Discounted Cash Flow (DCF) Analysis On Inventurus Knowledge Solutions Ltd

An overview presentation on the Financials, Analysis, Findings and Results of the DCF Analysis run on IKS Ltd.

COMPANY OVERVIEW

Business Overview

IKSL is a technology-enabled healthcare solutions provider which offer a care enablement platform assisting physician enterprises in the US, Canada and Australia, with a focus on the US markets. It partners with an outpatient and inpatient health care organizations, enabling them to deliver superior clinical care through a **fee for value model.**

Key Services

Company provides offerings ranging from revenue optimization to clinical support solutions, to digital health solutions and helping assimilate or migrate EHR systems. These include key facilities of :

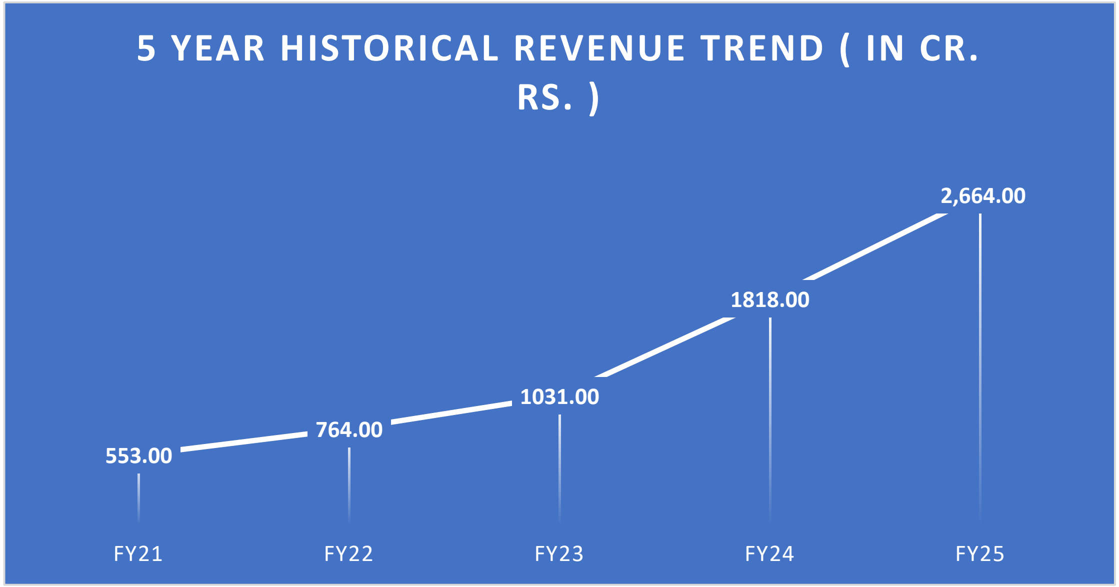
- Outpatient service facilities
- Inpatient Care

Business Model

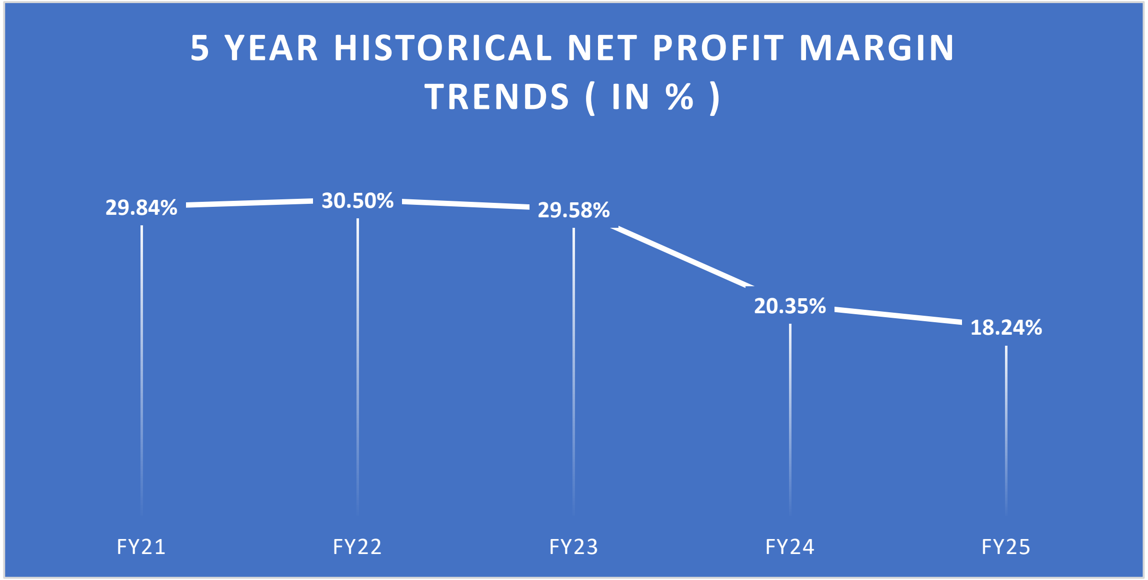
1. **Pre-Visit Stage -** At this stage, company facilitates patient scheduling, eligibility verification, insurance verification, prior authorization, and patient financial liability assessment.
2. **Peri-Visit Stage –** At this stage, company assists with coding and referral order management.
3. **Post-Visit Stage –** At this stage, company helps with biling, payment posting, Insurance denial management, and accounts receivable follow-ups.
4. **In-Acute Settings Stage –** All of these offerings are also relevant when a patient is admitted into a hospital, long-term inpatient care facility, or skilled nursing facility.

HISTORICAL FINANCIAL PERFORMANCE

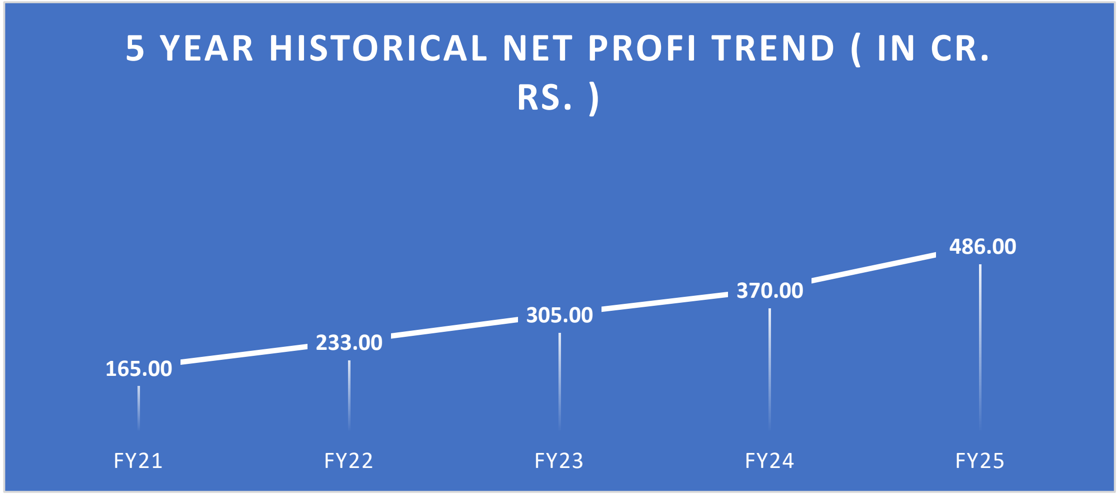
5 Year Revenue Trend



5 Year Net Profit Margin Trend



5 Year Net Profit Trend



Insights on Historical Financial Performance

- The company has shown ***optimistic growth in the Total Revenue*** in the past 5 years, jumping from 553Cr. To 2664Cr. giving an ***avg. CAGR of 35%.***
- ***Net Profits*** of the company also ***saw a stable positive growth***, rising from 165Cr. To 486Cr. Showing an ***avg. CAGR of 24%.***
- Combining these and the Net Profit Margin Trends of last 5 years, we can infer that ***profit margins are under pressure and costs are rising.***

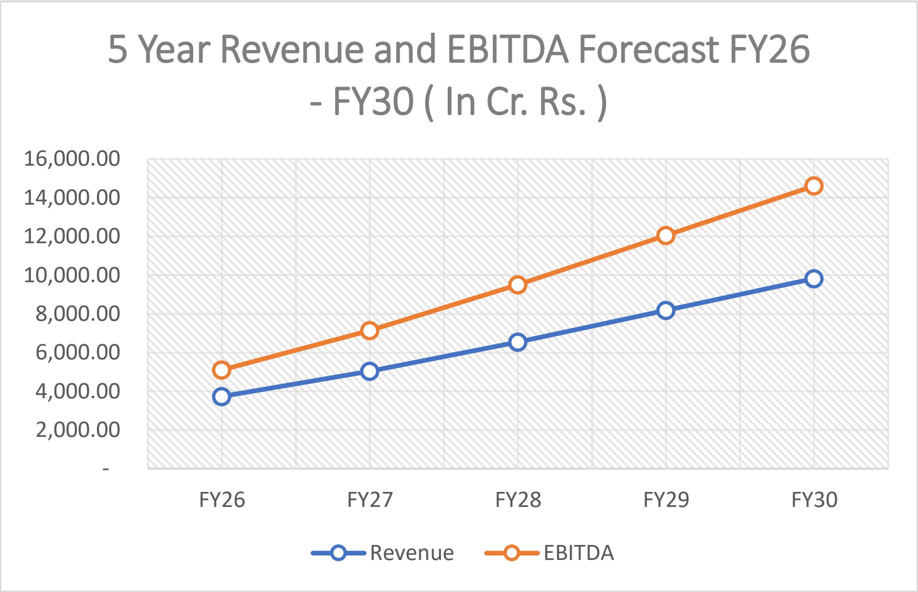
KEY ASSUMPTIONS

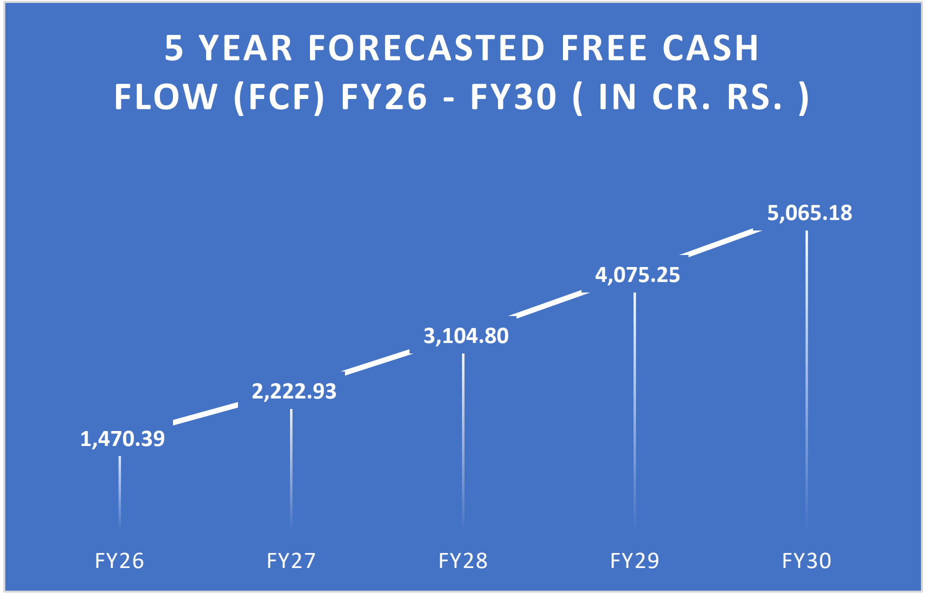
Particulars	Value
Avg. Revenue YoY Growth	30%
Tax Rate	20%
WACC for Sensitivity Analysis	6%
Perpetuity Growth Rate	1%
TV Exit EBITDA Multiple	12.0x
No. of Shares Outstanding (NOSH)	17.21 Crores
Perpetuity Growth Rate Step-Up	0.25%
WACC Step-Up	0.50x
EBITDA Multiple Step-Up	0.5x

FORECASTED FINANCIALS

5 Year Forecast for FY26 – FY30 (in Cr. Rs.)

Particulars	FY26	FY27	FY28	FY29	FY30
Revenue	3,732.10	5,038.34	6,549.84	8,187.30	9,824.76
EBIT	1,370.55	2,102.16	2,948.50	3,866.62	4,787.62
EBITDA	1,370.55	2,102.16	2,948.50	3,866.62	4,787.62
CapEx	-31.82	-42.62	-54.95	-68.12	-81.05
Net Cash Flow	1,589.47	2,399.96	3,386.89	4,527.21	5,768.28
Free Cash Flow (FCF)	1,244.47	1,941.12	2,734.07	3,579.65	4,411.34





DISCOUNTED CASH FLOW (DCF) CALCULATIONS

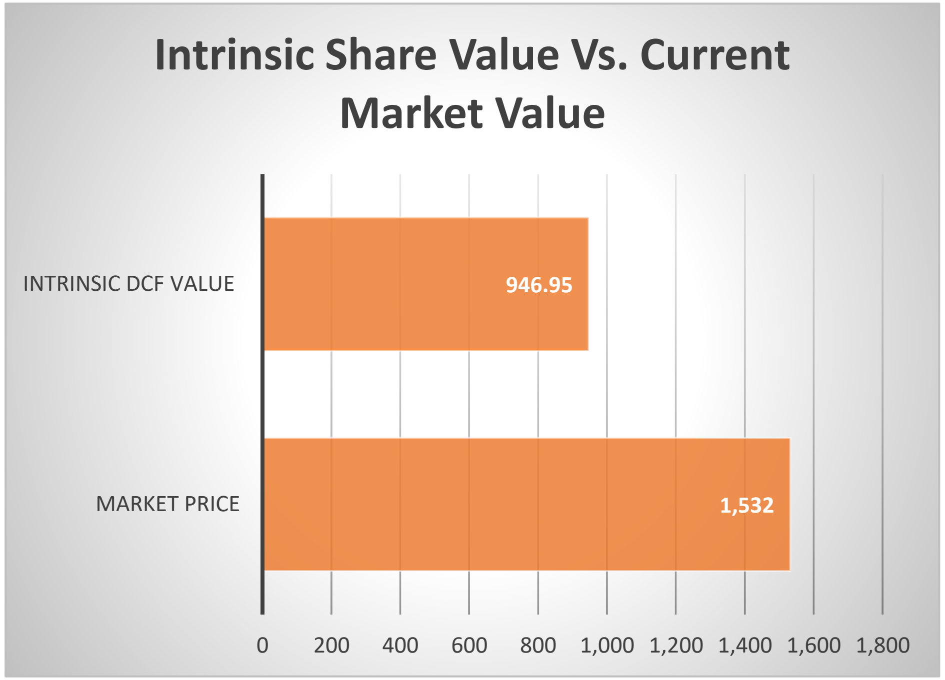
Year	Free Cash Flow to Firm (FCFF)	Discounting Factor	Discounted FCFF (PV of FCFF)
FY26	1470.39	1	1470.39
FY27	2,222.93	0.94	2097.10
FY28	3104.80	0.89	2763.26
FY29	4075.25	0.84	3421.66
FY30	5065.18	0.79	4012.10

FINAL VALUES and CALCULATION OF INTRINSIC (EQUITY) VALUE PER SHARE

- PV of Terminal Value = 2,08,902.48
- Enterprise Value (EV) = 13,90,958.64
- Net Debt = (664.00)
- Equity Value = 1,62,969.26
- NOSH = 17.21
- ***Intrinsic Value per Share = 946.95***

FORECASTED VALUATION Vs. CURRENT MARKET PRICE

Metric	Value
Current Market Price	Rs. 1,532
Intrinsic Equity Value per Share (DCF)	Rs. 946.95
% Upside / Downside from Current Market Price	-37.82%
Valuation Remark	The firm is being traded at an ***Overvalued current market price. The firm is Overvalued.***



Based on the DCF valuation, the stock currently appears to be ***overvalued by approximately 38%*** compared to its intrinsic value. This indicates that the ***market price is significantly factoring in optimistic future growth and margin expansion beyond reasonable assumptions***. Under a more realistic, normalized set of growth, margin, and capital expenditure assumptions, the fair value is lower than the current trading price. Therefore, from a valuation perspective, the stock may offer ***limited upside potential at present levels***, and could be better considered at a lower entry price or under improved fundamentals.

SENSITIVITY ANALYSIS

Sensitivity Analysis based on Perpetuity Growth Rate (g)

Enterprise value					
WACC (%)	Perpetuity Growth Rate (%)				
	0.50%	0.75%	*1.00%*	1.25%	1.50%
5.0%	15,45,509.61	16,36,421.93	17,38,698.31	18,54,611.53	19,87,083.78
5.5%	13,90,958.64	14,64,166.99	15,45,509.61	16,36,421.93	17,38,698.31
6.0%	*12,64,507.86*	*13,24,722.52*	***13,90,958.64***	*14,64,166.99*	*15,45,509.61*
6.5%	11,59,132.20	12,09,529.26	12,64,507.86	13,24,722.52	13,90,958.64
7.0%	10,69,968.19	11,12,766.92	11,59,132.20	12,09,529.26	12,64,507.86
Enterprise value = (EBITDA * EBITDA Multiple) / (WACC - Growth Rate)					

Offer Price					
WACC (%)	Perpetuity Growth Rate (%)				
	0.50%	0.75%	*1.00%*	1.25%	1.50%
5.0%	15,41,652.29	16,32,564.62	17,34,840.99	18,50,754.21	19,83,226.46
5.5%	13,87,101.33	14,60,309.68	15,41,652.29	16,32,564.62	17,34,840.99
6.0%	12,60,650.54	13,20,865.20	***13,87,101.33***	14,60,309.68	15,41,652.29
6.5%	11,55,274.89	12,05,671.94	12,60,650.54	13,20,865.20	13,87,101.33
7.0%	10,66,110.87	11,08,909.60	11,55,274.89	12,05,671.94	12,60,650.54
Offer Price = (EV - Net Debt) / No. of Shares * 100					

Sensitizing firm value and implied offer price to WACC and TGR

	Perpetuity Growth Rate (%)				
WACC	0.50%	0.75%	***1.00%***	1.25%	1.50%
5.00%	1545510 / 1541652 c	1636422 / 1632565 c	1738698 / 1734841 c	1854612 / 1850754 c	1987084 / 1983226 c
5.50%	1390959 / 1387101 c	1464167 / 1460310 c	1545510 / 1541652 c	1636422 / 1632565 c	1738698 / 1734841 c
6.00%	1264508 / 1260651 c	1324723 / 1320865 c	**1390959 / 1387101 c**	1464167 / 1460310 c	1545510 / 1541652 c
6.50%	1159132 / 1155275 c	1209529 / 1205672 c	1264508 / 1260651 c	1324723 / 1320865 c	1390959 / 1387101 c
7.00%	1069968 / 1066111 c	1112767 / 1108910 c	1159132 / 1155275 c	1209529 / 1205672 c	1264508 / 1260651 c

KEY RISKS AND LIMITATIONS

Revenue Forecasting Uncertainty

The model assumes sustained revenue growth based on Historical CAGR and Growth Plans. Any slowdowns or deviations from these by factors like market shifts, saturation, reduced demands, increased competitions can lead to actual revenue and cash flows at lower levels than the forecasted revenue and cash flow levels.

Interest Rate and WACC Sensitivity

WACC and Discount Rate are the heartbeats of the valuation model, the valuation is highly sensitive to changes in WACC, Interest Rates and Discount rates, even a slight change in these factors can eat up major chunks into the company’s intrinsic value per share.

Regulatory and Policy Risks

Changes in government regulations, taxation policies, international trade policies and changes in industry rules and standards can have an impact on firm profitability and long-term growth conditions and projections.

Execution Risks (Expansion / CapEx / Margins)

Future projections assume the successful execution of current expansion and growth plans like capacity expansions, modernization, new market entry etc. Delays or changes in such plans can lead to shifts and changes in the projected financial performance and cash flows to the firm.

Margin Compression Risks

A shift in cost of labour, raw materials, logistics, marketing expenses can lead to a change in operating margins which, in turn, leads to a direct change in the profit margins, free cash flows and final valuations of the firm.

Terminal Value Sensitivity

A large chunk of the company’s valuation is derived from the Terminal Value. Even small changes in the terminal value (TV) of the firm can lead to major swings and volatility in the valuation and the model in itself.

FINAL INVESTMENT VIEW & RECOMMENDATION

Valuation Summary

Based on the DCF Analysis, the intrinsic value per share is around Rs.946.95, compared to the current market price of Rs. 1,523.00, This shows that the firm is **Overvalued by 38%.**

Investment Recommendation(s)

The firm is highly overvalued, leading to the share price being inflated due to high optimism about the company and future plans instead of reflecting the valuation based on financial performance of the company. Under these circumstances, it is advised to ***Avoid buying shares of the firm until the market price reflects a fair value (Rs. 940 to Rs. 1,000) for the firm.***

Key Reasons Supporting the Recommendation

The following points and factor play the supporting role for this valuation and investment decision:

- Overvaluation of the firm showing high price(s) but a less proportionate financial growth and tangible reason for such high valuation.
- Margin Risk once the high optimism phase ends.
- Higher sensitivity to WACC changes and shifts.

Concluding Remarks

This investment opportunity ***faces overvaluation and is not suitable for risk-averse and short-term investors.*** This recommendation is based solely on the DCF valuation and assumptions used. Any change in macroeconomic conditions, competitive dynamics, or company execution may significantly affect the intrinsic value.

CLOSING NOTE

It's heartwarming to see that what started as just another excel file, trying to understand the world of Corporate Finance has now turned into a full-fledged project on one of the key valuation models in modern finance, also known as the Discounted Cash Flow Model. The past few weeks has been a learning curve for me, taking me on a tour through the world of Cash Flows, Equity Research, Valuations, Finance and the infamous Excel Spreadsheets. During the course of this project, I had the opportunity to have a deeper dive on essential topics of Finance, honing my technical skills in this particular field. Apart from technical skills, this project indirectly contributed to my personality, giving me the confidence and ability to tackle difficult and new task with a more open mindset. With this, I would like to thank everyone who was directly and indirectly associated with the completion of this project. I would like to thank my Parents, Mentors and Teachers for their guidance and a special thanks to the friends for their constant support during the pre, during, and post project phases.

Source(s) of Information

Company Annual Reports Company Website
Company Page – Screener Company Page – Groww

Tools Used

Microsoft Excel Microsoft PowerPoint
Microsoft Whiteboard Notion Screener