



IPO Note

Diensten Tech

Recommendation: **AVOID!**

Company Background -

- Diensten Tech Limited has its registered office in New Delhi.
- Diensten Tech Limited, formerly known as JKT Consulting Limited, was founded in 2007 and provides information technology (IT) professional resourcing, IT consulting, IT training and software AMC services.
- As of December 31, 2023, the company had 458 employees.

Objects of the Issue -

- Payment of liability raised against outstanding payment of consideration for "Professional Services and Training Division" business acquired from J K Technosoft Limited, vide Business Transfer Agreement Dated April 30, 2022.
- To meet the Working Capital requirements of the Company.
- To meet out the General Corporate Purposes.
- To meet out the Issue Expenses.

Promoters Name -

M/s J. K. Traders Limited, Mr Abhishek Singhanian, Mr Vipul Prakash and Ms Tina Prakash.

Rationale for recommendation -

- ✓ The company has seen an unsustainable top and bottom line.
- ✓ The company has a high concentration with its buyers.
- ✓ The company has accumulated losses.
- ✓ The company has a negative valuation post-IPO due to their Period Ended Dec-2023 being Negative PAT.
- ✓ The company has had negative Operating Cash Flow.

IPO Details

Opening Date	June 26, 2024
Closing Date	June 28, 2024
Allotment Date	July 01, 2024
Listing Date	July 03, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹95 to ₹100
Issue Size	22.08 Cr.
Fresh Issue	22.08 Cr.
Offer for Sale	-
Application Amt	₹ 1,20,000 (1,200 shares)

KPIs

KPI's	FY 22	2023	Dec-23
Revenue	72.41	3,752.68	2,608.09
EBITDA	18.53	149.24	-118.42
Net Profit	1.45	16.06	-171.70
RoCE	-68.08%	26.13%	-8.59%
ROE	1.04%	3.78%	-67.77%
P/E	625.00	344.83	21.28

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.27%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	-3.86	-2.83
BVPS	39.64	29.05
P/E*	-	-
P/BV	2.52	3.44
Mkt Cap (In Cr)	60.53	82.61

*P/E is negative due to Dec-23 PAT Negative.

Lead Managers -

Corporate Professionals Capital Private Limited

Registrar -

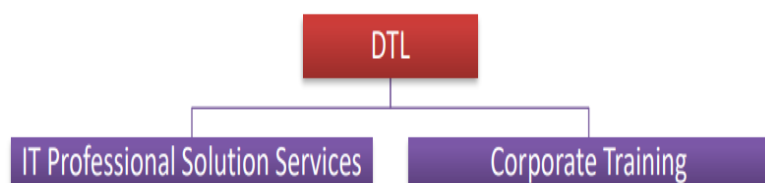
Kfin Technologies Limited

Business Overview -

Incorporated in the year 2007 as “JKT Consulting Limited”, “Diensten Tech limited” is in the business of Information Technology (‘IT’) professional resourcing, IT Consultancy, IT Training and Software. The company was earlier providing consulting services in the area of SAP software/SAP Training Centres and Domain consulting services and later from 2014-15 the company has shifted its operations into Information Technology Consultancy, Training, Software Sale, Software AMC and related services.

Service Portfolio

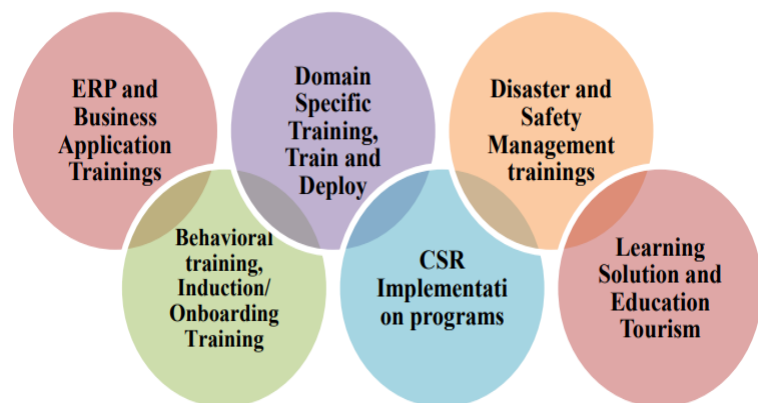
Currently the company is dealing into the following business segments –



1. IT Professional Solution Services

The company offers comprehensive solutions including IT resource staffing, consulting, and software maintenance. They serve a diverse range of industries and have a proven track record, generating nearly 94% of their revenue from IT professional solutions in 2023. Recognizing the challenges businesses face with regulations and market volatility, the company provides flexible staffing solutions.

2. Corporate Training



Under the corporate training segment, the company deals in the following services –

- **Technical Skills Training:** Standard courses (without SAP certification) for SAP users and project teams, focused on specific needs and skill gaps. Examples include SAP modules, DevOps, and Tableau.
- **Soft Skills Training:** Courses like etiquette, communication, and personal finance to enhance employee performance and growth.
- **Domain Expertise Upgrades:** Training programs to equip employees with the latest technical skills relevant to their field. Examples include Certified Agile Service Manager and Salesforce training.
- **Corporate Social Responsibility (CSR) Implementation:** DTL partners with companies to execute their training-related CSR initiatives.
- **Disaster and Safety Management Training:** DTL collaborates with specialized trainers to deliver safety and disaster preparedness programs.
- **Learning & Development Solutions:** DTL develops and provides learning solutions, including custom E-learning modules in partnership with third-party agencies.

Although the company is servicing into two segments, about 94% of the revenue is being derived from the Professional Solution Services. A table depicting the revenue bifurcation over the years has been given below –

(Amount in Lakhs)

Segment	FY 21	FY 22	FY 23	Dec-23
IT Professional Solution Services	484.12	22.83	3,316.52	2,450.38
Corporate Training	39.08	49.58	420.22	139.88
Sale of Goods	-	-	15.94	17.83
Total	523.20	72.41	3,752.68	2,608.09

Competition –

- The company operates in an industry where most of the competition comes from large but not specialised professional service outsourcing companies, whereas there are a few players who specialise in IT professional services outsourcing besides the company.
- The IT professional services industry in India and globally is highly fragmented comprising thousands of firms employing millions of people and generating billions of Indian rupees in annual revenues.
- In most areas, no single company has a dominant share of the employment services market. The size of market is so vast that it cannot be possible for only a few companies to capture the entire market.
- Company competes against a variety of regional, national or international companies.

Business Strategies -

Further widening of the customer base – Company will endeavour to continue to grow its business by adding new customers. It is looking towards expanding its customer base all over India.

Focus on cost management – Apart from expanding business and revenues, the company must look for areas to reduce costs and achieve efficiencies in order to remain a cost-competitive company.

Focus on cordial relationship with the customer and employees – Developing and maintaining long-term sustainable relationships with customers and employees will help company in achieving the organizational goals, increasing turnover and entering into new markets.

Risk Factors –

- The Company has incurred Losses during the nine months period ended on December 31, 2023.
- There are outstanding legal proceedings involving Company, Promoters and Directors, amounting to Rs. 47.07 Lacs. Any adverse decision in such proceeding may have a material adverse effect on business, results of operations and financial condition.
- Company's top ten customers contribute approximately 88% of revenues for the financial period ended December 31, 2023. Any loss of business from one or more of them may adversely affect revenues and profitability.
- Company has had negative cash flows from its operating activities in the past years. Sustained negative cash flow could impact growth and business.

PEER ANALYSIS

Particulars	Diensten Tech Ltd			ANI Integrated Services Ltd.			Integrated Personnel Services Ltd.		
	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23	FY 21	FY 22	FY 23
NP Margin	22%	2%	0.4%	4%	4%	2%	1%	2%	2%
EBITDA Margin	38%	26%	4%	5%	5%	3%	4%	4%	5%
RoCE	-	-68%	26%	11%	16%	9%	25%	27%	23%
ROE	-105%	1%	4%	11%	12%	6%	15%	21%	14%
EPS (INR)	13.61	0.16	0.29	4.44	5.36	2.70	3.79	7.15	7.39
P/E	7.35	625.00	344.83	7.88	9.31	14.81	-	-	11.03

Indian Information Technology Industry -

Introduction -

The IT & BPM sector has become one of the most significant growth catalysts for the Indian economy, contributing significantly to the country’s GDP and public welfare. The IT industry accounted for 7.4% of India’s GDP in FY22, and it is expected to contribute 10% to India’s GDP by 2025.

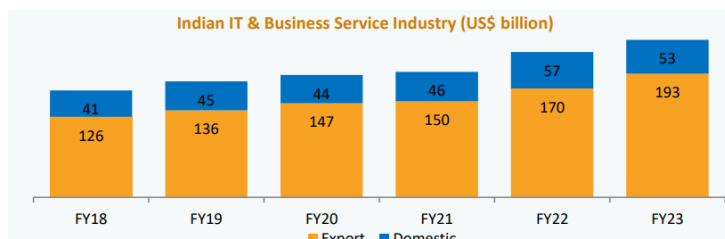
The current emphasis is on the production of significant economic value and citizen empowerment, thanks to a solid foundation of digital infrastructure and enhanced digital access provided by the Digital India Programme. India is one of the countries with the quickest pace of digital adoption.

Market Size -

According to the National Association of Software and Service Companies (Nasscom), the Indian IT industry’s revenue touched US\$ 227 billion in FY22, a 15.5% YoY growth and was estimated to have touched US\$ 245 billion in FY23.

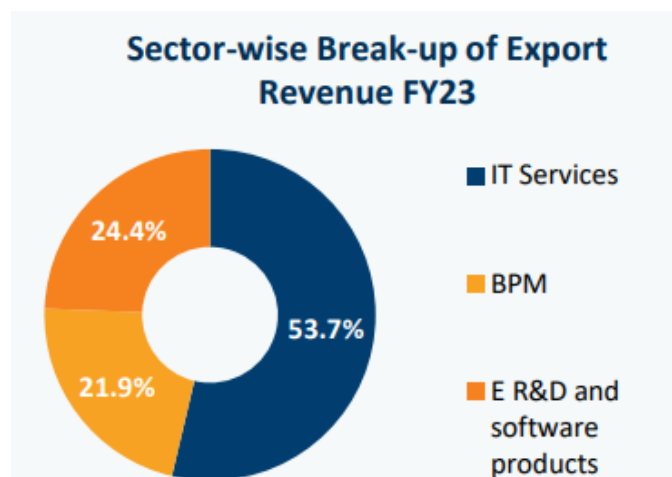
In 2022, the Indian domestic IT & Business Services market was valued at US\$ 13.87 billion and recorded a 7.4% year-over-year (YoY) growth as compared to 7.2% in 2021.

IT spending in India is expected to increase to US\$ 110.3 billion in 2023 from an estimated US\$ 81.89 billion in 2021. The Indian software product industry is expected to reach US\$ 100 billion by 2025. Indian companies are focusing on investing internationally to expand their global footprint and enhance their global delivery centres.



Indian Staffing Industry-

- Flexi Staffing Industry overall continued a double-digit new employment growth trend at 14% YoY 2022-23
- Overall, the Flexi Staffing Industry came back with a Quarter on Quarter (Nett employment) growth at 0.4% in Q422 -23.
- General Flexi Staffing industry witnessed new employment growth at 15.3% YoY, whereas maintained growth at 0.8% in Q4 2022-23 (QoQ)
- IT Flexi Staffing industry witnessed a sharp drop at -7.7% YoY, whereby the much harder impact was witnessed in Q4 2022-23 came at -6% (QoQ)



Road Ahead -

India is the topmost offshoring destination for IT companies across the world. Having proven its capabilities in delivering both on-shore and off-shore services to global clients, emerging technologies now offer an entire new gamut of opportunities for top IT firms in India. The Indian IT & business services industry is expected to grow to US\$ 19.93 billion by 2025. Spending on information technology in India is expected to reach US\$ 144 billion in 2023. By 2026, widespread cloud utilisation can provide employment opportunities to 14 million people and add US\$ 380 billion to India's GDP. As per a survey by Amazon Web Services (2021), India is expected to have nine times more digitally skilled workers by 2025. IT spending in India is expected to increase to US\$ 110.3 billion in 2023 from an estimated US\$ 81.89 billion in 2021.

Key Management -

Key Management Persons Name -	Abhishek Singhania
Age	51
Designation and No. of years of experience	Promoter, and Director, 33 Years of experience.
Qualification	B. Com Degree
Roles and Responsibility	Engaged in the overall aspect of the business.
Other Ventures	-

Key Management Persons Name -	Vipul Prakash
Age	50
Designation and No. of years of experience	Promoter, Chairman, Managing Director, 26 years of experience.
Qualification	Bachelor of Business Studies
Roles and Responsibility	Overall operations including Client Relationships
Other Ventures	Runs Wowjobs, Partner at Ed-Tech Fund EVC

Key Management Persons Name -	Sanjay Kumar Jain
Age	57
Designation and No. of years of experience	Non-Executive Director, 33 years of experience
Qualification	Commerce Graduate, Diploma from ICFAI, Chartered Accountant
Roles and Responsibility	-
Other Directorships	Suraj Industries Limited, Jaykay Enterprises Limited

Key Management Persons Name -	Siva Prasad Nanduri
Age	-
Designation and No. of years of experience	Chief Executive Officer, 23 years of experience
Qualification	B.Sc. Graduate with GMP certification from ISB.
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Sumant Kuthiala
Age	-
Designation and No. of years of experience	Chief Financial Officer, 40 years of experience
Qualification	Chartered Accountant
Roles and Responsibility	-
Other Ventures	-

Key Management Persons Name -	Satish Chandra Gupta
Age	79
Designation and No. of years of experience	Director, 50+ years of experience
Qualification	Bachelor of Science and Post Graduate Diploma in Management
Roles and Responsibility	Managing operational, business development and strategic development.
Other Directorships	J K India Limited, Colours and Hues Private Limited

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	Dec-23
Revenue from Operations	72.41	3,752.68	2,608.09
Other Income	4.12	7.63	12.83
Total Income	76.53	3,760.31	2,620.92
Cost of Material Consumed	-	-	-
Purchase of Stock-In-Trade	-	11.56	13.04
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-	-	-
Employee benefits	4.05	1,814.61	1,764.82
Finance costs	16.18	17.85	37.26
Depreciation and Amortization expense	0.09	116.63	91.73
Other expenses	49.83	1,777.27	948.65
Total Expenses	70.15	3,737.92	2,855.50
EBITDA	18.53	149.24	-118.42
Profit/(Loss) before tax	6.38	22.39	-234.58
Tax Expense	4.93	6.33	-62.88
Profit/(Loss) for the year	1.45	16.06	-171.70

Statement of Assets and Liabilities

Amt in Lakhs.

Equity	FY 22	FY 23	Dec-23	Assets	FY 22	FY 23	Dec-23
Share Capital	336.26	605.26	605.26	Tangible Assets	0.38	16.50	34.33
Other Equity	-196.27	-180.21	-351.92	Intangible Assets	-	458.32	415.85
Total Equity	139.99	425.05	253.34	Deferred Tax Assets	3.99	10.35	75.61
Liabilities	63.67	1,079.76	2,766.55	Other non-current assets	97.32	82.60	1,098.33
Long Term Borrowings	-	-	1,015.00	Trade receivables	60.48	533.63	1,169.51
Long Term Provisions	4.11	119.88	113.44	Cash and cash equivalents	22.98	62.23	0.94
Other Non-Current Borrowings	-	25.86	0.19	Short-Term Loans and Advances	0.18	2.90	38.70
Short Term Borrowings	0.00	280.00	832.67	Other Current Assets	18.33	338.28	186.62
Trade Payables	10.79	127.16	280.93	Total Assets	203.66	1,504.81	3,019.89
Other Current Liabilities	48.21	507.16	496.02				
Short Term Provisions	0.56	19.70	28.30				
Total Equity and Liabilities	203.66	1,504.81	3,019.89				

Key Ratios

Per Share Data	FY 22	FY 23	Dec-23	Valuation Ratios (x)	FY 22	FY 23	Dec-23
Diluted EPS	0.16	0.29	-3.86	EV/EBITDA	6.31	4.31	-15.22
BV per share	2.31	7.02	39.64	Market Cap / Sales	114.08	2.20	2.38
Operating Ratios				P/E	625.00	344.83	-
EBITDA Margins	25.59%	3.98%	-4.54%	Price to Book Value	43.24	14.24	2.52
PAT Margins	1.89%	0.43%	-6.70%				
Inventory days	-	-	-	Solvency Ratios			
Debtor days	304.86	51.90	109.86	Debt / Equity	-	0.66	0.77
Creditor days	-	4,015.00	5,278.21	Current Ratio	1.71	1.00	0.85
Return Ratios				Quick Ratio	1.71	1.00	0.85
RoCE	-68.08%	26.13%	-11.66%	Asset Turnover	0.36	2.49	0.86
RoE	1.04%	3.78%	-9.74%	Interest Coverage Ratio	-5.50	9.22	-5.64

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Corporate Professional Capital Private Limited. This is the first mandate of the company.

Recommendation -

The company has been in the industry since 2007 and has good experience in the industry. The management overview of the company is decent.

The P/E is around 21.28 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E is 34.1 times.

The company operates in a very competitive segment. The company has seen a sudden increase in the top line and bottom line of its financials which does not seem sustainable and the company currently as of Dec-2023 has had a loss. The company has had accumulated losses over the years. The company's Post IPO valuation is negative due to the current period-ended loss. The company also has a concentration on its customers. Thus, we recommend **AVOID** applying to this IPO.

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