Inventurus knowledge Solutions | HOLD

Synergies showing up

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IKS Health reported a well-rounded performance marked by strong operating leverage and expanded platform adoption. Revenues growth (+13% YoY; USD terms), albeit lower than JMFe: 15%, was impressive given AQuity fully in the base. Ramp-up of deals won in Q3, especially Palomar and Radiology Partners, helped. EBITDA margins expanded to 31.2% (JMFe: 27.6%). On-going offshoring in AQuity, continued client rationalization and increased adoption of tech – reflected in 12% increase in rev/emp QoQ – supported margin expansion. IKS' strategy of providing full-stack care enablement platform appear to be resonating well – translating into four platform deal wins — Sky Lakes, GI Alliance, Western Washington Medical Group, and Platinum Derm. Management sees this as a clear shift in buying behaviour, especially in the mid-sized and PE backed groups. That should give an edge to IKS over point-solution providers. Early cross-sell motion within the Aquity base was another positive. We therefore retain our revenue estimates, despite high ask of cross-sell in our FY26 assumptions. Our higher margin assumption is negated by lower FX assumptions, driving 0 to -3% change to our FY26-27E EPS. We continue to value the stock at 30x. We maintain HOLD with a revised TP of INR 1,560 (from INR 1,550).

- **4QFY25 - Steady quarter:** IKS Health reported Q4FY25 revenue at INR 7.24bn (16.8% YoY, 10.2% QoQ), 1.3% below JMFe. EBITDA at INR 2.26bn (68.2% YoY, 12.7% QoQ), translated into a 31.2% margin—up 362bps QoQ – beating JMFe: 27.6%. This was driven by continued operating leverage from the Aquity model shift (offshore + tech), tail rationalization (down to ~700 clients from 850+), and rapid GenAI integration across coding, credentialing, and documentation stacks. Strong margin percolated down, driving better than expected PAT. PAT came in at INR 1,478mn (13.9% QoQ), beating JMFe: INR 1,409Mn. FY25 OCF/PAT was weak at 41%, significantly below Sagility's (90%). Even adjusted for upfront guarantee payment towards Palomar deal (INR 1.39bn), OCF/EBITDA was 59%. FCF/PAT, adjusted for Palomar, was 76%.
- **Outlook - FY26 ramp supported by strategic wins:** IKS expects to outpace 12% CAGR of outsourced provider tech-enabled solutions market. Strong deal momentum underpins its confidence. The company signed four platform deals in Q4 (Sky Lakes, Western Washington Medical Group, GI Alliance, Platinum Derm), each indicating maturity of the platform in mid-sized and PE-backed clients. The company witnessed early signs of cross-sell into Aquity clients. Commentary on the pipeline suggests all-time-high activity levels, though management refrained from providing near-term guidance, citing nascent buying cycles in several segments. Revenue deflation in AQuity, due to continued offshoring and tail-cutting (from 700 to 500) might be clouding near-term revenue outlook, in our view. These should however aid margin improvement.
- **EPS changes 0-(2.9)%; Maintain HOLD:** We have largely maintained our FY26-27E USD revenues. We now build 258-21 bps higher EBITDA margins over FY26-27E. Lower other income estimate however offset that, resulting in 0-(2.9)% changes to FY26-27E EPS. IKS' valuations (33x FY27E) limit upside. We maintain HOLD.

Recommendation and Price Target	
Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	1,560
Upside/(Downside)	-6.6%
Previous Price Target	1,550
Change	0.6%

Key Data – IKS IN	
Current Market Price	INR1,670
Market cap (bn)	INR286.6/US$3.4
Free Float	28%
Shares in issue (mn)	169.9
Diluted share (mn)	169.9
3-mon avg daily val (mn)	INR344.4/US$4.0
52-week range	2,190/1,226
Sensex/Nifty	82,331/25,020
INR/US$	85.5

Price Performance			
%	1M	6M	12M
Absolute	17.9	0.0	0.0
Relative*	12.5	0.0	0.0

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	18,179	26,640	31,295	37,981	44,696
Sales Growth (%)	76.3	46.5	17.5	21.4	17.7
EBITDA	5,210	7,705	9,576	12,284	14,876
EBITDA Margin (%)	28.7	28.9	30.6	32.3	33.3
Adjusted Net Profit	3,712	4,869	6,356	8,543	10,687
Diluted EPS (INR)	22.2	28.7	37.4	50.3	62.9
Diluted EPS Growth (%)	22.2	29.4	30.5	34.4	25.1
ROIC (%)	34.5	25.0	29.8	38.6	46.7
ROE (%)	37.4	33.0	31.4	33.1	32.4
P/E (x)	75.4	58.3	44.6	33.2	26.5
P/B (x)	23.9	15.5	12.3	9.6	7.6
EV/EBITDA (x)	56.1	37.6	29.7	22.7	18.2
Dividend Yield (%)	0.6	0.0	0.6	0.7	1.0

Source: Company data, JM Financial. Note: Valuations as of 16/May/2025

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key highlights from the call

- **Demand:** IKS health reported a 17% YoY revenue growth in Q4, despite deliberate customer cutting in Aquity and margin transformation efforts. They highlighted that momentum was underpinned by expanded platform adoption, particularly in mid-sized health systems and independent medical groups—segments showing accelerated migration from point solutions to comprehensive care enablement platforms. The company also emphasized early success in cross-selling its 16-feature platform into legacy Aquity clients, a signal of increasing client openness to broader digital transformation initiatives.
- **Outlook:** Management expects to sustain growth ahead of the 12% pace at which the outsourced TAM is expanding, though refrained from issuing specific forward guidance given market immaturity. The company is confident about continued margin expansion, supported by GenAI-led automation, offshore delivery leverage, and deeper client engagement. They noted that while rationalization of the Aquity customer base will continue through FY26, strong bookings and ramp-up timelines of four to seven months for platform deployments set the stage for sustained operating leverage.
- **Margins:** IKS delivered margin performance in Q4 FY25, with EBITDA reaching INR 2.26bn, reflecting a sharp 68% YoY increase and over 31% margin—up from the pro forma 24% seen post-Aquity acquisition in FY24. Leadership highlighted that margin expansion was driven by successful operating model transformation at Aquity, including a shift from onshore to offshore delivery, technology infusion, and early benefits from GenAI-led automation. Management reaffirmed its confidence in further margin tailwinds as remaining Aquity accounts are optimized in FY26.
- **Strategic Levers:** IKS health highlighted that their execution in FY25 was anchored on five core strategic levers aimed at driving scalable, differentiated growth. (i) The company advanced its transition to an AI-native platform, progressing from human-led workflows to autonomous GenAI-powered features across clinical documentation, coding, and prior authorization. (ii) The Aquity integration was another key lever, with margin transformation, cross-sell initiatives, and client rationalization delivering tangible results. (iii) The company also emphasized market segmentation, tailoring go-to-market strategies across large health systems, mid-sized systems, and PE-led groups to reflect varying buying behaviors. (iv) Additionally, the company continued to pursue leadership in each of its 16 platform features, validated through analyst rankings, and lastly, (v) a pivot toward outcome-based delivery is underway, reinforcing IKS' commitment to aligning with client value realization over transactional engagements.
- **Aquity Performance:** Management reported that the Aquity acquisition remained a key driver of operating leverage and platform expansion through FY25. IKS fully integrated Aquity's operations, significantly improving margins by transitioning from a human-led, US-centric delivery model to a tech-enabled, offshore-supported construct. They reported that the customer base was actively rationalized from 850+ to ~700 accounts, with further trimming expected in FY26 to optimize profitability. Encouragingly, early green shoots of cross-sell were visible, with few large Aquity clients adopting additional IKS platform features—marking a shift toward broader enterprise engagement. The company reaffirmed that while integration milestones have been met, margin and portfolio optimization will continue as ongoing priorities.
- **Client Wins:** Management mentioned that Q4 FY25 saw a series of high-quality client additions that reinforced IKS' positioning as the preferred partner for enterprise-scale physician organizations. Notable wins included Sky Lakes and Western Washington Medical Group, both of which adopted the full care enablement platform—underscoring the growing adoption for integrated solutions among mid-sized health systems and independent physician groups. They also highlighted a marquee engagement with GI Alliance.

Exhibit 1. 4QFY25 result summary

	4Q25A	3Q25A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	QoQ estimate JMFe
USD-INR	87.06	84.36	3.2%	86.50	0.7%	-0.6%
CC Revenue Growth (QoQ)	6.7%	1.6%	512bp	8.9%	-216bp	8.9%
Revenue (USD mn)	83	78	6.7%	85	-2.0%	2.0%
Revenue (INR mn)	7,240	6,572	10.2%	7,338	-1.3%	1.4%
EBITDA (INR mn)	2,262	1,815	24.6%	2,128	6.3%	
EBITDA margin	**31.2%**	**27.6%**	**362bp**	**29.0%**	**224bp**	
EBIT (INR mn)	1,978	1,538	28.7%	1,846	7.2%	-6.7%
EBIT margin	**27.3%**	**23.4%**	**393bp**	**25.2%**	**217bp**	**-217bp**
PAT (INR mn)	1,478	1,297	13.9%	1,409	4.9%	-4.7%
EPS (INR)	8.7	7.6	14.5%	8.3	5.4%	-5.1%

Source: Company, JM Financial estimates

4QFY25 result review

Exhibit 2. Key financials

	FY24	1Q25	2Q25	3Q25	4Q25	FY25
Cons. revenues (USD m)	**220**	**77**	**77**	**78**	**84**	**316**
Change (QoQ/YoY)	67.55%	2.88%	-0.12%	1.62%	8.22%	43.75%
Cons. revenues (Rs m)	**18,179**	**6,401**	**6,428**	**6,572**	**7,240**	**26,640**
Change (QoQ/YoY)	76.28%	3.25%	0.42%	2.24%	10.16%	46.54%
Employee benefit expenses	9,619	3,607	3,639	3,833	3,866	14,945
Other expenses	3,350	1,093	898	923	1,112	3,989
EBITDA	**5,210**	**1,700**	**1,891**	**1,815**	**2,262**	**7,705**
EBITDA margin	**28.66%**	**26.56%**	**29.42%**	**27.62%**	**31.24%**	**28.92%**
Depreciation & amortization	585	282	283	278	283	1,127
EBIT	**4,625**	**1,418**	**1,608**	**1,538**	**1,978**	**6,579**
EBIT margin	**25.44%**	**22.15%**	**25.01%**	**23.40%**	**27.33%**	**24.69%**
Other income	400	66	52	270	33	390
Finance costs	601	260	222	205	210	898
Profit before tax	4,424	1,223	1,437	1,602	1,801	6,071
Income tax expense	712	268	307	305	323	1,202
PAT	**3,712**	**956**	**1,130**	**1,297**	**1,478**	**4,869**
Basic EPS	**22.37**	**5.78**	**6.80**	**7.80**	**8.88**	**29.20**
Change (QoQ/YoY)	21.77%	50.59%	17.59%	14.71%	13.85%	30.53%

Note: USD revenue calculated with average USD/INR rates. Source: Company, JM Financial

Growth in the quarter was attributed to expanded platform adoption in mid-sized health systems and independent medical groups. The quarter also saw early benefits from cross-selling to AQuity clients

Margins expanded due to c.500 bps reduction in Employee benefit expenses (as a % of revenue). Shifting of AQuity delivery offshore from onshore, explains some of the decline

Exhibit 3. Operational metrics

	FY24	2Q25	3Q25	4Q25	FY25
Revenue concentration - %					
Top 5	**28%**	**22%**	**27%**	**27%**	**22%**
Change QoQ/YoY	-1626bp		550bp	-63bp	-571bp
Top 6-10	**16%**	**14%**	**14%**	**12%**	**13%**
Change QoQ/YoY	-5102bp		17bp	-157bp	-330bp
Non-Top 10	**56.3%**	**64.2%**	**58.5%**	**60.7%**	**65.4%**
Change QoQ/YoY	5634bp		-567bp	219bp	901bp
Revenue - INR Mn					
Top 5	**5,016**	**1,413**	**1,806**	**1,944**	**5,828**
Change QoQ/YoY	10.9%		27.8%	7.6%	16.2%
Top 6-10	**2,921**	**887**	**918**	**898**	**3,402**
Change QoQ/YoY	21.9%		3.5%	-2.2%	16.5%
Non-Top 10	**10,243**	**4,128**	**3,848**	**4,398**	**17,410**
Change QoQ/YoY	201.8%		-6.8%	14.3%	70.0%
Employee metrics					
Total employees	**13,241**		**13,149**	**12,661**	**12,661**
Change QoQ/YoY	6,439			-488	-580
Other employees - (BPO)			10,096	9,839	9,839
Change QoQ/YoY				-257	
Clincally trained staff			2,524	2,294	2,294
Change QoQ/YoY				-230	
Technology focused employees			491	473	473
Change QoQ/YoY				-18	
Sales and Marketing employees			38	55	55
Change QoQ/YoY				17	
Annualised Adjusted EBITDA per employee	0.54		0.61	0.76	0.63
Change QoQ/YoY			8.9%	24.6%	16.7%

Note: Employee disclosure for FY24 not available and no disclosure available for 1Q25. Source: Company, JM Financial

Sharp decline in contribution from top clients in FY24 due to the AQuity acquisition

Sharp growth in Non-top 10 clients revenue due to full year consolidation of AQuity in FY25

Employee count decline was attributed to increased automation .De-linking of headcount and revenue growth to continue

Maintain HOLD with a revised TP of 1,560

We have raised our revenues estimates by 0.1%-0.6% over FY26-27E. We have revised our IKS health (core business) revenues down by 3.6%-3.8% and AQuity revenues down by 1.3% over the same period. Our estimate for Cross-sell revenue in FY26 has doubled to USD 24mn and our estimates for FY27 have increased 32%. Higher cross sell offsets the decline in IKS and AQuity core revenues. We have raised our EBITDA margin estimates by 21-258 bps over FY26-27E. This is driven by 1.5%-2.2% decline in Employee benefit expenses (%) and other expenses (%). Our EBIT margin estimates are raised by 4-244bps over FY26-27E. An increase of 20 bps in our depreciation estimates explains the 20bps difference in EBIT and EBITDA margin increases. PAT estimates are revised by 0%/-2.9% for FY26/27E. We have lowered our other income estimates leading to a cut in PAT. We continue to value IKS at 30x 12M fwd earnings. We maintain HOLD with a revised TP of 1,560 (from INR 1,550 earlier).

Exhibit 4. What has changed

	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Exchange rate (INR/USD)	87.25	87.50	-	85.45	85.47	85.47	-2.1%	-2.3%	-
Consolidated revenue (USD mn)	364	444	-	366	444	523	0.6%	0.1%	-
Growth in USD revenues (YoY)	15.2%	21.9%	-	16.0%	21.3%	17.7%	85bp	-51bp	-
Consolidated revenue (INR mn)	31,774	38,828	-	31,295	37,981	44,696	-1.5%	-2.2%	-
EBITDA (INR Mn)	9,207	12,476	-	9,576	12,284	14,876	4.0%	-1.5%	-
EBITDA margin	29.0%	32.1%	-	30.6%	32.3%	33.3%	162bp	21bp	-
EBIT (INR Mn)	8,067	11,255	-	8,407	11,026	13,541	4.2%	-2.0%	-
EBIT margin	25.4%	29.0%	-	26.9%	29.0%	30.3%	147bp	4bp	-
PAT (INR mn)	6,386	8,846	-	6,356	8,543	10,687	-0.5%	-3.4%	-
EPS	37.4	51.8	-	37.4	50.3	62.9	0.0%	-2.9%	-

Source: JM Financial estimates

Exhibit 5. JMFe vs Consensus

	JMFe			Consensus			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Consolidated revenue (USD mn)	366	444	523	368	436	-	-0.5%	2.0%	-
Consolidated revenue (INR mn)	31,295	37,981	44,696	31,449	37,253	-	-0.5%	2.0%	-
EBITDA (INR Mn)	9,576	12,284	14,876	9,469	11,935	-	1.1%	2.9%	-
EBITDA margin	30.6%	32.3%	33.3%	30.1%	32.0%	-	49bp	31bp	-
EBIT (INR Mn)	8,407	11,026	13,541	8,320	10,718	-	1.0%	2.9%	-
EBIT margin	26.9%	29.0%	30.3%	26%	29%	-	41bp	26bp	-
PAT (INR mn)	6,356	8,543	10,687	6,443	8,457	-	-1.4%	1.0%	-
EPS	37.4	50.3	62.9	38.45	50.53	-	-2.7%	-0.5%	-

Source: Bloomberg, JM Financial estimates

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	18,179	26,640	31,295	37,981	44,696
Sales Growth	76.3%	46.5%	17.5%	21.4%	17.7%
Other Operating Income	0	0	0	0	0
Total Revenue	**18,179**	**26,640**	**31,295**	**37,981**	**44,696**
Cost of Goods Sold/Op. Exp	0	0	0	0	0
Personnel Cost	9,619	14,945	17,615	20,929	24,347
Other Expenses	3,350	3,989	4,104	4,768	5,473
EBITDA	**5,210**	**7,705**	**9,576**	**12,284**	**14,876**
EBITDA Margin	28.7%	28.9%	30.6%	32.3%	33.3%
EBITDA Growth	33.1%	47.9%	24.3%	28.3%	21.1%
Depn. & Amort.	585	1,127	1,169	1,258	1,334
EBIT	4,625	6,579	8,407	11,026	13,541
Other Income	400	390	172	173	249
Finance Cost	601	898	483	175	0
PBT before Excep. & Forex	4,424	6,071	8,097	11,024	13,790
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	4,424	6,071	8,097	11,024	13,790
Taxes	712	1,202	1,741	2,480	3,103
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	3,712	4,869	6,356	8,543	10,687
Adjusted Net Profit	**3,712**	**4,869**	**6,356**	**8,543**	**10,687**
Net Margin	20.4%	18.3%	20.3%	22.5%	23.9%
Diluted Share Cap. (mn)	167.6	169.9	169.9	169.9	169.9
Diluted EPS (INR)	**22.2**	**28.7**	**37.4**	**50.3**	**62.9**
Diluted EPS Growth	22.2%	29.4%	30.5%	34.4%	25.1%
Total Dividend + Tax	1,992	0	2,004	2,505	3,507
Dividend Per Share (INR)	10.0	0.0	10.0	12.5	17.5

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	11,579	17,897	22,588	29,050	36,824
Share Capital	169	170	170	170	170
Reserves & Surplus	11,409	17,727	22,418	28,880	36,654
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	11,934	7,550	3,500	0	0
Def. Tax Liab. / Assets (-)	-651	-535	-535	-535	-535
Total - Equity & Liab.	**22,862**	**24,912**	**25,553**	**28,515**	**36,289**
Net Fixed Assets	18,355	18,031	17,873	17,707	17,441
Gross Fixed Assets	1,571	1,294	1,711	2,120	2,428
Intangible Assets	16,784	16,737	16,162	15,588	15,013
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	0	0	0	0	0
Investments	437	1,137	1,137	1,137	1,137
Current Assets	9,353	9,490	11,010	14,783	23,424
Inventories	7	0	0	0	0
Sundry Debtors	3,619	5,321	5,609	6,878	7,817
Cash & Bank Balances	3,318	1,923	3,110	5,534	13,156
Loans & Advances	1,517	0	0	0	0
Other Current Assets	891	2,246	2,291	2,371	2,451
Current Liab. & Prov.	5,283	3,746	4,467	5,112	5,713
Current Liabilities	1,699	1,551	1,918	2,162	2,359
Provisions & Others	3,585	2,195	2,549	2,950	3,353
Net Current Assets	4,069	5,744	6,543	9,671	17,711
Total – Assets	**22,862**	**24,912**	**25,553**	**28,515**	**36,289**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,417	6,063	8,097	11,024	13,790
Depn. & Amort.	585	1,127	1,169	1,258	1,334
Net Interest Exp. / Inc. (-)	307	768	310	2	-249
Inc (-) / Dec in WCap.	-2,259	-3,711	388	-704	-419
Others	-20	110	0	0	0
Taxes Paid	-932	-1,161	-1,741	-2,480	-3,103
Operating Cash Flow	**2,098**	**3,196**	**8,224**	**9,100**	**11,354**
Capex	-14,446	-1,068	-1,011	-1,093	-1,068
Free Cash Flow	-12,348	2,128	7,212	8,007	10,286
Inc (-) / Dec in Investments	2,683	1,737	-500	-2,000	-2,000
Others	350	262	172	173	249
Investing Cash Flow	**-11,413**	**930**	**-1,339**	**-2,920**	**-2,819**
Inc / Dec (-) in Capital	-313	-296	0	0	0
Dividend + Tax thereon	-1,655	0	-1,665	-2,081	-2,913
Inc / Dec (-) in Loans	9,772	-3,599	-4,533	-3,675	0
Others	0	0	0	0	0
Financing Cash Flow	**7,804**	**-3,895**	**-6,198**	**-5,756**	**-2,913**
Inc / Dec (-) in Cash	**-1,511**	**231**	**687**	**424**	**5,621**
Opening Cash Balance	1,277	-267	1,804	2,491	2,915
Closing Cash Balance	-235	-36	2,491	2,915	8,537

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	20.4%	18.3%	20.3%	22.5%	23.9%
Asset Turnover (x)	1.0	1.0	1.1	1.3	1.3
Leverage Factor (x)	1.8	1.8	1.4	1.2	1.1
RoE	37.4%	33.0%	31.4%	33.1%	32.4%

Key Ratios

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	69.8	107.5	135.7	174.5	221.2
ROIC	34.5%	25.0%	29.8%	38.6%	46.7%
ROE	37.4%	33.0%	31.4%	33.1%	32.4%
Net Debt/Equity (x)	0.7	0.3	0.0	-0.2	-0.4
P/E (x)	75.4	58.3	44.6	33.2	26.5
P/B (x)	23.9	15.5	12.3	9.6	7.6
EV/EBITDA (x)	56.1	37.6	29.7	22.7	18.2
EV/Sales (x)	16.1	10.9	9.1	7.3	6.1
Debtor days	73	73	65	66	64
Inventory days	0	0	0	0	0
Creditor days	19	15	19	19	19

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Mar-25	Hold	1,840	

Recommendation History

APPENDIX I

JM Financial Institutional Securities Limited

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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