Inventurus Knowledge Solution Limited

12-Dec-24

SUBSCRIBE for LONG TERM

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RINKLE SHAILESH VIRA

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Date: 2024.12.12 09:53:06 +05'30'

Issue Details

Issue Details	
Issue Size (Value in ` million, Upper Band)	24979
Fresh Issue (No. of Shares in Lakhs)	-
Offer for Sale (No. of Shares in Lakhs)	187.9
Bid/Issue opens on	12-Dec-24
Bid/Issue closes on	16-Dec-24
Face Value	Rs. 1
Price Band	1265-1329
Minimum Lot	11

- **Objects of the Issue**

The company will not receive any proceeds from the Offer.

- **Fresh Issue: Nil**

- **Offer for sale: ₹ 24979 million**

Book Running Lead Managers
ICICI Securities Limited, ICICI Securities Limited, Jefferies India Private Limited, Jm Financial Limited, J.P. Morgan India Private Limited and Nomura Financial Advisory And Securities (India) Pvt Ltd
Registrar to the Offer
Link In Time Private ltd

Capital Structure (` Million)	Aggregate Value
Authorized share Capital	210.0
Subscribed paid up Capital (Pre-Offer)	171.6
Paid up capital (Post - Offer)	171.6

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	69.7%	60.1%
Public	27.5%	38.5%
Employee share	2.7%	2.7%
Total	100.0%	100.0%

Financials

Particulars (Rs. In Million)	6M FY25	FY24	FY23	FY22
Revenue from operations	**12828.8**	**18179.3**	**10313.0**	**7636.3**
Operating expenses	9237.2	12975.6	6399.9	4664.4
EBITDA	**3591.6**	**5203.7**	**3913.1**	**2971.9**
Other Income	117.3	400.1	288.6	208.3
Depreciation	565.8	585.5	245.5	233.1
EBIT	**3143.2**	**5018.3**	**3956.3**	**2947.1**
Interest	482.06	600.94	53.6	64.5
PBT	**2661.1**	**4417.4**	**3902.6**	**2882.7**
Tax	574.57	711.82	541.15	355.51
Consolidated PAT	**2086.5**	**3705.6**	**3361.5**	**2527.1**
EPS	**12.16**	**21.6**	**19.6**	**14.7**
Ratio	**6M FY25**	**FY24**	**FY23**	**FY22**
EBITDAM	28.0%	28.6%	37.9%	38.9%
PATM	16.3%	20.4%	32.6%	33.1%
Sales growth		76.3%	35.1%	

Company description

Incorporated in 2006, Inventurus Knowledge Solutions (IKS) is a technology-enabled healthcare solutions provider and offer a care enablement platform assisting physician enterprises in the US, Canada and Australia, with a focus on the US markets.

Company is leading partner for outpatient and inpatient care organizations, services enable healthcare organizations to deliver superior clinical care, improve population health outcomes, and transition to the “Fee for Value” model while optimizing their revenue and reducing operating costs.

The company provides solutions that address these increasing tasks, or 'chores', and enable healthcare delivery enterprises to focus on their core focus of healthcare, by taking over chores that are necessary to manage their business. They offer a comprehensive platform that enables healthcare enterprises across outpatient and inpatient care.

IKS acquired Aquity Holdings, a company engaged in technology-enabled clinical documentation, medical coding and revenue integrity solutions for healthcare. Through the acquisition of Aquity Holdings with effect from October 27, 2023, they are able to cross-sell to Aquity's existing base of over 804 customers, as of March 31, 2024, and offer existing solutions to this customer base, thereby increasing their market opportunity.

As of September 30, 2024, IKS has over 778 healthcare organizations as their clients, including health systems, academic medical centres, multi-specialty medical groups, single-specialty medical groups, ancillary healthcare organizations and other outpatient and inpatient healthcare delivery organizations. Some of the key clients include Mass General Brigham Inc., Texas Health Care PLLC, and The GI Alliance Management.

Proprietary technology solutions include: (1) IKS EVE, which automates front-end patient flow activities, (2) Optimix, which helps clients optimize payouts from insurance companies and patients, (3) IKS Stacks, which extracts relevant data from clinical documents, (4) IKS AssuRx, which manages prescription renewal requests, (5) a dashboard for performance tracking, decision support, analytics, and business intelligence, and (6) IKS Scribble, which helps physicians create medical notes.

Valuation & outlook

Inventurus Knowledge Solutions Limited (IKS) is a prominent and niche player in healthcare operations and analytics solutions, specializing in streamlining revenue cycle management (RCM) and improving operational efficiency for U.S. healthcare clients. By utilizing advanced technology, proprietary tools, and offshore delivery centers, IKS delivers cost-effective services and tangible results to healthcare providers. In addition, company’s Unifying Data Platform (“UDP”) allows clients to aggregate data from multiple billing systems, electronic health records (“EHR”), and clearing houses to obtain a single informational database for effective decision-making.

The growth of the U.S. healthcare market, coupled with the rising demand for outsourced services, presents substantial growth opportunities for IKS to expand its operations.

On Valuation parse, at the upper price band the company’s implied market cap is around Rs 228021 Mn valuing at PE of 61.2 times on annualised basis for FY25 making the issue fully priced. But issue being fully OFS the company won’t be benefitted directly by the proceeds however operating in niche segment of health care solutions with rising demand with asset-light model and looking at the company’s stable financials and absence of direct competitor will add advantage. We believe that this issue may be considered for its long term growth. Hence we give “**SUBCRIBE for LONG TERM”** rating to this IPO.

Company's Operations

Inventurus Knowledge Solutions Ltd (IKS) is a technology-driven healthcare solutions provider offering a care enablement platform that supports physician enterprises in the US, Canada, and Australia, with a primary focus on the US market. As a key partner for outpatient and inpatient care organizations, IKS helps healthcare providers deliver high-quality clinical care, enhance population health outcomes, transition to a value-based care model, and optimize revenue while reducing operational costs.

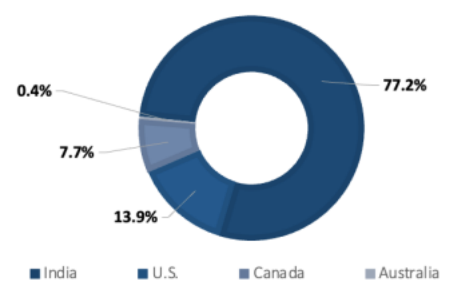
As of September 30, 2024, IKS has over 778 healthcare organizations as their clients, including health systems, academic medical centres, multi-specialty medical groups, single-specialty medical groups, ancillary healthcare organizations and other outpatient and inpatient healthcare delivery organizations. Some of the key clients include Mass General Brigham Inc., Texas Health Care PLLC, and The GI Alliance Management. They serve their clients through their consolidated globalized workforce of over 13,528 employees, including 2,612 clinically trained employees and a consultative sales force with presence in key geographies in the US, Canada and Australia, as of September 30, 2024.

Geography	As of September 30, 2024	As of September 30, 2023	As of March 31, 2024	As of March 31, 2023	As of March 31, 2022
	Number of Clients[1]				
US[2][3]	765	42	836	49	45
India	-	-	-	-	-
Australia	1	-	1	-	-
Canada	12	-	16	-	-
Total	**778**	42	853	49	45

Company's healthcare provider enablement platform helps healthcare providers focus more singularly on their core role of patient care, while empowering healthcare organizations to thrive. They take on the chores of healthcare, spanning administrative, clinical, and operational services through their proprietary technology platforms, so that physicians can focus on their core purpose of delivering care to patients. Combining technology, dedicated resources and clinically trained employees, their solutions enable stronger and financially sustainable healthcare enterprises.

Inventurus Knowledge Solutions Ltd employs an asset-light and scalable business model designed to optimize financial efficiency while supporting operational expansion. Key strategies include cross-selling additional products and services to existing clients, leveraging proprietary technology like Optimix to reduce delivery costs and enhance operational metrics, and driving employee productivity through advanced e-learning modules and training methods. The company further emphasizes client-centric collaboration by engaging U.S. based domain experts to identify and implement process improvements.

As of September 30, 2024, they serve their clients through their consolidated globalized workforce of over 13,528 employees, including 2,612 clinically trained employees and a consultative sales force with presence in key geographies in the US, Canada and Australia. IKS Health primarily serves customer segments within health systems, hospitals, and independent single and multi-group practices. Notable clients in these segments include Caremount Medical, Select Medical, The University of Alabama, and Brigham and Women's Hospital, among others.



Geographical Split of Employees

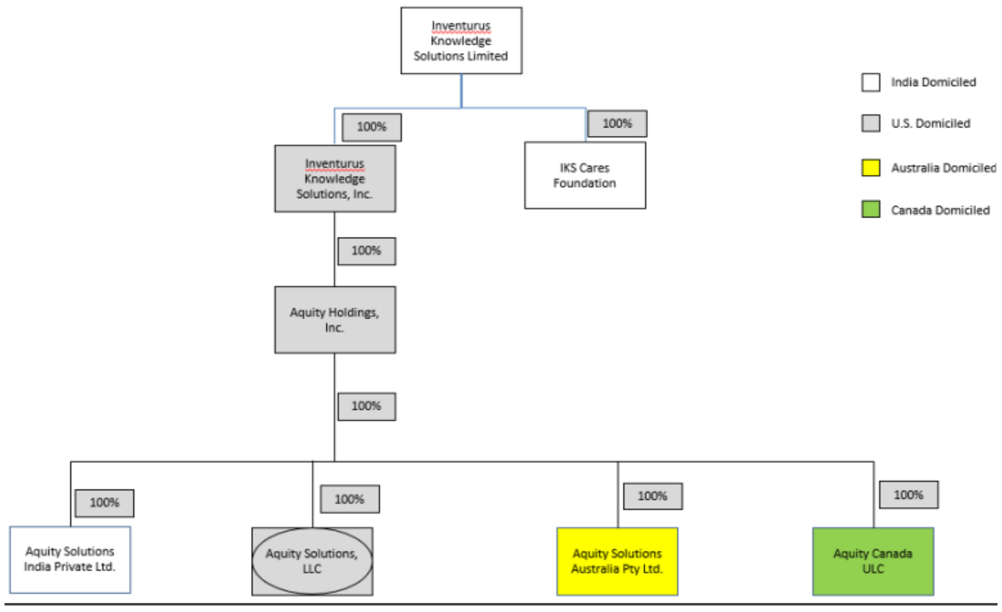
Source: IKS Health

IKS Health has strategically directed its focus on enhancing its technology-enabled offerings for healthcare providers by concentrating on five distinct areas - Revenue Cycle Management, Clinical Services, Value Based Care, Scribe and Medical Transcription Solutions and Coding. Each of these areas is designed to address specific aspects of healthcare delivery enabling it to deliver tailored solutions that enhance efficiency, improve patient outcomes, and streamline administrative processes within the healthcare system.

IKS Health made a significant move in October 2023 by acquiring Aquity Holdings, a move that not only expanded its capabilities but also solidified its position in both inpatient and outpatient care sectors. This strategic acquisition has given birth to a powerhouse in healthcare technology, now operating under the IKS Health banner. With combined annual revenue of U.S.$220 million and a global workforce of 13,528 professionals as of September 2024, the new entity serves an impressive 150,000 clinicians across major U.S. healthcare institutions.

Through subsidiaries like Aquity Solutions LLC, IKS Health continues to expand its service offerings, bolstered by acquisitions such as Aquity Holdings Inc. With cutting-edge facilities in Navi Mumbai, India, and a strategic focus on combining technology and human capital, the company is poised to drive transformative healthcare solutions globally.

Corporate Structure



Revenue Optimization

Company's revenue optimization solutions enable healthcare organizations to generate, capture and optimize their revenue, improve operational efficiencies, and increase enterprise value through a cost-optimized, globalized, technology-enabled offering with on-demand scalability. Their autonomous patient journey management and revenue cycle optimization solutions contribute to enhancing the patient experience and revenue claim outcomes. Components of the revenue optimization solution are spread across various stages of the patient's journey, as shown below:

Pre-Visit Stage: At this stage, IKS facilitate patient scheduling, eligibility verification, insurance verification, prior authorization, and patient financial liability assessment.

Peri-Visit Stage: At this stage, IKS assists with coding and referral order management.

Post-Visit Stage: At this stage, IKS solution facilitates billing, payment posting, insurance denial management, and account receivables follow-up.

In-Acute Settings stage: All of these offerings are also relevant when the patient is admitted to a hospital, long-term inpatient care facility, or skilled nursing facility.

Value Proposition

Bespoke IT Solutions

As of September 30, 2024, the company employs a technology team of 564 professionals who build and maintain customized IT software applications for healthcare providers and independent software vendors. These include transaction engines, workflow tools, data warehouses, dashboards, and interfaces with practice management, billing, and EHR systems. The company's digital health solutions help U.S. healthcare organizations optimize technology spending, maximize the value of technology investments, and reduce capital expenditures and operating costs.

Enabling physicians to deliver better, safer, and more affordable clinical outcomes

The company is dedicated to helping physicians achieve better, safer, and more affordable clinical outcomes. Physicians operate in a demanding environment, juggling complex regulatory requirements, insurance obligations, evolving technology, and increasing patient demands. These challenges often contribute to physician burnout and make it harder to attract, retain, and motivate top talent in the healthcare industry. To address these issues, the company's platform offers a comprehensive suite of digital solutions that alleviate the administrative burden on healthcare providers. By automating key tasks such as clinical documentation, patient scheduling, prescription refills, data management, and clinical data migration, the platform improves operational efficiency and supports physician wellness. With tools like pre-visit summaries and discharge summaries, the platform enables clinicians to focus on more critical, patient-facing tasks, ultimately enhancing productivity and care quality.

Obtain accurate and timely payments for clinical care provided

The company's solutions are aimed at optimizing revenue and minimizing costs within the revenue cycle. This is achieved by maximizing collectible payments, reducing accounts receivables, limiting bad debt write-offs, and addressing underpayments from insurance companies. By improving clinical documentation, the company enhances revenue cycle performance, reducing denial rates and accounts receivable days. Through the use of technology, the company automates key processes, such as patient financial clearance, clean claim submission, payment posting, and reconciliation. These innovations reduce inefficiencies in accounts receivable follow-up, lower payment collection costs, and drive revenue growth. Ultimately, this enables clients to offer more affordable care and allocate capital toward investments that improve clinical outcomes.

Help risk-bearing healthcare organizations deliver greater value to patients

The company's services empower healthcare organizations to deliver superior clinical care, improve population health outcomes, and transition smoothly to a "Fee for Value" model. Their value-based care solutions support risk-bearing healthcare organizations by enabling them to monitor patient health, identify care gaps, and provide proactive, preventive care. Key solutions include IKS Stacks for identifying care gaps, clinical chart reviews for early detection of potential medical conditions, HCC coding for accurate disease identification, and Care and Utilization Management solutions for executing appropriate clinical interventions. Additionally, the platform automates routine administrative tasks, allowing nurses and medical assistants to focus on patient-facing care, further enhancing efficiency and outcomes.

Enabling healthcare organizations to leverage the full potential of digital health platforms

The US healthcare market faces challenges with fragmented systems, hindering efficiency and technology modernization. The company addresses this by offering a digital health platform that enhances and manages clients' technology systems. Their Unifying Data Platform (UDP) aggregates data from billing systems and EHRs into a single database, enabling better decision-making without the need for costly system migrations.

Strengths:

Comprehensive one-stop platform with diversified offerings across the outpatient and inpatient care value chain serving key stakeholders such as patients, physicians, nurses and healthcare organizations

IKS consider their ability to offer a comprehensive one-stop platform offering an integrated solution instead of multiple point solutions, a key strength of their business, which allows their clients to avoid having to contact and manage several vendors servicing segregated and disparate aspects of the organization. Their provider enablement platform strives to address the financial, clinical, technological, and operational needs of US, Canada and Australia healthcare organizations. Their platform provides offerings ranging from revenue optimization to clinical support solutions, to digital health solutions and helping assimilate or migrate EHR systems. Their solutions are customised for each client, with a dedicated team leveraging the institutional knowledge of the client's business and dedicated managers responsible for delivering results acting as liaisons between the client and company's operations.

Leveraging digital evolution, transformation and automation technologies to create sustained value based on outcomes delivered

Company's platform-based technology solutions integrate with their clients' practices and EHR systems to help reduce administrative and clinical burden, offer actionable insights, deliver process excellence, and enhance project team communications. They offer their clients added capabilities and flexibility through their Unifying Data Platform, which ingests data from separate data sources, aggregates, cleans and normalizes it and then connects to various business applications and data visualization layers. They consolidate data from disparate systems using standardized data nomenclature and governance measures to build a "data lake" that yields improved data quality and integrity, and their IKS dashboard generates insights customized for each organization / user, with extensive reporting capabilities.

Strong brand driven by clinical thought leadership through IKS Advisory Board, a healthcare industry leadership forum, and partnerships with industry players and evident through multiple awards and recognitions

IKS has built a strong brand amongst healthcare organizations and physicians through the following:

- Selective and targeted marketing efforts, including positive word-of-mouth referrals and testimonials from satisfied clients,
- Their IKS Advisory Board, a healthcare industry leadership forum set up by the company,
- A consultative sales force with presence in key geographies in the US, Canada and Australia,
- Clinical thought leadership and association with well-known healthcare industry organizations, such as the American Medical Group Association,
- Positive word-of-mouth referrals and testimonials they receive from satisfied clients.

Marquee large enterprise clientele that include academic medical centres and healthcare systems, multispecialty and single-specialty medical groups, ancillary healthcare organizations, value enablers, and other outpatient healthcare delivery organizations and client stickiness reflected in revenues from repeat clients of over 90% in the last 3 Fiscals

IKS has maintained long-standing relationships with their clients, which include academic medical centres and healthcare systems, multi-specialty and single-specialty medical groups, ancillary healthcare organizations, value enablers, and other outpatient healthcare delivery organizations. Their client base has grown from 45 clients, as of March 31, 2022 to 49 clients as of March 31, 2023. Pursuant to their acquisition of Aquity Holdings, as of September 30, 2024, they had 778 clients.

Strategies

Maximize revenue from existing clients through a "land and expand" approach

The company has witnessed success in increasing revenues from existing clients, by cross-selling additional offerings to those clients and expanding their revenue generated from each offering from that client such as by delivering the offering to more medical groups, locations, or sister entities within that client's organization. In Fiscals 2022, 2023 and 2024 and in the 6 months ended September 30, 2023 and 2024, ₹ 752.75 crore, ₹ 1016.65 crore, ₹ 1,253.66 crore, ₹ 630.87 crore and ₹ 612.33 crore was generated from repeat clients which contributed 98.57%, 98.58%, 99.13%, 100.00% and 93.99% of their revenue from operations, respectively.

Focus on large healthcare organizations

The company will aim to target a number of enterprise clients, typically large healthcare organizations with a substantial pool of employed physicians and other physicians. The opportunity for revenue growth from large clients is higher, which may increase their demand for their solutions. Such clients may possess greater capital allowances for their platform, as well as a higher willingness and ability to purchase their value-added solutions. The acquisition of Aquity enables them to expand their offerings to the inpatient care business of Integrated Delivery Networks and large health systems, thereby increasing the level of stickiness within their existing client base.

Move from a "human-led tech-enabled" model to a "tech-led human-enabled" model

Company's solutions for clients often move from a "human-led tech-enabled" model at the start of their engagement, which relies on manual work and limited use of technology, to a "tech-led human-enabled" model, which relies more on automation and has limited manual work required. Their employees' roles also evolve from a 'worker' role to an 'audit' role reviewing the work performed by the automated system and primarily involved in managing exceptions and complex cases. Some of the notable developments in their product roadmap include IKS Claim, Daily Huddle Summary, Pre-emptive Order Entry, Medication Reconciliation, Medication Adherence Solutions, Utilization Management Solutions, Care Coordination, Transition of Care Management and Chronic Care Management Solutions, and Autonomous Coding.

Bundling solutions for greater value-add

The company has made deliberate and conscientious attempts to bundle several features on their platform with the objective of delivering greater value to their client enterprises while simultaneously increasing the wallet share and raising the barriers to entry for competitors that may be more focused on singular features. They intend to adopt a gradual approach to this strategy as the purchasing and adoption decisions for these client organizations involve a multitude of factors and accompanying complexities. They intend to manifest the strategy of bundling their solutions in tandem with their "land and expand" approach by starting with a smaller set of features, accruing client satisfaction and loyalty before growing their pie.

Leverage automation and Generative Artificial Intelligence (AI) to aid the operations

Incorporating generative AI into their care enablement platform enables them to accelerate the enhancement of clinical, operational, and financial outcomes. By harnessing the power of generative AI, they will be able to optimize and streamline processes, thereby reducing operating costs. Generative AI's ability to generate content from vast datasets accelerates cost-effective and efficient healthcare delivery for improved overall performance. They are also in various stages of evaluation and development of use-cases for generative AI across their care enablement platform.

Partner with innovative clients for product development and innovation

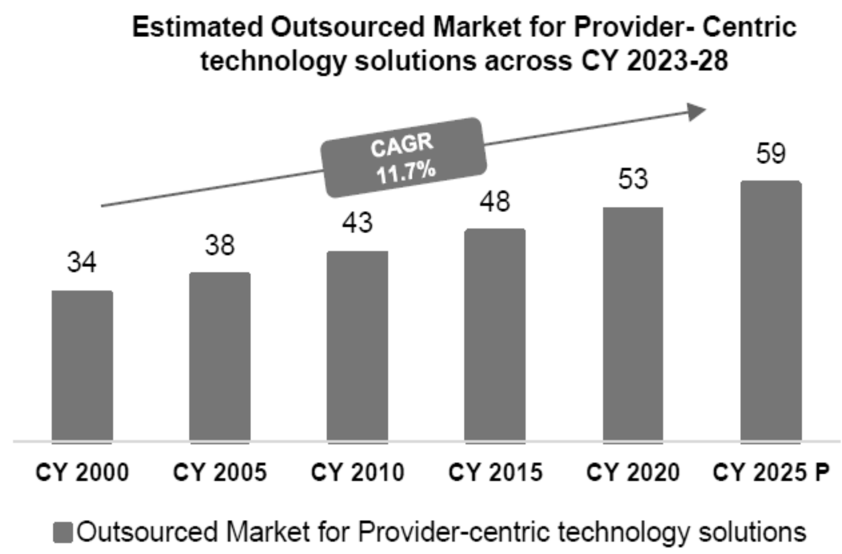
IKS has collaborated with and intend to continue working with dynamic and forward-thinking healthcare organizations to develop innovative solutions that address the real-life challenges of healthcare organizations. They have entered into a collaboration agreement with a medical group affiliated with a Boston-based affiliate of Mass General Brigham Inc., to develop innovative clinical solutions to improve clinical safety and patient care and reduce the administrative burden on physicians. Similarly, they have partnered with the largest orthotics and prosthetics company in the US to develop innovative administrative, financial, and technology solutions.

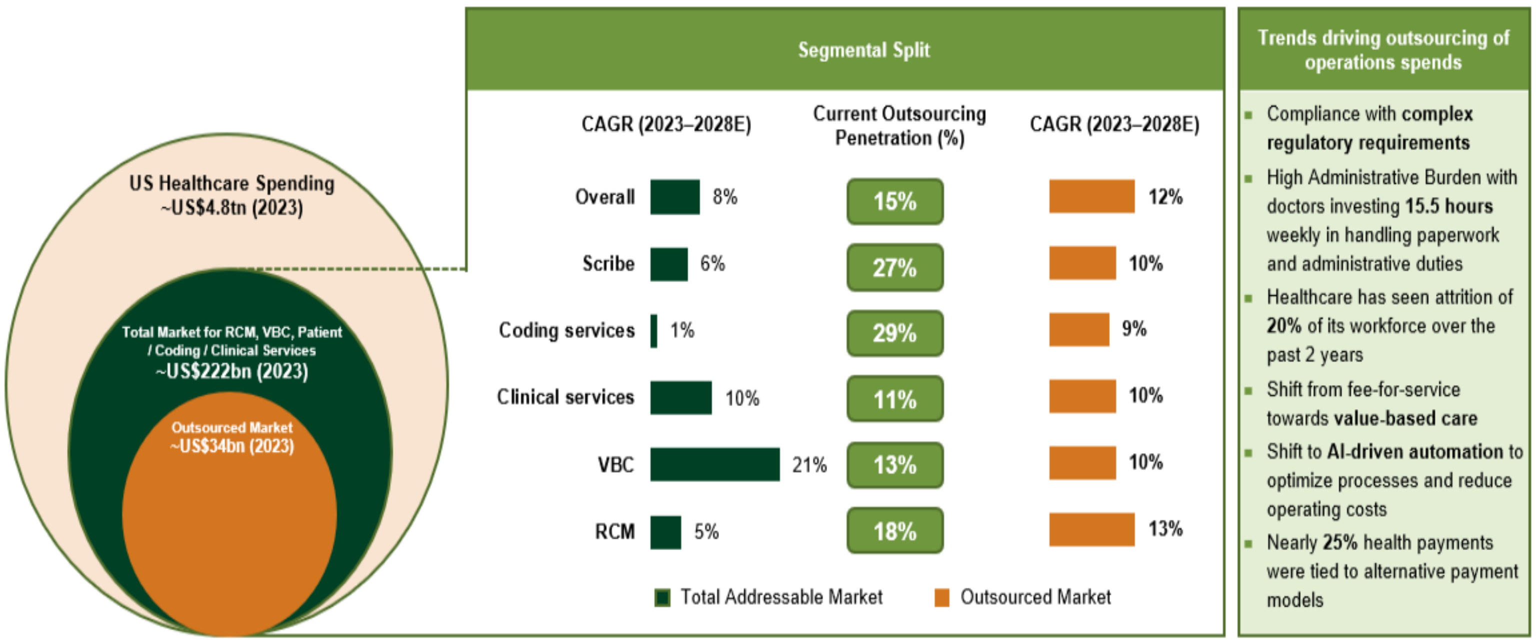
Develop solutions to address the needs of entities moving to "Value-Based Care"

IKS has developed "Value-Based Care" solutions that address the needs of large healthcare organizations, particularly in the US, that are increasingly transitioning from the traditional "Fee For Service" arrangements to the newer "Fee for Value" arrangements. They will continue to shape, develop and market their platform to assist US healthcare organizations in the transition to "Fee for Value" more effectively and efficiently, and improve population health outcomes, while creating solutions that reduce the administrative burden of physicians and organizational operating costs.

Industry Snapshot

Health expenditure in the US is projected to grow from U.S.$4,799 billion in 2023 to U.S.$6,216 billion by 2028, reflecting a CAGR of 5.3%. This growth will be driven by an ageing population and a rise in chronic diseases. The total addressable market for provider enablement technology solutions in the US is expected to reach U.S.$323 billion by 2028, as indicated below:





IKS's Addressable Market to grow at 7.8% CAGR (2023–28E) vs the outsourced market to grow at 12% CAGR(2023–28E)

After a strong post-pandemic recovery, the U.S. grew by 10.7% in 2021 and 9.1% in 2022, stabilizing at 6.3% growth in 2023. The IMF forecasts that the U.S. GDP will reach USD 33.5 Tn by 2028, driven by sustained growth.

Macro Trends Impacting the U.S. Landscape and Driving Demand for Healthcare

Increasing life expectancy: Rising life expectancy in the U.S. driven by lifestyle and medical advancements will increase demand for specialized healthcare workers due to age-related chronic illnesses.

Growing elderly population: The U.S. population aged 65+ has steadily increased since 2005 and is projected to reach 26.7% by 2025, up from 18.6% in 2000. This shift highlights a growing need for healthcare services, particularly geriatric care, and potential adjustments to healthcare policies.

Surging chronic medical conditions: Chronic conditions, affecting 7 in 10 Americans, account for 70% of deaths and 75% of healthcare spending. By 2025, over 164 Mn Americans are projected to have a chronic disease, with cancer, diabetes, mental illness, heart disease, and respiratory diseases leading to higher mortality and healthcare costs.

Growth in health insurance coverage: Health insurance coverage in the U.S. is projected to rise from 86.3% in 2000 to 92.5% by 2025, driving an increase in patient visits and admissions from 62.7 Mn to 90.4 Mn. Greater insurance access has led to more healthcare utilization.

Pandemic's strain on health services: The COVID-19 crisis caused millions of deaths, strained healthcare services, and underscored the need for reforms to ensure affordable, universal access to care.

Deferred treatment: COVID-19 caused delays in noncritical care, with 41.0% of U.S. adults avoiding medical treatment in 2020. Hospital stays increased by 9.9% in 2021 and 19.0% by 2022 compared to pre-pandemic levels, reflecting ongoing healthcare system challenges.

Increased physician stress: Increased patient volume and extended hours have caused significant burnout among U.S. physicians. By 2025, the U.S. is projected to face shortages of 446,000 home health aides, 95,000 nursing assistants, 98,700 medical professionals, and 29,000 nurse practitioners.

Increased cost per service: U.S. healthcare spending reached USD 4 Tn in 2020, averaging USD 12,530 per person. By 2031E, it is projected to rise to USD 7.2 Tn (USD 20,425 per capita), driven by the surge in severe COVID-19 cases and increasing healthcare costs.

Home-based care: Home care organizations collaborated with COVID-19 facilities to discharge stabilized patients, offering both clinical care and personal assistance. The home care market is projected to reach USD 272 Bn by 2026E, driven by demographic aging.

No Comparison with Listed Peers

Key Risks

- The business is primarily only concentrated in Maharashtra, especially Pune and we are significantly dependent on top five of our stores located in Maharashtra for revenue generation.
- Company requires significant amounts of working capital for continued growth. Their inability to meet our working capital requirements, on commercially acceptable terms, may have an adverse impact on business, financial condition and results of operations.
- Volatility in the market price of gold, silver and diamonds and other raw materials has a bearing on the value of our inventory and may affect their income, profitability and scale of operations.
- The company is dependent on third party artisans for the production and manufacturing of all of our products. Any disruptions at such third-party production or manufacturing facilities, or shortage or scarcity of Karigars in the jewellery industry especially in Maharashtra or failure of such third parties to adhere to the relevant quality standards may have a negative effect on our reputation, business and financial condition and results of operations.
- Jewellery purchases are discretionary and often perceived as luxury purchases. Any factor negatively impacting discretionary spending by consumers may adversely affect the business, results of operations, financial condition and prospects.
- If company is unable to continue to develop innovative, fashionable and popular designs, demand for jewellery may decrease, adversely affecting its revenues and financial condition.
- The non-availability or high cost of quality gold, diamonds, silver, precious and semi-precious metals and stones may have an adverse effect on the business, results of operations, financial condition and prospects.
- The company's income and sales are subject to seasonal fluctuations and lower income in a peak season may have a disproportionate effect on our results of operations.

Valuation & Outlook

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Ratings Methodology

- Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid-Caps & Small Caps as described in the Ratings Table below:

	Buy	Hold	Sell
Large Caps (Top 100 companies)	**>15%**	**0%-15%**	**Below 0%**
Mid-Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small Caps (251st company onwards)	>25%	0%-25%	Below 0%

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