



**Press Release**  
**Allied Digital Services Limited**  
**April 16, 2024**

**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.50	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	53.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A3+   Assigned
Bank Loan Ratings	10.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	74.50	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating to '**ACUITE BBB**' (read as **ACUITE t riple B**) and short-term rating to '**ACUITE A3+**' (read as **Acuite A three plus**) on Rs. 63.00 crore bank facilities of Allied Digital Services Limited(ADSL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and short-term rating of '**ACUITE A3+**' (read as **Acuite A three plus**) on Rs. 11.50 crore bank facilities of Allied Digital Services Limited(ADSL). The outlook is '**Stable**'.

**Rationale for rating**

The reaffirmation in the rating takes into account stable operating performance of the company albiet volatility witnessed in the profitability margins. The operating income of the group stood at Rs.660.07 crore in FY2023 as against Rs.484.68 crore in FY2022, while its operating margins stood at 13.91 percent in FY2023 as against 14.73 percent in FY2022. The voltaility in margins is due to increase in the input costs.

Further, for 9MFY2024, the group has achieved revenue of Rs.510 Cr. The operating margins of the company stood at ~12 percent and the net profitability margin stood at ~6 percent for the same period. The rating also draws comfort from the established track record of operations of the group of more than three decades in the IT industry. The rating also derives strength from Allied Group (AG)'s adequate liquidity, healthy financial risk profile marked by healthy network, low gearing and comfortable debt protection metrics, strong operating performance supported by its diverse revenue streams. The rating also factors in the relation with reputed customers such as Tata Motors, Vedanta, Accenture, Air India and Infosys among others. The above-mentioned strengths are partly offset by the intensive nature of its working capital operations and exposure of the group to intense competition in the IT industry.

**About Company**

Incorporated in 1984, Allied digital services limited (ADSL), a Mumbai based company, is an IT consulting and services company. The company offers a wide range of IT services which include cybersecurity, Infrastructure management services, software solutions, workplace management, software solutions and cloud services and has presence in eight countries

across the world. The company is promoted by Mr. Nitin Shah who is the Chairman and Managing Director of ADSL who has over 2 decades of experience in the IT industry.

## About the Group

Incorporated in 1984, Allied digital services limited (ADSL) is an IT consulting and services company. The company also has a total of 11 subsidiary (refer Annexure 2 for consolidated entities) companies in various countries engaged in a similar line of business. ADSL along with the subsidiaries is herein referred to as Allied Group (AG).

## Unsupported Rating

Not Applicable

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of Allied Digital Service Limited (ADSL) and its eleven subsidiaries (given in the \*Annexure 2), as all the entities have common shareholding, common line of business and have significant operational linkages. The group is herein referred to as Allied Group (AG).

## Key Rating Drivers

### Strengths

#### Established track record of operations and experienced management

Incorporated in 1984, Allied Group (AG) has an established track record of operation of over three decades in the IT services industry. The group provides a wide range of services across 70 plus countries and has its subsidiaries in eight countries around the world. The operations of the group are managed by a qualified and well experienced senior management team who are ably supported by a strong line of mid-level managers. The extensive experience of the management has helped the group to establish long and healthy relationship with reputed customers and suppliers over the years. The key customers of the company include names such as Tata Motors, Vedanta, Accenture, Air India and Infosys among others. Further, the group is a leading player in providing Smart City Solutions for various state governments in India. The group has completed various Smart City project in the past as a systems integrator in cities like Pune, Aurangabad, Rajkot, Varanasi and Kalyan-Dombivli. The Group has bagged 2 new Smart City projects in Ayodhya and Talaja City.

Acuite believes that the management's experience and reputed clientele is expected to support the group in improving its business risk profile over the medium term.

#### Stable operating performance

Allied Group (AG) currently has six major revenue streams namely cloud services, cybersecurity, smart city solutions, Infrastructure management services, software solutions and workplace management services. Operating performance of the group has seen a healthy growth with a 36% Y-o-Y growth in the revenue. Revenue of the group stood at Rs. 660.07 crore in FY2023 as against Rs.484.68 crore in FY2022. Growth seen in the revenue is on account of increased demand for IT services and solutions globally. In 9MFY2024, the group has achieved Rs.510 Cr. Further, the company has also seen a robust performance on a standalone level. ADSL provides Smart City solutions to various state governments in India. Operating margin of AG stood at 13.91 percent in FY2023 as against 14.73 percent in FY2022. The operating margins have seen stability on account of modest scale of operations and prudent cost optimisation by the group. Profitability of the group stood at Rs. 53.74 crore in FY2023 as against Rs.61.02 crore in FY2022.

In FY23, the group had achieved 74% of its revenue from USA, 22% from India and the remaining 4% is from rest of world. Going ahead, for 9MFY24, the group had achieved 65% from USA, 32% from India and the remaining 3% is from rest of world. Also, Out of the revenue earned in FY23, 91% is from services provided and the remaining 9% is from solutions. Going forward for 9MFY24, 84% is from services provided and the remaining 16% is from the solutions. Acuite believes that the business risk profile of the group is likely to continue to improve on the

back of reputed clientele and healthy demand expected over the near to medium term.

### **Healthy financial risk profile**

Financial risk profile the group is healthy with a healthy network, low gearing and comfortable debt protection metrics. The tangible networth of the company stood at Rs. 447.27 crore as on 31<sup>st</sup> March, 2023 as against Rs. 435.74 crore as on 31<sup>st</sup> March 2022. Growth in the networth is on account of accretion of profits to reserves. Gearing of the group stood low at 0.09 times as on 31<sup>st</sup> March, 2023 as against 0.11 times as on 31<sup>st</sup> March 2022. Total Debt of the group stood at Rs. 39.16 crore as on 31<sup>st</sup> March, 2023 as against 46.18 crore as on 31<sup>st</sup> March, 2022. Total debt of the group comprises of long-term debt of Rs. 7.06 crore, short term debt of Rs. 28.44 crore and loans and advances from related parties and other unsecured loans of Rs.3.66 crore. Here long term arises of TL of Rs.2.45 Cr and remaining Rs.3.99 Cr is liability on account of finance lease. Total outside liabilities to Tangible net worth has seen a declining trend. TOL/TNW stood at 0.28 times as on 31<sup>st</sup> March 2023 as against 0.31 times as on 31<sup>st</sup> March 2022. Debt protection indicators of the group are comfortable. DSCR of the company stood at 16.11 times in FY2023 as against 19.47 times in FY2022. Interest coverage ratio stood at 23.38 times in FY2023 as against 36.80 times in FY2022

Acuite believes that the financial risk profile is likely to remain healthy in the absence of any debt-funded capital expenditure and any large deviations in incremental working capital requirements.

### **Weaknesses**

#### **Working capital intensive nature of operations**

Working capital operations of the group are intensive even though the GCA days have improved and stood at 212 days in FY2023 as against 294 days in FY2022. Higher GCA days are on account of higher debtor collection period and other current assets. The group usually raises bills monthly or quarterly basis the contract. Payment is received within 45-60 days post raising such bills. Debtor collection period stood at 88 days in FY2023 as against 150 days in FY2022. The debtors days in FY2022 was high as the smart city solutions segment are state governments and payments for such projects are delayed beyond the credit period offered. On a standalone basis (India business) the debtor days improved and stood at 125 days in FY2023 as against 412 days in FY2022. Other current assets of the company stood at Rs.97.91 crore in FY2023 as against Rs.97.54 crore in FY2022. Other current assets majorly include unbilled revenue of Rs.37.94 crore in FY2023 as against Rs.33.11 crore in FY2022. Further the company has maintained a cash balance of Rs.82.99 crore in FY2023 as against Rs. 55.59 crore in FY2022. Inventory held by AG includes goods required by the group for execution of the contracts like CCTV cameras and other hardware products. The inventory holding period stood at 27 days in FY2023 as against 34 days in FY2022. Creditor days of the group stood at 35 days in FY2023 as against 70 days in FY2022. The group enjoys credit period of 30-45 days from their suppliers. The average fund-based bank limit utilization stood at ~70 percent and for non-fund based stood at ~76 percent for the last 09 months ended December 2023.

Acuite believes that the working capital operations of the company will remain intensive over the medium term and will continue to remain a key rating sensitivity.

#### **Highly competitive nature of the IT industry**

The global IT services industry is dominated by several large players and small niche technology players. Allied Group faces stiff competition from domestic as well as international IT service companies leading to intense margin pressure. The industry is highly technology oriented which keeps on changing time to time. Thus, the company has to keep upgrading the services it offers according to the needs of the clients and changes in the industry. However, the established relationship with clients and vendors, diversified geographical presence and experienced management mitigates the risk to some extent. Further, the ability of the company to manage industry specific risks such as wage inflation and employee attrition levels determine the companies ability to sustain its business risk profile and will remain a key rating sensitivity.

### **Rating Sensitivities**

Improvement in the scale of operation while maintaining its profitability margins

Any deterioration or stretch in the working capital cycle on account of further elongation in

debtor collection period leading to stretched liquidity

### **Liquidity Position**

#### **Adequate**

Liquidity of the group is adequate with sufficient net cash accruals to meet its debt service obligation. Net cash accruals of the group stood at Rs.70.72 crore as against debt repayment obligation of Rs. 0.62 crores. AG is expected to generate net cash accruals in the range of Rs.72.21-99.96 crore as against debt repayment obligation of Rs.0.62-0.83 crore. Working capital operations of the group are intensive even though the GCA days have improved and stood at 212 days in FY2023 as against 294 days in FY2022. The average fund-based bank limit utilization stood at ~70 percent and for non-fund based stood at ~76 percent for the last 09 months ended December 2023. The current ratio of the company stood high at 3.64 times as on 31<sup>st</sup> March 2023 as against 4.50 times as on 31<sup>st</sup> March 2022. AG maintains unencumbered cash balance of Rs.82.99 crore as on 31<sup>st</sup> March, 2023.

Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

#### **Outlook: Stable**

Acuité believes that the group will continue to maintain a 'Stable' outlook over near to medium term owing to its established track record and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected debt and working capital requirements.

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	660.07	484.68
PAT	Rs. Cr.	53.74	61.02
PAT Margin	(%)	8.14	12.59
Total Debt/Tangible Net Worth	Times	0.09	0.11
PBDIT/Interest	Times	23.38	36.80

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Jan 2023	Term Loan	Long Term	1.60	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	11.90	ACUITE BBB   Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	22.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Assigned)
	Proposed Bank Guarantee	Short Term	5.00	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3+   Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3+   Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.50	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB   Stable   Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.50	ACUITE BBB   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.14	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Nov 2026	Simple	2.36	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE BBB   Stable   Reaffirmed

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Allied Digital Services LLC (USA)
2	Allied Digital INC (USA)
3	Allied Digital Singapore Pte Limited
4	Allied Digital Asia Pacific Pty Limited
5	Allied E-Cop Surveillance India Pvt. Ltd
6	Allied Digital Services (UK) Ltd.
7	Enpointe Technologies (India) Private Limited
8	Allied Digital Services (Ireland) Limited
9	Allied Digital Services Japan G.K.
10	Allied Digital Services DO Brazil LTDA.
11	Allied Digital IT Services (Beijing) Co., Ltd.



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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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