



IPO Note

Inventurus

Knowledge Solutions Limited

Recommendation: **AVOID!**

Company Background -

- **Incorporation:** Inventurus Knowledge Solutions Limited was originally incorporated on September 05, 2006. The company has its registered office in Thane, Maharashtra, India.
- **Business Activity:** The company 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.
- **Revenue Stream:** The company generates revenue from the sale of its services and offerings to clients.
- **Human Resource:** The company had 13,528 personnel, comprising 12,862 full-time employees and 666 contract workers, including 2,612 clinically trained employees and 564 technology focussed employees and 10,873 permanent employees, respectively, working in India as of Sep 30, 2024.

Objects of the Issue -

- The company will not receive any proceeds from the offer.
- Offer For Sale

Promoters Name -

Sachin Gupta, Rekha Jhunjunwala, Aryaman Jhunjunwala Discretionary trust, Aryavir Jhunjunwala Discretionary Trust and Nishtha Jhunjunwala Discretionary Trust.

Rationale for recommendation -

- ✓ The PE ratio is 54.66 times post issue makes it aggressively priced.
- ✓ The company does not have any good objectives.
- ✓ The management overview is not very satisfactory.
- ✓ The company has very fluctuating top-line and bottom-line margins.
- ✓ The company has a very high attrition rate.
- ✓ The company has several litigations by employees and others such as DRI, Custom Department against the company.

IPO Details

Opening Date	Dec 12, 2024
Closing Date	Dec 16, 2024
Allotment Date	Dec 17, 2024
Listing Date	Dec 19, 2024
Stock Exchange	BSE, NSE
Lot Size	11 Shares
Issue Price Per Share	₹1,265 to ₹1,329
Issue Size	2,497.92 Cr.
Fresh Issue	-
Offer for Sale	2,497.92 Cr.
Application Amt	₹ 14,619 - ₹ 1,90,047 (11 to 143 shares)

INDUSTRY - U.S. Healthcare Sector

Avg. PE ratio as per RHP - No Peers

KPI's	KPIs (In Crores)			
	FY 22	FY 23	FY 24	Sep-24*
Revenue	763.63	1,031.30	2,606.95	2,565.75
EBITDA	277.45	360.39	491.99	718.17
Net Profit	232.97	305.23	254.95	417.16
RoCE	36.06%	38.45%	17.47%	32.57%
ROE	36.00%	36.83%	22.02%	26.31%
P/E	94.66	73.30	60.00	54.66

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post Issue
69.73%	65.81%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	22.15	24.31
BVPS	69.70	92.42
P/E	60.00	54.66
P/BV	19.07	14.38
Mkt Cap (In Cr)	22,802.07	22,802.07

*Annualized

Lead Managers -

1. ICICI Securities Limited
2. Jefferies India Private Limited
3. Jm Financial Limited
4. J.P. Morgan India Private Limited
5. Nomura Financial Advisory and Securities (India) Private Limited

Business Overview –

Inventurus Knowledge Solutions Limited was incorporated on September 5th, 2006. It 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.

The company offers a comprehensive platform that enables healthcare enterprises across outpatient and inpatient care. The company’s offerings include, Revenue Optimization Solutions, that 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.

Revenue Optimization Solutions -

Pre-Visit Stage - Include patient scheduling services and IKS EVE

Peri-Visit Stage - Include clinical coding solutions and referral order management

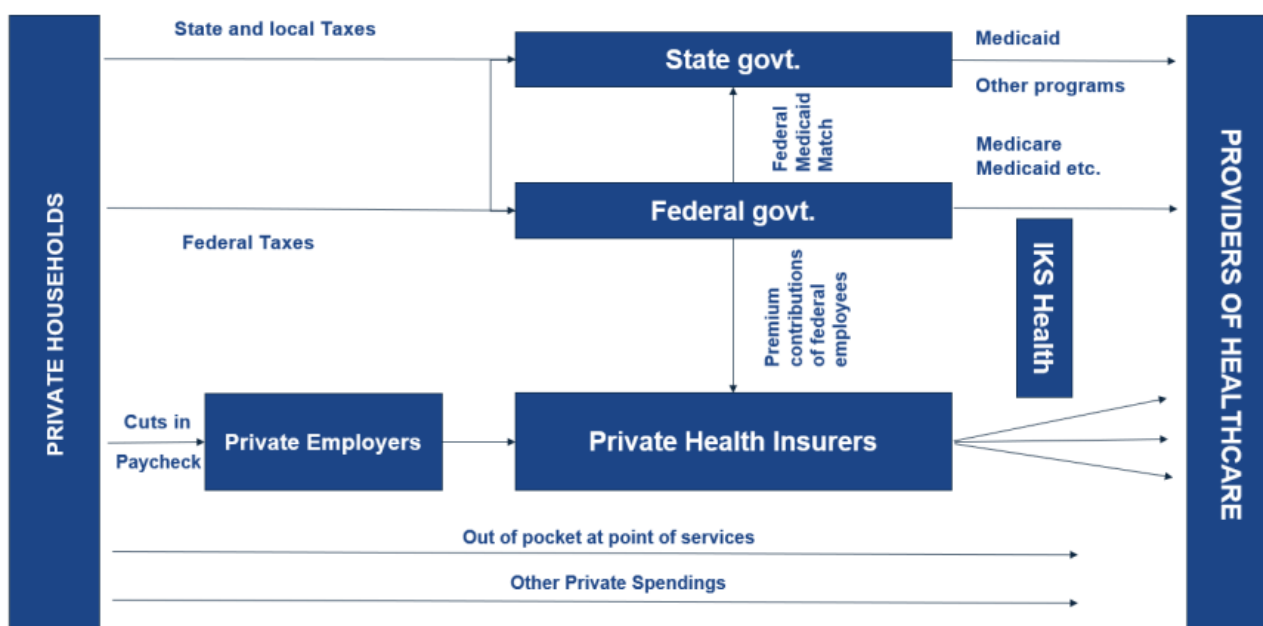
Post Visit Stage - Include Billing, Payment Posting, Denial Management, Account Receivables Follow-Up, IKS Optimix and at the In-Acute Settings Stage.

The company provides Clinical Support Solutions at each stage including IKS Scribble, IKS Stacks, IKS AssuRx and IKS Migrate. In addition, the company also provides clinical chart review and Hierarchical Condition Codes (“HCC”) coding solutions which cater to the Value Based Care (VBC) portfolio. The company’s Data Platform solution enables healthcare organizations to ingest, aggregate, normalize, sort and clean clinical, financial and administrative data for a provider enterprise into a single enterprise data warehouse.

As of September 30, 2024, the company have 778 healthcare organizations as its 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.

Key Clients - Mass General Brigham Inc., Texas Health Care PLLC, and The GI Alliance Management

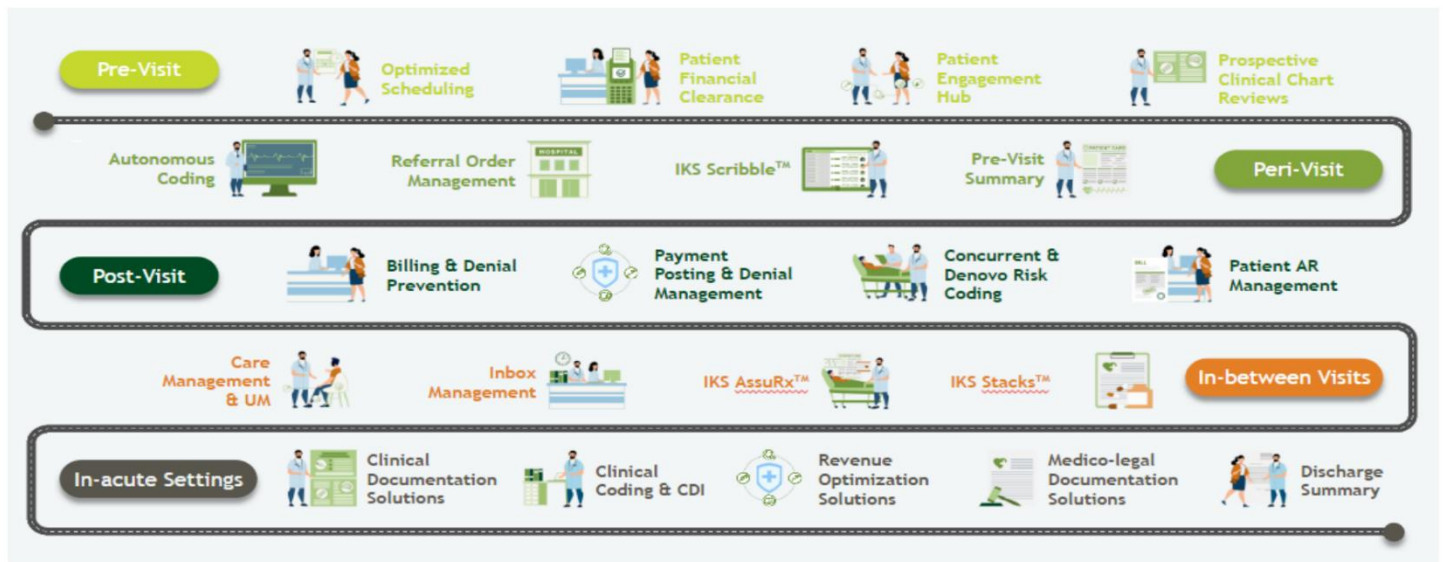
The below Infographic provides an understanding of the company’s role in the US healthcare value chain –



Acquisition of Aquity Holdings –

The company 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, company is able to cross-sell to Aquity's existing base of over 804 customers, as of March 31, 2024.

Graphical Presentation of the Offerings -



PEER ANALYSIS

As per the offer document the company believes they have no listed peers for comparison.

Competition -

1. **Market Competition, High:** Intense competition from well-established healthcare IT vendors, EHR companies, and big tech firms entering the healthcare space.
2. **Threat of New Entrants, Moderate:** Emerging startups and innovative technology companies entering the market present moderate threats due to lower initial barriers but higher scalability challenges.
3. **Threat of Substitutes, High:** In-house divisions, specialized vendors, and innovative startups offer viable alternatives to integrated solutions.
4. **Bargaining Power of Buyers, High:** Clients exert pricing pressure by comparing solutions across various vendors and leveraging in-house alternatives.
5. **Bargaining Power of Suppliers, Moderate:** Limited talent pool and competition for skilled employees and medical professionals affect cost and recruitment dynamics.
6. **Geopolitical Risks, High:** Regulatory uncertainties in the US, UK, and Europe, and risks such as trade policies, Brexit, and regional compliance challenges, increase operational complexity.

Business Strategies -

1. The company maximises revenue from existing clients through a “land and expand” approach.
2. The company aims to target a number of enterprise clients, typically large healthcare organisations with a substantial pool of employed physicians and other physicians.
3. The company intends to move from a “human-led tech-enabled” model to a “tech-led human-enabled” model.
4. The company intends to manifest the strategy of bundling its solutions in tandem with the “land and expand” approach by starting with a smaller set of features, accruing client satisfaction and loyalty before growing its pie.
5. The company intends to Leverage automation and Generative Artificial Intelligence (AI) to aid its operations.
6. The company have collaborated with and intends to continue working with dynamic and forward-thinking healthcare organizations to develop innovative solutions that address the real-life challenges of healthcare organisations.

Risk Factors -

-There have been certain FEMA related deficiencies in compliances in the past by the Company and some of the existing and erstwhile shareholders, with respect to the issuance of securities of the Company. They have filed compounding applications with the RBI in respect of such contraventions, which are currently pending. Consequently, company may be subject to regulatory actions and penalties/ compounding fees, as applicable.

-Former employees have filed charges with the Equal Employment Opportunity Commission, alleging discrimination based on race, age, and sex, retaliation, and a hostile work environment. Additionally, on September 3, 2019, another lawsuit was filed by a former employee asserting claims of discriminatory employment practices, hostile work environment, and retaliation by Aquity. This lawsuit was dismissed on July 15, 2021, but the plaintiff moved to reopen the case, and it has been on appeal since then.

-The company has certain litigations amounting to Rs. 24.96 Cr

-Top 10 customers contributed to 68.16%, 67.09%, and 43.66% for the FY ended 2022, 2023, and 2024 respectively.

-The company has an attrition rate of 75.27%, 73.38%, and 67.92% for the FY ended 2022, 2023, and 2024 respectively.

-The company has pending direct tax disputes. If unfavourable, it could result in a tax liability of ₹1.45 Crore.

-A former employee has filed an arbitration claim against the company for ₹3.19 Crore.

-The DRI alleged the company claimed export benefits (SEIS) it wasn't eligible for. They received a notice about potential penalties due to service misclassification.

-The Customs Department issued a Show Cause Notice (SCN) alleging the company availed SEIS export benefits beyond its eligibility.

INDUSTRY OVERVIEW

U.S. Healthcare -

In the ever-evolving landscape of U.S. healthcare, the dichotomy between Inpatient Care and Outpatient Services plays a pivotal role. Inpatient care, characterized by hospital stays for intensive medical attention, contrasts with the dynamic Outpatient segment, emphasizing outpatient services for more flexible and cost-effective healthcare. The industry's notable shift towards Outpatient services reflects a broader trend of prioritizing accessible, patient-centric care outside traditional hospital settings. Improved access in outpatient care leads to significant downstream revenues for acute care facilities and helps unlock the value of an employed physician medical group for health systems. This transformation underscores a fundamental change in healthcare delivery, recognizing the importance of meeting patient needs beyond the confines of traditional hospital settings while simultaneously capitalizing on the economic benefits of enhanced outpatient care access for acute care facilities.

(Source: RHP)

Provider Enablement Tech Solutions -

The inpatient and outpatient segments of healthcare can encompass a wide range of use cases throughout the patient journey, including pre-visit activities, diagnostics and treatment, administrative processes, and posttreatment care.

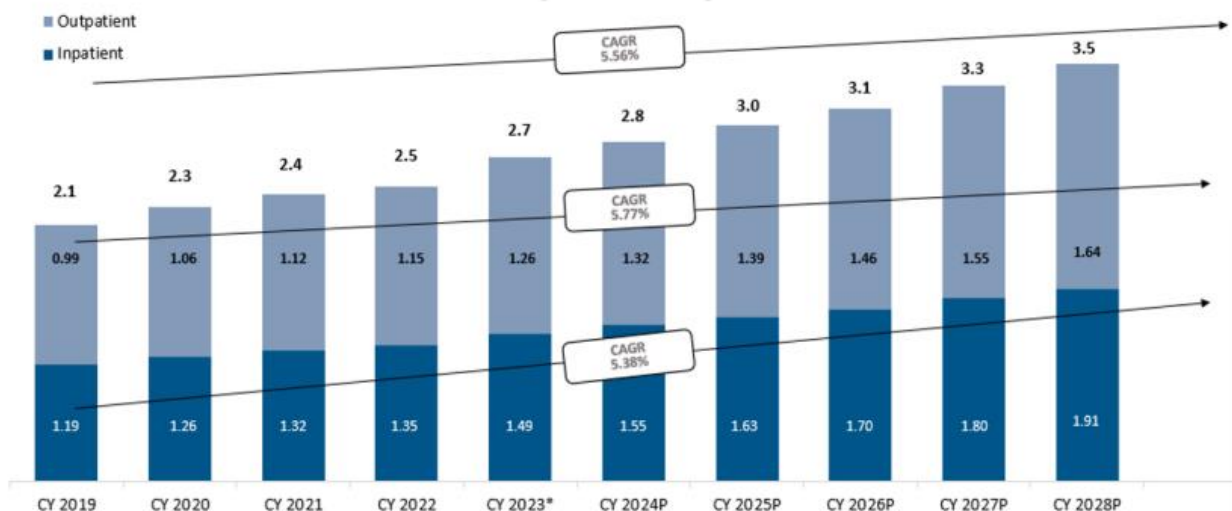
Key Challenges for Healthcare Providers -

Many healthcare organizations continue to use manual or semi-manual processes for various administrative 186 processes (e.g., referral management, patient scheduling, prior authorization) and clinical processes (e.g., clinical documentation or scribing, prescription refill, creating discharge summaries). Clinicians often operate in a highly challenging and stressful environment; they must adapt to and comply with complex and changing regulatory requirements, administrative obligations of insurance companies, rapidly evolving technology systems, increasing patient needs and demands, and follow the policies of the healthcare organizations they work for. These can result in doctor burnout and increasing difficulty in hiring, retaining, motivating, and engaging talent.

Digital Transformation in Healthcare -

Healthcare is undergoing a significant change driven by digital transformation. This shift towards innovation promises a revolution in healthcare, making it more connected and data driven. Technologies like blockchain, 188 cloud/analytics, Internet of Things ("IoT")/wearables, Robotic Process Automation ("RPA"), and Artificial Intelligence ("AI")/Machine Learning ("ML") play a crucial role in shaping this new era of healthcare. These advancements aim to enhance medical services, making them more efficient and improving the overall healthcare experience for both patients and providers.

Inpatient and Outpatient Spending (in US\$ Tn.)



(Source: RHP)

Key Management -

Key Management Persons Name -	Berjis Minoo Desai
Age	68
Designation and No. of experience	Chairman and Non-Executive Director, 14 years of experience in mergers and acquisitions, derivatives, corporate and financial laws and international commercial arbitration.
Qualification	bachelor's degree in law, master's degree in law, advocate with the Bar Council of Maharashtra and Goa.
Responsibility	-
Other Directorships	Apollo Tyres Limited, Emcure Pharmaceuticals Limited
Key Management Persons Name -	Sachin Gupta
Age	48
Designation and No. of experience	Whole-time Director, 16 years of experience in business management
Qualification	bachelor's degree in engineering (computer)
Responsibility	-
Previous Association	Seletica Configurators India Private Limited, Majoris Systems Private Limited
Key Management Persons Name -	Joseph Benardello
Age	57
Designation and No. of experience	Non-Executive Director, 14 years of experience in executive leadership, strategy, sales leadership, mergers and acquisitions, healthcare
Qualification	secondary education.
Responsibility	-
Other Directorships	Inventurus Knowledge Solutions Inc, Aquity Holdings, Inc
Key Management Persons Name -	Dr. Mary Earley Klotman
Age	70
Designation and No. of experience	Non-Executive Director, 42 years of professional medical experience
Qualification	degree of Doctor of Medicine, diplomate in internal medicine and in sub-speciality infectious disease
Other Directorships	Duke University Health System
Key Management Persons Name -	Utpal Hemendra Sheth
Age	53
Designation and No. of experience	Non-Executive Nominee Director, 19 years in investment management, risk management and institutionalization.
Qualification	bachelor's degree in commerce, completed the final examination of the Institute of Cost and Works Accountants.
Other Directorships	Aptech Limited, Chanakya Wealth Creation Private Limited
Key Management Persons Name -	Clarence Carleton King II
Age	68
Designation	Independent Director, experience in account and executive management
Qualification	bachelor's degree in business administration, a master's degree in health administration
Other Ventures	Inventurus Knowledge Solutions Inc, Aquity Holdings, Inc

- The overall management of the company is slightly satisfactory.
- The management has good experience.
- There is evidence of dual chairmanship, which is not favourable.
- Nithya Balasubramanian (CFO) holds a bachelor's degree of engineering in electrical and electronical engineering, and a post graduate diploma in management from Indian Institute of Management, Bangalore. She has over 16 years of experience in the field of corporate finance and equities research

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	763.63	1,031.30	2,606.94	1,282.87
Other Income	20.83	28.86	43.33	11.73
Total Income	784.47	1,060.16	2,650.28	1,294.61
Expenses				
Changes in Inventories of WIP	-	-	0.95	0.75
Employee benefits expense	373.47	491.55	1,596.76	724.68
Finance Cost	6.446	5.36	173.63	48.21
Depreciation and Amortization expense	23.31	24.55	101.12	56.58
Other Expenses	92.97	148.44	517.24	198.36
Total Expenses	496.21	669.91	2,389.71	1,028.57
EBITDA	277.45	360.39	491.99	359.09
EBITDA Margin	36.33%	34.95%	18.87%	27.99%
Profit/(Loss) before Exceptional Items	288.26	390.26	260.57	266.04
Exceptional Items	19.74	30.91	-	-
Profit/(Loss) before tax	268.52	359.34	260.57	266.04
Tax Expense				
Current tax	50.71	69.75	98.83	71.81
Deferred Tax (net)	-15.16	-15.64	-93.21	-14.35
Total Tax Expense	35.55	54.12	5.62	57.46
Profit/(Loss) for the year	232.97	305.23	254.95	208.58
Net Profit Margin	29.70%	28.79%	9.62%	16.11%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	16.81	16.84	16.92	16.94
Other Equity	630.26	811.80	1,140.94	1,360.17
Total Equity	647.07	828.64	1,157.86	1,377.11
2. Non-current liabilities				
Financial Liabilities				
(i) Borrowings	-	-	812.33	599.32
(ii) Lease Liabilities	51.22	39.34	94.50	84.37
(iii) Other financial liabilities	-	-	7.08	-
Contract Liabilities	1.60	0.59	0.54	1.28
Deferred Tax Liabilities (Net)	-	-	147.91	118.68
Other non-current liabilities	-	-	-	0.38
Provisions	4.81	4.80	17.28	18.40
Total Non-current liabilities	57.63	44.73	1,079.64	822.44
3. Current liabilities				
Financial Liabilities				
(i) Borrowings	-	-	381.09	229.31
(ii) Lease Liabilities	13.97	13.01	23.18	21.85
(iii) Trade Payables	-	-	-	-
(a) Outstanding Dues to MSME	0.29	0.13	1.43	4.27
(b) Outstanding Dues to other than MSME	9.36	21.56	66.31	58.91
(iv) Other Financial Liabilities	2.72	8.91	90.29	75.21
Contract Liabilities	0.86	0.58	1.89	1.34
Provisions	8.53	8.46	67.92	54.95
Current Tax Liabilities (net)	6.69	1.79	11.18	29.26

Recommendation: **AVOID**

Other current liabilities	40.41	60.49	146.74	115.88
Total Current liabilities	82.82	114.94	790.02	590.98
Total Liabilities	140.45	159.67	1,869.66	1,413.42
Total Equity and Liabilities	787.52	988.31	3,027.52	2,790.52
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	26.48	20.27	52.10	49.09
Capital work-in-progress	-	-	0.82	0.58
Right-to-use assets	48.92	37.38	104.15	90.59
Goodwill	-	-	1,168.27	1,173.78
Other Intangible Assets	0.53	0.99	508.28	478.58
Intangible Assets Under Development	-	0.351	1.891	11.396
Financial Assets	-	-	-	-
(i) Investments	16.11	31.81	43.72	43.92
(ii) Trade Receivables	0.00	3.00	0.62	-
(iii) Other financial assets	137.11	99.00	21.49	13.12
Contract assets	0.41	0.15	-	-
Current Tax Assets	1.04	1.25	37.57	30.93
Deferred Tax Assets (Net)	76.99	94.73	175.45	160.74
Non-current tax assets (net)	19.28	1.20	15.38	15.06
Total Non-Current assets	326.87	290.12	2,129.73	2,067.79
2. Current assets				
Inventories	-	-	0.75	-
Financial Assets	-	-	-	-
(i) Investments	-	-	151.71	-
(ii) Trade receivables	95.56	160.63	361.89	401.38
(iii) Cash and cash equivalents	145.68	123.62	143.81	243.93
(iv) Bank balances other than (ii)	201.33	399.34	188.01	27.13
(v) Other financial assets	5.40	3.67	20.34	29.81
Contract assets	0.36	0.26	0.15	0.02
Other Current Assets	12.33	10.67	31.14	20.46
Total Current assets	460.66	698.19	897.79	722.74
Total Assets	787.52	988.31	3,027.52	2,790.52

Cash Flow Statement Amt in Crores

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	233.05	287.98	209.77	237.36
Net Cash Flow from Investing Activities	-82.45	-155.96	-1,141.28	283.69
Net Cash Flow from Financing Activities	-58.51	-152.19	780.37	-273.81

Key Ratios *Annualized

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)				
					FY 22	FY 23	FY 24	FY 25*	
Diluted EPS	14.04	18.13	22.15	24.31	EV/EBITDA	1.08	0.85	4.10	2.53
BV per share	39.22	50.14	69.70	92.42	Market Cap / Sales	29.86	22.11	8.75	8.89
Operating Ratios					P/E	94.66	73.30	60.00	54.66
EBITDA Margins	36.33%	34.95%	18.87%	27.99%	Price to Book Value	33.883	26.506	19.067	14.38
Inventory days			0.10		Solvency Ratios				
Debtor days	45.68	56.85	50.67	57.26	Debt / Equity	-	-	1.03	0.32
Creditor days					Current Ratio	5.56	6.07	1.14	1.22
Return Ratios					Quick Ratio	5.56	6.07	1.14	1.22
RoCE	36.06%	38.45%	17.47%	32.57%	Asset Turnover	0.97	1.04	0.86	0.46
RoE	36.00%	36.83%	22.02%	26.31%	Interest Coverage Ratio	39.43	62.62	2.25	6.28

LEAD MANAGER TRACK RECORD -

The lead managers to the issue are ICICI Securities Limited, Jefferies India Private Limited, JM Financial Limited, J.P. Morgan India Private Limited, and Nomura Financial Advisory and Securities (India) Pvt Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

ICICI Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Suraksha Diagnostic Limited	846.25	441	Dec 06, 2024	412
2.	Niva Bupa Health Insurance Company Limited	2,200.00	74.00	Nov 14, 2024	83.6
3.	ACME Solar Holdings Limited	2,900.00	289.00	Nov 13, 2024	268

The company has handled 54 mandates in the past three years (including the current year).

Jefferies India Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Swiggy Limited	11,327.43	390.00	Nov 13, 2024	532
2.	Sagility India Limited	2,106.60	30.00	Nov 12, 2024	39.8
3.	Afcons Infrastructure Limited	5,430.00	463.00	Nov 04, 2024	523

The company has handled 11 mandates in the past three years (including the current year).

JM Financial Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Zinka Logistics Solution Limited	1,114.72	273.00	Nov 22, 2024	423
2.	ACME Solar Holdings Limited	2,900.00	289.00	Nov 13, 2024	268
3.	Western Carriers (India) Limited	492.88	172.00	Sep 24, 2024	128

The company has handled 45 mandates in the past three years (including the current year).

J.P. Morgan India Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Swiggy Limited	11,327.43	390.00	Nov 13, 2024	532
2.	Sagility India Limited	2,106.60	30.00	Nov 12, 2024	39.8
3.	Hyundai Motor Limited	27,870.00	1,960.00	Oct 22, 2024	1,772

The company has handled 13 mandates in the past three years (including the current year).

Nomura Financial Advisory and Securities (India) Pvt Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Afcons Infrastructure Limited	5,430.00	463.00	Nov 04, 2024	523
2.	Waaree Energies Limited	4,321.44	1,503.00	Oct 28, 2024	3,217
3.	Aadhar Housing Finance Limited	3,000.00	315.00	May 15, 2024	439

The company has handled 8 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 13th Dec 2024.

As per the offer document, the above-mentioned mandates 6 have opened at a discount 1 has opened at par and the remaining all have opened at a premium on the listing day.

Recommendation -

Inventurus Knowledge Solutions Limited has been in the industry since 2006 and has vast experience in the industry. The management overview of the company is not very satisfactory.

The P/E on a post-IPO basis is 54.66 times which makes it aggressively priced compared to the industry average.

The company's top line has seen a sudden increase for FY 2024, proforma statement, which may or may not sustain going forward. The company has seen a very fluctuating top-line and bottom-line margin. The financial performance of the company is not very satisfactory.

The company has several litigations against the company. There are several cases filled by employees' details of which is provided in the risk factor of this report. The company has a very high attrition rate.

Thus, investors can **AVOID** this IPO.

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