



Allied Digital announces annual Q1 FY 12 Results

Total Income for the quarter stands at Rs. 144 cr.

Mumbai, August 12, 2011 – Allied Digital Services Ltd. (Allied or Company), (BSE: 532875) (NSE ID: ADSL), a leading Indian IT infrastructure management services provider today announced its first quarter results for the quarter ending June 30, 2011.

Consolidated financial highlights for the quarter ended June 30, 2011

- Consolidated Total Income of Rs 146.06crore; down 16.3% Q-o-Q
- EBITDA margins stands at 9.8% for the quarter
- Net Profit for the quarter stands at Rs. 5.1crore
- Diluted EPS for the quarter stands at Rs. 1.1 on equity face value of Rs. 5.

Commenting on the results, Mr. Nitin Shah, Chairman and Managing Director said “The performance in this quarter has been muted compared to our earlier quarters. The reasons for this are manifold and we have put out a detailed note regarding the reasons behind the same which is appended to this release.”

About Allied Digital Services Ltd:

Allied Digital Services Ltd (Allied) provides a range of IT Infrastructure services and solutions including managed services and physical and information security solutions to leading Indian and global corporations. The company has a presence in over 132 locations in India, and over 40 states in the USA, through its acquisition of Enpointe Global Services.

Allied is an ISO 9001: 2000 certified company with a global command centre certified under ISO 27001:2005. Allied Digital Services Ltd. is among the few companies with a truly pan India direct presence in 132 locations across the length and breadth of the country – servicing over 40, 000 pincodes on the same day.

For further information, please contact:

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Small-term pain but long-term gain, says Allied Digital

Mumbai, 12 August 2011.

Dear Investor

“Allied Digital is gearing up to take the next big leap and meet the challenges of the future with conviction, dedication, and committed enthusiasm. This year, we’ve been focusing very strongly in strengthening our internal force, and ensuring our business remains ahead of the curve as we continue to lead the paradigm shift within the global IT industry.

While the global economy is moving from a recessionary phase to a recovery phase; the IT industry is simultaneously undergoing a sea change by moving from a distributed computing environment to a centralized computing environment (erstwhile, the mainframes). Interestingly, the new centralized computing environment is not physical but virtualized - ‘cloud’ being the term most commonly used. Enterprises today are looking for ways to better align their business application portfolios with business and market conditions. Legacy transaction systems will form a foundation for the response, but are not agile enough to be the complete solution. Companies are increasingly exploring the potential of cloud computing in their businesses. Virtualization as we believe will be the highest-impact trend changing infrastructure and operations in the coming year. Virtualization will transform how IT is managed, what is bought, how it is deployed, how companies plan and how they are charged. As a result, virtualization is creating a new wave of competition and it is inevitable for all players in the IT space to gear up and transform their internal business environment to meet the challenges of the changing environment.

Although the adoption of cloud computing services is slow amongst large enterprises, due to fear of loss of data or losing control over confidential information; we at Allied Digital see this as a huge opportunity to showcase our expertise in mitigating risks and providing world-class security services and exceptional solutions to secure information on the cloud using our joint venture partnership with eCop, a Singapore based security solutions provider (‘eCop’ solutions are a part of the Gartner Magic Quadrant). Moreover, the process of migration to the cloud services is also complex, given the maze of legacy applications in large companies. But with our expertise in this space, we are making it

much easier for our clients to get personalized support and enjoy the benefits of the new virtualized environment.

As both cloud computing & virtualization become more pervasive, traditional IT infrastructure orthodoxy is being challenged and is changing the way business works with IT. Also, our industry is facing mutually reinforcing forces; for example, cloud computing and mobility are reshaping service provider strategies in several areas; the design and deployment of managed services, the delivery channels, and the economics of managing infrastructure remotely. This nascent trend is already reshaping customer strategies away from the traditional ITO model to a flexible, on-demand services model across a range of platforms. Allied Digital's expertise in this space has been built much ahead of time, hence with the entire industry now shifting towards this newer model of automation and virtualization; the mass adoption of this will place our organization in a much positive and profitable position in the near future.

Change, as a result has now become inevitable for all service providers. This change will impact the old revenue streams coming from traditional ITO models while the new computing environment will bring new revenue streams into play. Allied Digital's pre-emptive nature, proactive approach and core expertise and experience in the infrastructure management space over the past two decades; gives our organization a competitive edge over others to lead this computing environment shift, both effectively and efficiently.

In order to compete in this dynamic changing environment, Allied Digital is consciously building a new strategic thrust. We are undergoing a major transformation program internally named 'Get Ahead'. This is a companywide global program which focuses on three key areas of change: *people, processes and delivery management*. The aim of this program is to bring all functions within the organization to work seamlessly together, throughout the entire quote-to-cash cycle. While at one level we are continuously upgrading our employee skill set and talent bank by employing high quality expensive resources from the market; on the other hand, we are making significant investments in automating our service delivery processes and making them extremely robust for the future. In addition, there is a lot of time and energy being spent on innovation and ideation of new tools & technologies to create a fresh and much more energized service delivery experience for all our clients. We are also making tremendous progress in building our brand value by investing on strategic marketing communication activities. All the

aforementioned changes will further augment our overall value creation proposition in the market.

On the business front, we have also taken some very conscious decisions to revisit our overall service offerings to our clients and prospects in the global marketplace. We have decided to reduce our focus on low margin legacy business while simultaneously strengthening our capabilities in delivering high value high margin business. As a result, we can expect this shift to impact our top-line growth in the coming quarters; however, over a period of time the real impact will become visible with the organization's bottom-line gaining a noteworthy momentum and positive upward shift.

Going forward, we realize that the overall process of transformation that we are undergoing will bring some pressure in our operating margins this year due to higher wage costs and other investments being made towards the development of robust systems and processes. While in the last five years, our organization has seen meteoric growth in revenues on a quarter-by-quarter basis, however, this year being an inflection point supplemented with the long drawn transformation process underway, the revenue growth of our business will be pressurized and we may not be able to meet the expected target as communicated earlier.

However, the real impact of this transformation journey will be realized over a period of time, as we will emerge much more strongly than ever before. In the long run, the changes Allied Digital is making now will help it become more competitive against players that are not going through the same process. It may seem like a small pain today, but this will certainly translate into long term gains and positive realizations in the near future.

As an invested partner of our organization, you will witness positive incremental changes as we go forward. Our major growth would be led by larger client engagements and value offerings, by leveraging our core expertise in the infrastructure management space, both domestically and internationally. This will be an outcome of our personal, professional and organizational determination. You must rest assured that the strong fundamentals of Allied Digital and the growing foothold in the global market will take our company much ahead in time.

Some of the very recent industry awards bestowed upon us from DQ Channel, Channel World Premier 100, CRN VAR500, etc. substantiate the diversity of acclaim and our strong expertise and leadership position both in India and international markets.

We would like to thank you for the confidence and continuous support you have shown towards our organization. The future as we see is extremely promising and Allied Digital will lead from the forefront in time to come”.

Nitin Shah
Chairman and Managing Director