

EMERGING BUSINESS & IT

Allied Digi buys 80% in EnPointe for \$24m

Deal Gives Systems Integrator Major A Base In US

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CITY-BASED systems integrator Allied Digital Services has acquired 80.5% stake in EnPointe Global Services, a subsidiary of the Nasdaq-listed Enpointe Technologies, for \$24 million in a cash-and-stock deal. The deal values the EnPointe Global at \$30 million.

Allied Digital will pay \$10 million in upfront cash and the rest through an issue of 7.45 lakh fresh equity shares to EnPointe Technologies. This will give EnPointe Tech a 4% holding in Allied Digital that will be locked-in for a year. EnPointe Tech will also continue to hold 19.5% stake in EnPointe Global, the infrastructure management (IM) arm that was carved out from the company for the purpose of the acquisition.

The deal gives Allied Digital access to a ready customer base for remote IM services and a base in the US to expand its presence. For EnPointe, it gives the ability to offer remote IM technologies and access to network operation centre (NOC) and security operation centre (SOC) technologies. Shares of Allied Digital rose up over 8% to Rs 909 before closing at Rs 890 on the BSE on Thursday. The shares have gained over 10% from the last week's close of Rs 808.

"Look at this deal as saving four years of my company time. This acquisition gives us a ready base to

expand our presence and leverage on the tremendous cross selling opportunity in remote management services and managed security segment in the US," said Nitin Shah, CMD, Allied Digital. The company had launched IM services around a year ago.

"We had a choice to make an investment in NOC and SOC or take advantage of company that already had these technologies... The market in the US is really expanding in terms of remote IM, NOC and SOC," said Din Bob, CEO of EnPointe. EnPointe was initially looking for a partner and not interested in selling out which is why negotiations went on for nearly 6 months, said Mahesh Singhi, MD, Singhi Advisors, which advised Allied on the deal.

EnPointe Tech has revenues of about \$340 million, and EnPointe Global, the IM arm that has been acquired, trailing twelve month revenues of \$ 38

million with gross margins of 35%. The IM arm has contracted revenues of \$ 40 million from 32 clients, of which 11 are Fortune 1000 clients. The acquisition will be revenue and earnings accretive for Allied Digital, that also intends use the 300 strong employee force of EnPointe Global for sales and operations, while offshoring the IM services. For the year ended March 2008, Allied had revenues of Rs 297.2 crore and net profits of Rs 42.9 crore on a standalone basis.

