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ICRA reaffirms ratings of Allied Digital Services

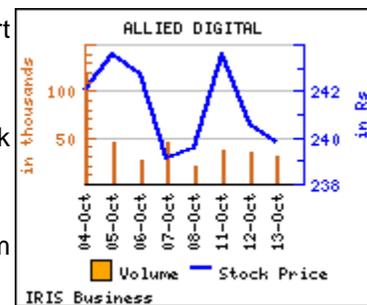
Credit rating agency, ICRA has reaffirmed the LA+ rating to the long term fund based working capital facility of Rs 525 million of Allied Digital ([Q,N,C,F](#))* Services (ADSL).

ICRA has revised the short term rating assigned to the Rs 830 million fund based, Rs 120 million and USD 4 million non-fund based working capital limits to A1+from A1.

Long term fund based limits of the company are interchangeable with short term fund based limits to the extent of Rs 475 million.

The outlook on long term rating is stable. Though a part of short term bank limits of the company are denominated in foreign currency,

ICRA rating for the same are on national rating scale, as distinct from international rating scale.



ICRA has withdrawn the A1 rating assigned to the Rs 500 million Commercial Paper programme of Allied Digital Services (ADSL or the company), at the request of the company, as there is no amount outstanding against the rated instrument.

The reaffirmation of the long term rating and up gradation of short term rating reflects ADSL's healthy profitability; comfortable financial profile supported by conservative capital structure and strong coverage indicators.

The ratings also factor in established market presence of the company with a diversified client base, strong management and promoter profile with domain expertise and experience of IT services industry.

ADSL has progressively enhanced its share of service offerings covering Infrastructure management services, Remote Infrastructure management and cloud computing which have relatively higher margins compared to networking and physical IT infrastructure business.

The company has tie-ups with several multi-national OEMs and software companies like Intel, Lenovo, HP, Microsoft, CISCO and Nortel among others, which enables the company to provide optimum mix of IT components to its clients.



The ratings are however constrained by competitive pressures and high receivables period. The company, through its overseas subsidiaries, has presence in the crucial US market and has ventured into joint venture overseas to source and refurbish e-waste items.

These entities acquired by ADSL in previous years would continue to need financial support from parent company in the near term, till the full benefits of integration with ADSL's core operations are achieved and other ventures attain sizeable scale.

In-organic investments have been integral to ADSL's growth plans for some time. While ICRA expects ADSL management to sustain its credit profile through such investments, the impact of any such future acquisition on the financial profile of the company would be evaluated on a case by case basis.

Recent Results:

The company recorded net profit of Rs 334 million on an operating revenue base of Rs 2.047 billion for the quarter ended June 2010. For financial year ended 31 March 2010, the company reported a net profit of Rs 974 million on an operating revenue base of 6.73 billion in comparison to net profit of Rs 772 million on operating income of 5.527 billion in the corresponding previous year.

Shares of the company declined Rs 0.8, or 0.33%, to settle at Rs 239.80. The total volume of shares traded was 29,509 at the BSE (Wednesday).