



allied | digitalTM

IT managed. Responsibly.



Moving
Forward
as a **Dark Horse**
in Challenging
Landscapes

Annual Report
2013 - 2014





“

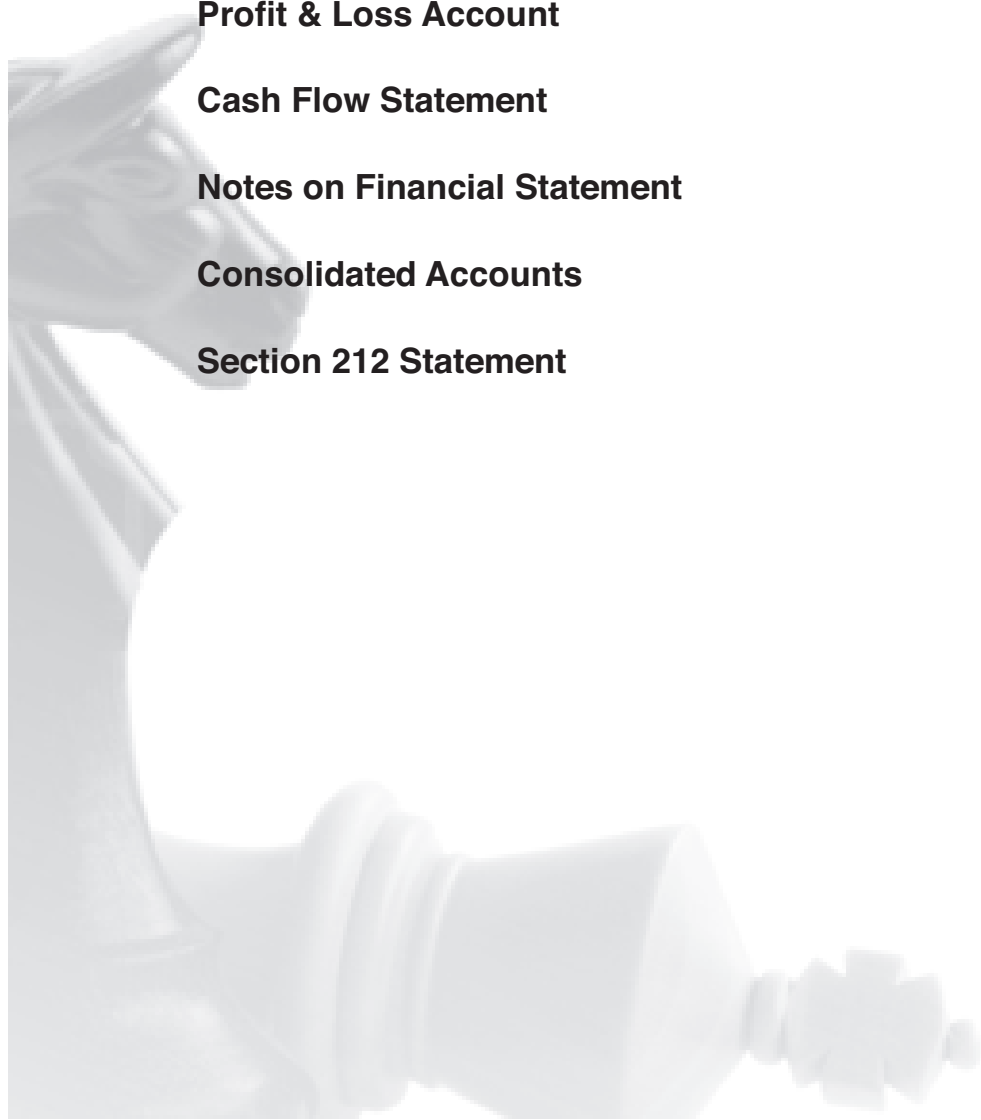
We intend to keep on **MOVING FORWARD** by creating complete readiness through innovation & automation to address the changing needs of the customers & IT landscape for the cutting-edge IT solutions.

With this, Allied Digital is poised for a stronger future growth.”

- **Mr. Nitin Shah**
CMD

CONTENTS

Notice	14
Directors' Report	25
Corporate Governance Report	33
Management Discussion And Analysis	49
Auditors' Report	54
Balance Sheet	58
Profit & Loss Account	59
Cash Flow Statement	60
Notes on Financial Statement	63
Consolidated Accounts	91
Section 212 Statement	122



Corporate Information

BOARD OF DIRECTORS

Mr. Nitin D. Shah

Chairman and Managing Director

Mr. Prakash D. Shah

Executive Director - Commercial

Mr. Paresh B. Shah

Executive Director & CEO

Prof. Venugopal R. Iyengar

Independent Director

Dr. Shrikant N. Parikh

Independent Director

Dr. Roopkishan S. Dave

Independent Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Ravindra Joshi

REGISTERED OFFICE

Premises No. 13A, 13 Floor,
Earnest House,
Backbay Reclamation,
NCPA Road, Block III,
Nariman Point, Mumbai - 400 021

CIN : L72200MH1995PLC085488

BANKERS

State Bank of India
Standard Chartered Bank
Barclays Bank

REGISTRAR & TRANSFER AGENT

Linkintime India Private Limited.
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup,
Mumbai 400 078. India.
Tel: +91 22 25946970
Fax: +91 2225946969
W : www.linkintime.co.in

AUDITORS

K.M. Kapadia & Associates





CMD

Mr. Nitin Shah

Dear Shareholders,

It is my pleasure to address you on the occasion of our annual general meeting. Your company has seen the ups and downs of the technology cycle which have been compounded by some macroeconomic factors in the last two years. We believe that the worst of that period is behind us and as we step into the new fiscal, we look upon the same with a renewed sense of optimism and hope.

Global activity has broadly strengthened and is expected to improve further in 2014-15, according to the April 2014 WEO, with much of the impetus for growth coming from advanced economies. Although downside risks have diminished overall, lower-than-expected inflation poses risks for advanced economies, there is increased financial volatility in emerging market economies, and increases in the cost of capital will likely dampen investment and weigh on growth. Emerging market economy policymakers must adopt measures to changing fundamentals, facilitate external adjustment, further monetary policy tightening, and carry out structural reforms.

According to Gartner report, across mature economies, the 2014 growth outlook has improved significantly, compared to 2013. The uptick is primarily

due to the Euro zone which is expected to return to a positive growth rate in 2014. The US economy growth is expected to increase in 2014. However, due to a weak start of the year following bad winter weather, the outlook for 2014 has been revised down to 2.3% from earlier forecast of 3.0% in 2014.

Business Overview

We have had another tough year in terms of financial performance and we ended the year with revenues of Rs. 296.85crore and an EBITDA of Rs.48.65crore. Services contributed 51% while solutions contributed the remaining.

While the domestic business continues to remain a tough nut to crack with issues around policy paralysis, inflationary pressures and weakness in several sectors of the economy, our international business is showing definite signs of gathering momentum. We are hopeful that this traction will gather speed as we move into the new fiscal and help us come out of the performances of the last two fiscals.

We continue to focus our attention on the Remote Infrastructure Management Services vertical which has been our core strength and which continues to deliver us good dividends both in North America and in India. This apart, we have also started paying special emphasis to managed security services which we believe will be the next phase of abnormal growth in the IT industry. With technology explosion and proliferation of several devices with greater volume of transactions being done through the e-Commerce channels, the key focus area of a number of corporates is on security.

Allied Digital provides unique offerings in the space of security services. It offers security services for end-user computing devices, mobility devices, data center devices, applications, networking devices and perimeter devices. One of the company's unique services is Threat Notification Advisory Services (TNAS), wherein these notifications are sent to customers across the world. This helps its customers to guard themselves against possible attacks. Allied Digital has been able to prevent many 'zero day attacks' using TNAS. The company has also taken strides by Adopting & Promoting Social media, Mobility, Analytics & Cloud Computing (SMAC).

We also continue to be the partner of choice in the field of IP Surveillance and Homeland Security systems.

We have won the prestigious order to implement the Closed Circuit Television Camera (CCTV) network project for the Pune Municipal Corporation (PMC) and Pimpri Chinchwad Municipal Corporation (PCMC) areas. Allied Digital was selected after a rigorous selection process scoring the highest marks in technical and commercial evaluation. Government has already allocated budget for this project.

The contract of the project is worth Rs.224 crores and is expected to be executed in over a period of 42 weeks and shall run for 60 months. The main scope of the project involves fitting of 1250+ CCTV cameras across the two corporations at 440 junctions and other locations. Apart from that, monitoring of the Pune commissionerate as well control rooms in both corporations will also come under this project. This project will enable its governing authorities to act upon any unwanted riots or terrorists attacks before the situation aggravates beyond control. This 'Smart City' surveillance project is one of the many that could be in the pipeline as announced by the new government to set up 100 such smart cities across the length and breadth of the country.

Further, along the lines of streamlining operations and dedication to providing industry-leading innovation to our clients, we unveiled Allied Digital's Integrated Tool-as-a-Service (ADiTaaS) this past year. ADiTaaS is built on our proprietary Integrated Service Delivery Framework (ISDF) with the key objectives of bringing standardized processes, comprehensive asset control, strong adaptive and integration friendly architecture in a single "IT Service-in-a-Box" that will considerably reduce an organization's IT management costs. ADiTaaS is compliant with IT Service Management (ITSM) and IT Infrastructure Library (ITIL) best practices. This solution has allowed many of our customers to increase visibility into critical components of their own environment, while allowing them to make better decisions for their business.

During the year, we also divested our entire 52.6% stake in our subsidiary, Digicomp Complete Solutions Ltd ('Digicomp'), to the Regeneris Group, UK. We had invested in the company in 2008 as a strategic investor. We had partnered in the growth of a global platform and developed Digicomp to the current level and the transaction was done with the intention of taking this business to the next level through the partnership with Regeneris, a global leader in its business segment.

In Europe we plan to expand to in larger geographies with our new alliances and are ready to target large ticket deals, specially multi-country service delivery deals. We are also seeing potential in Middle-east and African region in security space and company has decided to focus in these regions which will give impetus to overall EBITDA margin.

We continue to win many awards and recognitions during the fiscal in recognition of its leadership and innovative practices in many segments that we are present in. To name a few, ADSL won the prestigious world-wide MSP of the year 2014 from LANDesk Software, USA for the third year in a row. Allied Digital was also featured as Silicon India's Top 10 promising IT services companies from India. These recognitions further strengthen our commitment to provide the best possible services to our customers using the latest technology.

Corporate Social Responsibility (CSR) activities continue to be an important facet of ADSL's commitment to give back to the society. Allied Digital through the Padmapragna trust works towards the empowerment of women by providing them with necessary skills training and other facilities in a manner that they can be self-reliant. This apart, we also have focused on the education of needy children, provided healthcare facilities to the poor and also committed our time to spiritual and religious activities.

This is a small way of showing our gratitude to the almighty who has showered us with his benevolence. We would like to place our heartfelt gratitude and regard to all our customers, employees and most importantly shareholders who have supported us in the best and worst of our times. I am hoping that the wait for better times is just around the corner and we hope to reward your patience with a much better performance in the coming fiscal.

Mr. Nitin Shah
Chairman and Managing Director

Nitin Shah



allied|digital®
IT managed. Responsibly.



CEO

Mr. Paresh Shah

Dear Shareholders,

The fiscal year 2013-14, as predicted, started slow, but showed signs of revival in the last quarter for IT. The current year looks well poised for global growth. The change in government of India will bring new focus in the area of infrastructure, manufacturing and banking. Macro-economic factors are expected to improve. This will fuel domestic industry growth and lead to more demand in IT.

Global economy, barring some recent setbacks in the middle-east is on improvement path. US are leading the growth & are also having positive impact to the rest of the world economy. This gives me a strong feeling that "Better days should be coming". Being transformed, to offer right services and solutions for current and future upcoming IT trends, it is oriented in the right direction to take up new opportunities.

Your company, though did not have a great year, yet saw a major turnaround and improve over the previous year, as we won one of the largest deals in the history of the company. It has now gathered significant experience in doing very large projects and showing excellent stability internationally. The transformation

has started showing positive outcome, and I see the current fiscal year ending brighter and an excellent future.

Our last fiscal Year

The Indian economy showed some recovery in last quarter, as a result, IT demand has increased. The government change has fueled positive change in the corporate world. The new government is also seriously interested in driving infrastructure projects, of which IT now will play a major role.

In India, the major story this year for us has been the "Big Win" for Pune City Surveillance Project of Rs. 224 crore over five years. This project puts us a leader in system integration space in India today. Also, an iconic project, first time in India, it also marks a launch of a huge estimated business of 20,000 crore in homeland security in India. In fact, major resources and company's efforts are directed to the implementation of the project. We are poised to get into larger projects and initiatives, we believe that public private partner and with the help of banking provisions will support winning many more deals to successfully execute. I hope the new government, takes some major steps to revive favoring banking policies for mid-size companies like ours, so we can execute large projects successfully. The Pune City project is undergoing a major Capex investment in the last financial quarter and early quarter this year.

Globally, we had a profitable year, especially in the US. Also, the biggest news is we have been successful in renewing all our large contracts, which is a significant achievement. We also added many more new customers this year, and won the top "platinum managed services award" from LANDesk for the third time in a row. Great synergy between our operating functions; our service delivery, focused sales, smart cost control and practice innovation has contributed to this success which now looks well set for growth. Our UK business is stable. We have completed two years of our first and largest ADiTaaS roll out and are looking at new expansions. By the way, ADiTaaS picked up an innovation Top-100 industry award in India. We also introduced a Reporting tool for smart IT Service analytics.

Current Industry Scenario

The current year as mentioned above, brings us tremendous opportunities in the areas where we are well positioned already. The CCTV market in India is about to explode for large and custom projects, where we are now experienced campaigners. Second, the managed security business looks to rebound in a big way. We are among the top companies in India and this business too has good profit potential. Third, the cloud business will continue to grow. I also see more transformation and modernization projects coming in third and fourth quarters. The mobility business and globally, "Data Warehousing" and "Big Data Analytics" will continue to grow, with India not too far behind.

The US market will continue to be lucrative this year. However, Allied Digital has significant plans to stride into global business. The Europe and Africa also show new glimpses of opportunities this year. For our systems integration business too, we are looking at some good global exposure very soon. Overall, I feel, this is the year of major upswing in the coming quarter.

Allied Digital Positioning

Your company is geared to take up this growth. Let me highlight the roadmap for this and coming year. We are establishing ourselves as leaders in large Smart City projects, not just by experience, but also with some large global tie-ups. This will carve out new plans in Homeland Security, Systems Integration, Intelligent Building management etc. So our ADiInsight part of business is going to make big moves. We also intend to complete a major alliance for IT business in Gulf Region. We are on our way to acquire a major business in Application outsourcing. We also have opened up our alliance in Africa this year, and look for an immediate break in third quarter of this year. We are working towards doing a major scaling in our field services and service desk business globally, thanks to some interesting tie-ups in Europe, China and Japan. In India, we will continue to concentrate only on profit making businesses, as collections are still a challenge. Technology wise, we have plans to take ADiTaaS into new roadmap, for non-IT device integration, multi-lingual capability and add-on tools.

In all, we are seeing a very positive indication for the good growth in the future. I would re-iterate that our transformation for "small pain - long gain" is rightly defined and we see movements to major growth in the second half of the year. Also, we are making some global strides, which are going to bear fruits too. Our expertise in large infrastructure projects and focus on value-added innovation keeps us in the leaders' league. Your support and interest has given us good motivation. Myself and company leaders are recognizing your support and your belief in the company which motivates us working at our best to produce success stories and better financial growth.

Mr. Paresh Shah
Chief Executive Officer

Paresh Shah



**CEO
(ISG)**

Mr. Jawahar Ali

Government's new policy prioritizes development of infrastructure that provides better roads, express way connectivity between cities, high speed railways, airports and most importantly Smart Cities that offers operational efficiency and improved productivity for economic growth. Physical Security System is an integral part of this development and has enormous business opportunity for Master Systems Integrators (MSI) such as Allied Digital.

World-wide there has been a huge growth in security industry and India is rated as one of the fastest growing security market in the world. The overall size of the Indian Security market is estimated to be around Rs. 60 Billion comprising of Video Surveillance, Access Control, Perimeter protection, Baggage Scanning, turnstile and Barriers with an average growth rate of 31% (from 2008 to 2013). Allied Digital is ideally positioned to consolidate its position in the industry as an MSI.

Allied Digital has several wins such as Pune City Surveillance project, Integrated security system for critical Infrastructure protection that includes leading stock exchange in the country; an international standard Multi facility hospital in Noida; Cash Centres

located pan India for a leading Bank that complies with RBI guidelines for security recording; and Video Surveillance systems at manufacturing facilities pan India for two leading Pharma companies that helps in obtaining US Food and Drugs Administration audit approval for continued access to the US Market. The experience gained in these and similar projects have provided Allied Digital with a deep insight in Security System Architecture that are highly optimised for performance and Total Cost of Ownership (TCO).

Allied Digital's recognition and value as a leading MSI in the country is derived from its demonstrated experience in commissioning integrated physical security system that can be appropriately modified and commissioned in various applications such as City Surveillance, critical infrastructure protection, banking, manufacturing, Transportation and Smart City which has significant business volume and value. Smart city project has full support from the government and around 100 such cities have been planned. Allied Digital is very actively engaged in these opportunities and responded to Expression of Interest floated by some governments and further progress is underway.

Allied Digital's Strategic Partnership Agreement with a prominent business house in the Middle East for Integrated Physical Security System to be deployed in leading cities in the region has a potential for very significant growth in its business.

With successful wins in key Physical Security opportunities, Allied Digital is looking ahead to further consolidate its position as a leading Master Systems Integrator in the country.

**Mr. Jawahar Ali
Chief Executive Officer
Integrated Solutions Group**

Jawahar Ali