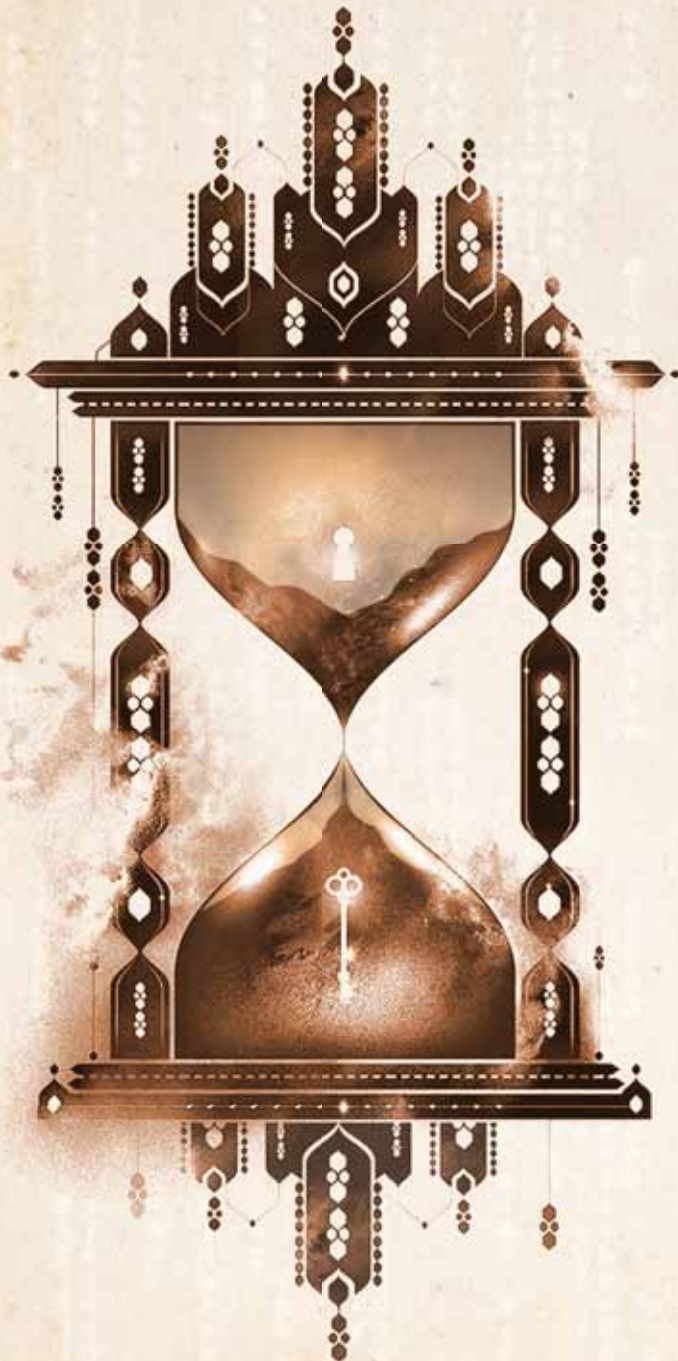


Annual Report 2011 - 12



Moving
From
Capex
To
Opex

Computing Is Now An Utility

Electricity



Water



Gas



IP



“IT industry is moving from the PC era to Cloud Computing era. The shift from Capex to Opex as an utility model allows the user to spend on ‘pay-per-use’ basis. This will avoid heavy investment on purchase of complex and expensive IT Infrastructure. This will lead to huge growth potential and opportunities for IT industries. Allied Digital will remain the front runner in this new Cloud Computing Era”

- CMD



CONTENTS

Page No

Notice	1
Directors' Report	6
Corporate Governance Report	11
Management Discussion and Analysis	27
Auditors' Report	31
Balance Sheet	34
Profit & Loss Account	35
Cash Flow Statement	36
Notes on Financial Statements	38
Consolidated Accounts	61
Section 212 Statement	89

Corporate Information

BOARD OF DIRECTORS

Mr. Nitin D. Shah
Chairman & Managing Director

Mr. Prakash D. Shah
Executive Director - Commercial

Mr. Paresh Shah
Executive Director & CEO

Prof. Venugopal Iyengar
Independent Director

Dr. Shrikant Parikh
Independent Director

Dr. Roop Kishan Dave
Independent Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Ravindra Joshi

REGISTERED OFFICE

Premises No.13A, 13th Floor,
Earnest House,
Back bay reclamation,
NCPA Road, Block III,
Nariman Point, Mumbai - 400 021.

CORPORATE OFFICE

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Millennium Business Park,
M.I.D.C., Mahape,
New Mumbai 400 710.
Boardline: +91-22-66816681
Fax: +91-22-27784968
For more information contact us at:
adsl.contact@allieddigital.net

AUDITORS

K. M. Kapadia & Associates

BANKERS

State Bank of India
Standard Chartered Bank
ICICI Bank Limited

REGISTRAR & TRANSFER AGENT

LinkIntime India Private Limited
C-13 Pananlal Silk Mills Compound
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Mumbai 400 078. India
Tel: +91-22-2596 3838
Fax: +91-22-25946969
Email: investors@allieddigital.net
Website: www.linkintime.co.in





Chairman Speaks

Dear Shareholders,

The world economy in 2011 went through a very sluggish pace and this was characterized with significant downside risks and fragility. The financial turmoil due to the aggravation of the financial crisis in Europe spread far and wide, affecting both the developed and the developing nations. Growth in the BRIC countries has considerably slowed down and even other countries have exhibited muted growth due to domestic policy tightening. This slowdown has contributed significantly to a drop in global growth and world trade.

Closer home, the state of the economy has also not been one that has projected any kind of confidence. The liquidity crunch, the rising inflation rates and the spiraling exchange rate of rupee against the dollar has upset many an applecart during the last financial year. Additionally, as fiscal conditions worsened over the year, export numbers were revised in light of data discrepancies leading to a widening of trade deficit. In light of a perceivably weak macro-economic environment, a well-planned economic revival policy from the Government's part is required to restore the Indian Economy on the stable path towards a prosperous growth.

As the general crisis scenario looms on the horizon, customers have generally remained cautious and refrained from making any major investments in IT industry. Critical investments have primarily focused in the area of cost optimization, minimizing revenue leakages and strengthening internal capabilities. Clients have increasingly started demanding 'transformational' value propositions which go far beyond the plain value cost arbitrage opportunity.

A change in the overall structure in global sourcing is expected, as organizations embark on a journey with enhanced focus on the customer. With customers demanding more immediate value from IT and forward-looking strategies that support growth and innovation, service providers are adopting agile methods focusing on operational excellence through ongoing innovation, diversification, renewed partnerships/alliances and new business models.

Business Overview

The market conditions had an impact on the business of your Company and we concluded the year on a consolidated basis with revenue of about Rs. 585 crore. Margins at the EBITDA level were Rs. 59.35 crore and the Company had a net profit of Rs. 9.37 crore. Services contributed 51 % while solutions contributed 49 %. EPS for the fiscal stood at Rs. 2.02 for FY 2012 for the face value of Rs.5/ share. We are pleased to announce a final dividend of 5% per share.

Apart from the general downturn in the market conditions and reduced budgetary constraints of many customers, the Company had also taken a transformation initiative across various functions to make it lean, nimble and future-ready with the right kind of processes, systems and people. This process took a little longer than we expected and hence the same had an impact on the growth numbers. However, we are confident that the steps taken by the Company to make us future-ready will be only a short term pain and will translate to longer term gains.

As part of the transformational initiative, we have put in place a newer executive leadership team headed by our new CEO Mr. Paresh Shah who has extensive and diverse experience in Business Transformation, Enterprise Solutions, Architecture and Total Outsourcing solutions. His career experience in IT spans over 24 years in diverse technologies and industries such as Telecom, Banking, Retail and Enterprise. I am confident that under the leadership of Mr. Paresh Shah, the Company will scale greater

heights in the future.

This apart, we have undertaken some key strategic Initiatives during the year to strengthen our existing relationships as well as competencies and build some new ones, which we believe, will place us in a position of strength as we move forward.

Key among these initiatives is the Integrated Service Delivery Framework or ISDF. ISDF essentially involves managing servers, desktops, databases, applications using the best in breed tools. The above IT assets are fit into a common management database (CMDB) and they are easily managed through a trouble ticketing tool, the self-service portal, work management portal, the e-mail manager and other automation tools that help you manage the remediation process without any complexity. The advantage of our ISDF is that it is multi-talented and when connected with common trouble ticketing platform, with the help of knowledge base many of the tickets resolution takes place automatically thus reducing people dependency. So, the moment our monitoring tool looks at the problem, it scans at the IT asset database looking for a possible remediation solutions and immediately starts applying these remediation solutions to the problem thus resolving it even before the customer is aware about the problem. We believe that this gives us a major competitive advantage from a differentiating perspective and will drive the business ahead.

IT Security is another big area that we are targeting. Gartner predicted spends of about \$16 billion by 2012 in the security space and this is slated to grow at a rate of 9 % every year. We see a large opportunity in compliance areas like PCI, SOXs, Basel-II etc. Retail and BFSI are expected to be the growth drivers for these areas.

Allied Digital's experience in IT Infrastructure Solution and IT Infrastructure Management services strongly positions itself to deploy command and control center to integrate to manage several autonomous subsystems such as Video Surveillance, Access Control, BMS and Fire Detection System comprehensively. Emerging Physical Security Solutions are based on IP standards that demands IT Infrastructure comprising of servers, storage, workstations, network and Management software. Allied Digital is uniquely positioned to provide all these components as a single source of responsibility and accountability.

Our growing presence in the security space is further proven when Gartner chose e-Cop as one of the leading Managed Security Service Providers (MSSP)

in the Asia Pacific region. Allied e-Cop is one of the largest threat intelligence networks in the world today with 7 Security Operating Centers (SOCs) across the globe.

Our other subsidiary Digicomp Complete Solutions has had an outstanding year in terms of growth and opportunities. The company has huge plans for increasing the Digicomp foot-print across the country by way of spreading the service offerings to the end users in a bigger way. The company plans to launch a retail brand for catering to services, maintenance & asset recovery operations by developing a marketing strategy for increased awareness to customers. The company also foresees improved business opportunities from existing customers on the RMA, Depot Repair & Asset Recovery front. There are also tremendous opportunities on setting up of Brand service centers for various leading IT & Smartphone brands. We have also strengthened our relationships with specific OEMs while our traction with Intel continues to grow.

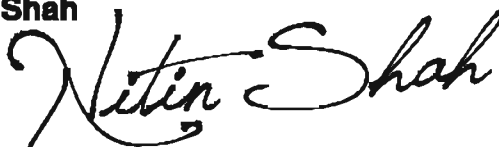
This year we have entered our presence in the UK market with ISDF and we have achieved tremendous response on it and with a foot hold of 45000 devices.

We have created a Training Academy mainly focusing on skill development, up-scaling the employees, improvement in back-office, front office, system and processes.

Recognizing our capabilities, we have been bestowed with many awards this financial year, including the 'SP Summit and Solution Champ -Managed Security Services' by DQ Channels, 'Best Solution Provider' (Security) by ITPV and the 'Spirit of Partnership' award by Dell that honors partners not only for achieving the metrics but for the commitment towards the customers, the value for the partnership and for continuously improving ourselves as a collaborator and 'Best System Integrator' of the country by CRN

We would like to place on record our appreciation and heartfelt gratitude to our existing shareholders, clients and employees who have stood by us in difficult times and we are confident that your patience will be rewarded as we move ahead towards delivering greater value for each one of you in the future.

Nitin Shah
CMD





CEO Speaks

Dear Shareholders,

The last fiscal year was an average year for IT industry. The Indian IT demand did go up in solutions business as organizations invested for scaling up their business and hence the need for more infrastructure. As far as services are concerned, the market remained approximately the same as the previous year. The much hyped question on cloud computing adoption did show signs of traction and the future does look promising. Globally, the US markets showed some signs of improvement in IT demand, but Europe dragged in comparison to the US market.

To sum it, it was a learning year for the company as it embarked on an internal transformation and introspection process. The effort was to identify areas of improvement and take corrective steps, as part of its transformation journey. This was also a path breaking year for your company, as it made some significant progress in nurturing key innovations in IT

services management in offering 'Smart', 'Streamlined' and 'Strategic' enterprise IT outsourcing as well as value-added systems integration. Today, your company has more agility and adaptability than ever before and can drive large new business opportunities with stronger management focus.

The transformation journey was concentrated around multiple aspects; people, process and technology. The technology aspect was handled first. A major transformation came in streamlining our India and US operations. Many operational gaps were discovered and resolved with a few still under correction. Currently, I am proud to say, that we have nationwide roll-out of technology in US and India to support field service and centralized help desk. This enables us to improve our services to customers.

The process and people changes are underway. We have relooked into our strategic partnerships, and are making critical changes. We had to let go certain people due to their lethargic approach to business or poor performance. The sales force is now integrated via sales force automation tool which helps control all sales activities, which were manually handled before. And more importantly, the Company made a bold move to replace some key management personnel to drive home the message that organization interests were valued higher than individuals.

Looking at external customers, Interestingly, we executed some fantastic system integration projects such as data center migration, virtualization and got a good strong hold in retail industry. The RMS business has shown signs of improvement and the expectations are that India market will need RMS services more this year. Also, in the US, we did some innovative private cloud implementations for two more customers. Despite all the efforts taken, our customer base did not improve much till the end of 2011, but we soon started adding new customers by the last quarter.

Some of the key accomplishments this year include our own ITSM product, 'Integrated Service Delivery Framework', which has been much talked about and has been successfully deployed to clients in the US, and most importantly, for our client in the UK. We opened an office in UK in the middle of the year and

have a good clientel now for major remote service deployment work. Our new product platform was the cornerstone to this deal and promises to be a major contributor to our core business in future. In India, we were at the forefront of a multi-crore government project for the railways which was successfully completed much ahead of time.

The IT growth areas seen in today's Indian markets are remote management services, total outsourcing, compliance, physical security solutions, virtualization and more adoption to public cloud and virtual private cloud services. In the US, cloud adoption is getting into mainstream. Offshore outsourcing in applications will be slowing down further. However, we see opportunities in second generation outsourcing. The Australian market is going to have a steady IT demand this fiscal year.

From the technology side, mobility management, cloud computing, mobile applications equipped with real-time transactions and analytics are gaining prominence. Mobile devices including touch pads have entered enterprise arena. In India, small and regional IT companies are feeling a lot of pressure to get merged or undergo major business shift. Also, many IT companies are on verge of closing due to decreasing demand for conventional IT and few of them are getting acquired. In the US, the business intelligence space, mobility management and infrastructure transformation are in full traction.

Allied Digital, due to corrective steps taken last year, looks more agile and is in a better position in changing business and technology conditions globally. Due to its early adoption to transformation, it has established a leadership positioning in market to address specific customer IT demands in the cost reduction as well as upcoming IT growth areas. It has established its leadership now in providing total IT outsourcing solutions and established prominence in physical security and command control. It continues to strive on its clear market focus that was planned at the end of fiscal year 2010-11. Your company has been showcasing private cloud capabilities and is also working on strategies for specific business solutions in cloud space. As a 'Cloud Navigator', it has now developed strategic partnerships with OEMs to provide broad-ended subscription based business offerings for

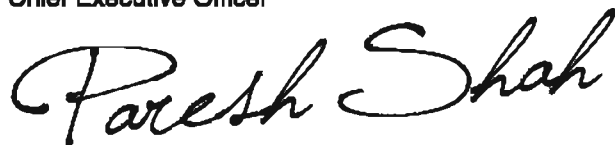
SME. Today, your company has the capacity to manage all devices, right from end users, to core enterprise IT, data centers, databases and certainly also applications.

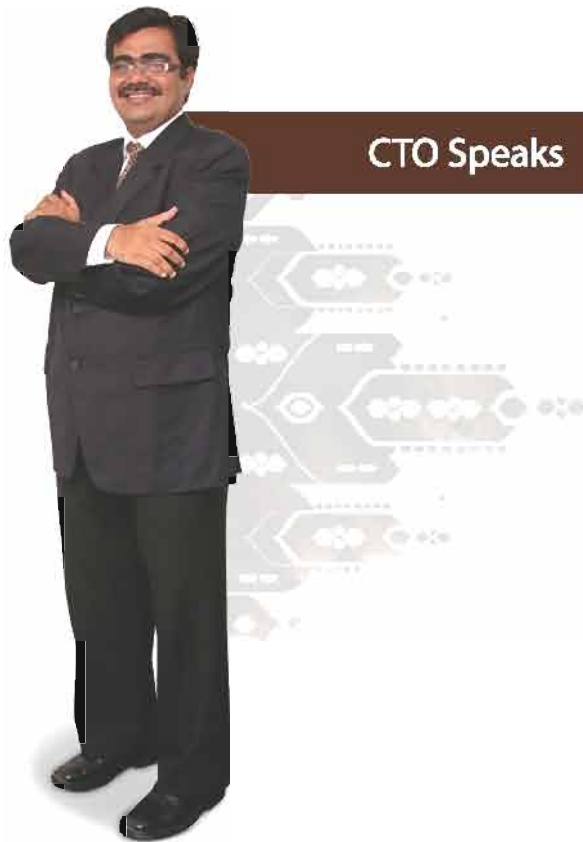
Your company has got into a roadmap with clear market focus, moving to best-in-class organization as part of the next generation of transformation. The management team is well integrated. Its successful investment into the service delivery framework platform is showing signs of success and taking center stage. Your company brings added value of software services especially via business process automation into all system integration solutions. Though the markets may tighten this year, we have become more agile, with diverse focus, improved service and solution delivery, cost control, value-added software and powerful offerings.

I am certain, that the introspection done in the last year, the innovations done in the last year, the market scope that we embarked on will leave a positive result of transformation; thus making your organization matured and better poised to handle economic turbulence as well as to bring positive growth in the company's business. Our every attempt is to ensure the right step taken in the direction that is always customer centric and geared to increase the shareholder value.

Paresh Shah

Chief Executive Officer





The year 2011-12 was a year of transformation for the Company and the US operations were no different. The focus was on transforming the business from silo service towers kind of operations to a more integrated services approach. This meant that some of the standalone business had to be curtailed and effort was on mining businesses which were value accretive not only from a revenue stand point but also from a profitability perspective.

From our service offering perspective, I would like to highlight some of the key areas where we have not only performed well but have also gone ahead and consolidated our positioning in the market.

Our Life Cycle and End User business saw good traction with several new client wins in the manufacturing, financial services and the retail sector. Allied has highly trained technical specialists who have the expertise to maintain all leading brand systems to the standards recommended by manufacturers. We maintain the entire IT infrastructure for the duration of its lifecycle for an

organization. Given that we understand the capabilities —and limitations — of all the very latest office technology, we're expertly placed to source hardware and software on an organizations behalf. This ensures that the client systems will match the demands of their business. Typically, as a global buyer, we have strong relationships with third party suppliers, hence our clients can leave their complete IT outsourcing to us and focus on the business at hand.

The other area where we have seen good traction is in Infrastructure as a service (IaaS). This is a cloud service where the enterprise uses a pay-as-you-go infrastructure from a service provider, offers a highly attractive, cost-effective solution that benefits both parties. IaaS is one of the three main categories of cloud computing services. It provides compute on demand services using a shared platform. Software as a service enables an enterprise application to be run on a multitenant platform and delivered using Internet protocol to any device. Platform as a service provides a platform to create and run applications in a preproduction environment.

By 2013, service revenues from IaaS are forecast to be approximately \$15.6 billion out of total cloud revenues of \$35.4 billion, according to Cisco research. IaaS has the potential to accelerate growth and deliver massive new revenue streams, while moving service providers up the value chain. It can provide better return on investments through high-margin multitenancy services, improved ability to create new competitive offerings, and open market opportunities with enterprise customers.

With continuing economic uncertainty and high levels of business risk, the focus for the enterprise is flexibility and renewed business agility. CEOs need to help ensure that their IT operations are ready for the ongoing challenges and shifts that are sure to emerge. IT resources must achieve financial and strategic objectives with cost-efficient resources, scalability and capacity, agility and productivity, flexibility to meet changing customer demands, and greener operations.

Data from Forrester reflects these concerns. According to their research, IaaS is an area of cloud computing that currently receives the most market attention, with 25 percent of enterprises planning to adopt IaaS via an external provider. They report that larger enterprises report greater awareness, interest,