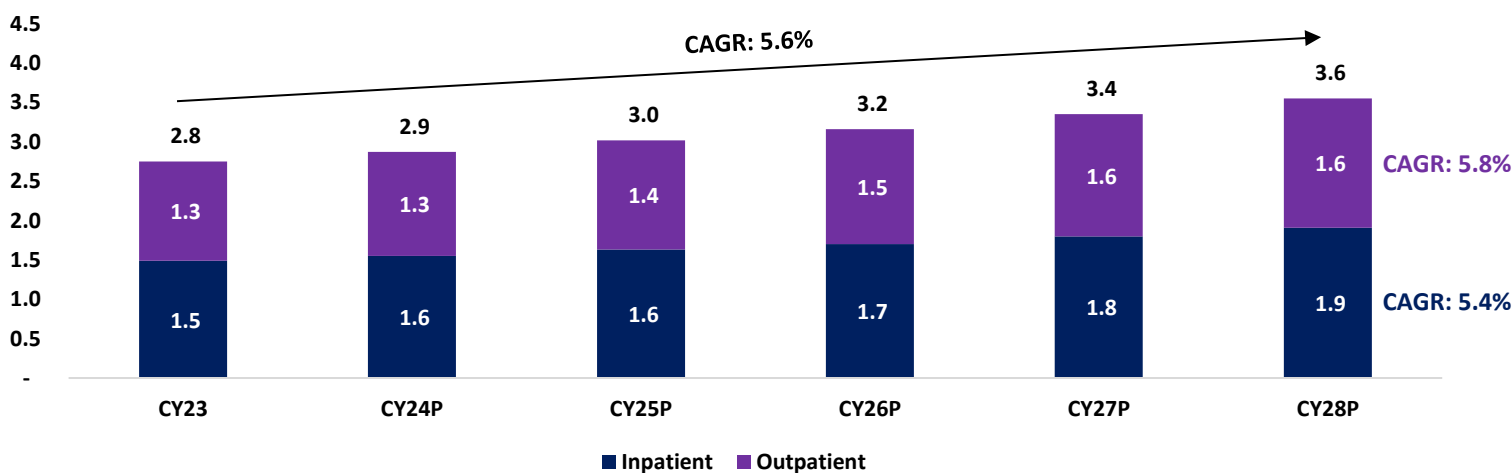


Source: RHP, SSL Research

The total inpatient care and outpatient care spending is expected to increase from USD 2.8 tn in CY23 to USD 3.6 tn in CY28, registering a CAGR of 5.6%. Inpatient care involves the provision of medical treatment for patients who have been admitted to a hospital or medical facility, requiring an overnight stay or an extended duration. This type of care is reserved for complex health conditions that need close monitoring and access to specialized equipment not available in outpatient settings.

Outpatient care spending is expected to grow faster than the overall healthcare industry. Outpatient care is medical care provided on an outpatient basis without admission to a hospital or any other facility. It includes observation, consultation, diagnosis, rehabilitation, intervention and treatment services. Outpatient surgery is defined as surgical and diagnostic intervention that does not require overnight hospital stay.

US Inpatient and Outpatient spending (USD tn)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT				
(Rs cr)	FY22	FY23	FY24	1HFY25
Revenue from Operations	764	1,031	1,818	1,283
YoY growth (%)	-	35.1%	76.3%	-
Cost Of Revenues (incl Stock Adj)	-	-	1	1
Gross Profit	764	1,031	1,817	1,282
Gross margins (%)	100.0%	100.0%	100.0%	99.9%
Employee Cost	373	492	962	725
Other Operating Expenses	93	148	335	198
EBITDA	297	391	520	359
EBITDA margins (%)	38.9%	37.9%	28.6%	28.0%
Other Income	21	29	40	12
Interest Exp.	6	5	60	48
Depreciation	23	25	59	57
PBT	288	390	442	266
Exceptional item	(20)	(31)	-	-
Tax	36	54	71	57
Adj. PAT	253	336	370	209
Adj. PAT margin (%)	33.1%	32.6%	20.4%	16.3%

BALANCE SHEET				
(Rs cr)	FY22	FY23	FY24	1HFY25
Assets				
Net Block	26	20	52	49
Capital WIP	-	-	1	1
Right of use assets	49	37	104	91
Intangible Assets	1	1	1,677	1,652
Other Non current Assets	251	231	294	264
Current Assets				
Inventories	-	-	1	-
Current Investment	-	-	152	-
Trade receivables	96	161	362	401
Cash and Bank Balances	347	523	332	271
Other Current Assets	18	15	52	50
Total Current Assets	461	698	898	723
Current Liabilities & Provisions				
Trade payables	10	22	68	63
Other current liabilities	51	72	250	222
Short-term provisions	9	8	68	55
Total Current Liabilities	69	102	386	340
Net Current Assets	392	596	512	383
Total Assets	719	886	2,642	2,451
Liabilities				
Share Capital	17	17	17	17
Reserves and Surplus	630	812	1,141	1,360
Total Shareholders Funds	647	829	1,158	1,377
Total Debt	-	-	1,193	829
Long Term Provisions	5	5	17	18
Lease Liabilities	65	52	118	106
Other Long Term Liabilities	2	1	8	2
Net Deferred Tax Liability	-	-	148	119
Total Liabilities	719	886	2,642	2,451

Cash Flow (Rs cr)	FY22	FY23	FY24
Cash flow from Operating Activities	233	288	210
Cash flow from Investing Activities	(82)	(156)	(1,141)
Cash flow from Financing Activities	(59)	(152)	780
Free Cash Flow	222	280	183

RATIOS			
	FY22	FY23	FY24
Profitability			
Return on Assets	32.1%	34.0%	12.2%
Return on Capital Employed	45.5%	47.7%	21.3%
Return on Equity	39.1%	40.6%	32.0%
Margin Analysis			
Gross Margin	100.0%	100.0%	100.0%
EBITDA Margin	38.9%	37.9%	28.6%
Net Profit Margin	33.1%	32.6%	20.4%
Short-Term Liquidity			
Current Ratio (x)	6.7	6.8	1.2
Quick Ratio (x)	6.7	6.8	1.2
Avg. Days Sales Outstanding	46	57	73
Avg. Days Inventory Outstanding	-	-	382
Avg. Days Payables	8	12	19
Fixed asset turnover (x)	28.8	50.9	34.9
Debt-service coverage (x)	45.7	73.8	0.4
Long-Term Solvency			
Total Debt / Equity (x)	-	-	1.0
Interest Coverage Ratio (x)	45.7	73.8	8.3
Valuation Ratios*			
EV/EBITDA (x)	74.6	56.2	44.9
P/E (x)	89.1	67.0	60.8
P/B (x)	34.8	27.2	19.4
EV/Sales (x)	29.0	21.3	12.9
P/Sales (x)	1.7	1.3	0.7

**Valuation ratios are based on pre-issue capital at the upper price band*

Source: RHP, SSL Research

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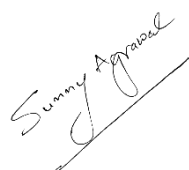
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