August 07, 2024

To,
Corporate Relationship Department
BSE Limited
P.J. Towers, Dalal Street
Mumbai — 400 001

To,
Listing Compliance Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor Plot No. C-1,
G-Block, Bandra-Kurla Complex,
Bandra (East), Mumbai- 400 051

Scrip Code: 532875

Scrip Symbol: ADSL

Sub: Transcripts of Conference Call pertaining to Financial Results for the quarter ended June 30, 2024

Dear Sir / Madam,

In accordance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we are submitting the Transcripts of Conference Call held on Thursday, August 01, 2024, in respect of the financial results for the quarter ended June 30, 2024.

The same can also be viewed at https://www.allieddigital.net/in/earning-conference-call

This is for your information and records.

Thanking you,

Yours faithfully,

For Allied Digital Services Limited

_____
Nehal Shah
Director
DIN: 02766841

Allied Digital Services Limited

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Allied Digital Services Limited

Q1 FY2025 Earnings Call Transcript

August 01, 2024

Call Duration	• 49 minutes and 03 seconds
Management Attendees	• Mr. Nitin D Shah, Founder, Chairman & Managing Director • Mr. Nehal Shah, Whole-time Director • Mr. Paresh Shah, Global CEO • Mr. Ramanan Ramanathan, Global Head Strategy- Growth, Innovation and Partnerships • Mr. Gopal Tiwari, Chief Financial Officer
Participants during Q&A session	• Jyoti Singh – Arihant Capital • Manan Vandur – Wallfort PMS • Deepak Poddar – Sapphire Capital • Shadab Akhtar – Individual Investor • Ashish – JM Financial Mutual Fund • Aditya Mutha – Individual Investor

Moderator	Ladies and gentlemen, good day and welcome to Allied Digital Services Limited's Earnings Conference Call.
	As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.
	I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you and over to you, sir.
Mayank Vaswani	Thank you, Nirav. Good afternoon, everyone and thank you for joining us on Allied Digital Services Limited Earnings Call for the 1ˢᵗ Quarter of Financial Year 2024-25.
	We have with us on the call today, Mr. Nitin Shah - Founder and CMD; Mr. Nehal Shah – Whole-Time Director; Mr. Paresh Shah - Global CEO; Mr. Ramanan Ramanathan - Global Head Strategy responsible for Growth, Innovation and Partnerships, and Mr. Gopal Tiwari - Chief Financial Officer.
	We will open with comments from the Chairman, following which Mr. Nehal Shah will cover recent developments across the business, Mr. Paresh Shah will then cover the operational performance and order wins followed by Mr. Ramanathan, who will speak on strategic objectives. Mr. Gopal Tiwari will briefly walk us through key financial perspectives. Thereafter, we shall open the call for the Q&A session.
	Before we begin, I would like to point out that some of the statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings documents that have been shared with all of you earlier.
	I would now like to hand over the call to our Chairman, Mr. Nitin Shah for his Opening Remarks. Over to you, sir.
Nitin Shah	Thank you, Mayank. Good afternoon, everyone. Thank you for taking the time to join our earning call.
	We continue to see a strong demand for our services. India market is very solid. The nature of contracts is also changing. Customers are evaluating

transformative projects, and they are thinking big because the cost of being left behind from their peers is very high. Taking big indicates that we are seeing changing scope of engagement towards greater degree of emerging technologies like Cloud, Cyber Security, AI and machine learning.

We commemorated our 40th anniversary on 1st May. In last four decades we have created a solid foundation and will focus on accelerated growth in our fifth decade.

As all of you know, Mr. Ramanan Ramanathan, Ex-TCS CMC, NITI Aayog has joined our leadership council as Global Head Strategy – Growth Innovation & Partnership recently and I am now handing over floor to Mr. Nehal to say his opening remarks. Thank you.

Nehal Shah   Thank you, sir. Good afternoon, everyone. Thank you for joining our Earnings Call today. I hope you have had a chance to review our Earnings document shared earlier.

This quarter has been particularly encouraging for us with positive growth in revenues with improved profitability on a year-on-year basis. In global markets, customers continue to face pressure from a broader economic environment. In the US, the upcoming presidential election has introduced a cautious approach, slowing down decision making. However, we have seen some improvement this quarter and our pipeline indicates numerous business opportunities. Nonetheless, further adjustments in expectations are necessary on both sides of the value chains for activity levels to pick up strongly once again.

In India, the operating environment remains vibrant. As we mentioned in our previous call. The General Election in April and May caused a slight slowdown in decision making, reflected in our numbers. However, Enterprise customer's activity remained robust, evident in the new wins and renewals which Paresh bhai will cover in his remarks. Since the new government has been formed, we are confident of the new contracts being awarded soon.

For Quarter 1 2025, our revenue split by geography shows continuous momentum in the India business, which reported 17% year-on-year growth in Quarter 1 FY25 despite the general elections. Revenues from the rest of the world geography also showed positive growth of 1% year-on-year, indicating initial signs of improved traction. The revenue split by

segment shows that the solutions business grew by 52% year-on-year in Quarter 1. Solutions now represent 23% of revenues in Quarter 1 compared to 21% in Quarter 4 FY24 and around 16% in Quarter 1 last year driven by our smart city projects. Consequently, revenues from government customers in Quarter 1 increased by 50% year-over-year, now constituting around 23% of overall revenues in Quarter 1 FY25 compared to 17% in Quarter 1 FY24.

As mentioned last quarter, we see interesting opportunities emerging in the Middle East. We have established a sales office in Dubai and plan to assemble a local team of over 50 members for execution as we are in the advanced stages of discussion with few potential customers.

The outlook remains buoyant. We have multiple discussions underway with new customers, including a couple of large contracts. We have made additions to a leadership council and expanded our global network of offices.

Moreover, with the recent sluggishness in the US market, the hyperactivity in the IT sector has eased and attrition rates have declined further. Even as we await the farming up of customer activity, we have utilized this opportunity to retrain and reskill our people, making ourselves even more future ready.

With that, I would like to hand over to our global CEO – Mr. Paresh Shah to share key insights about the Operational Performance and Key Developments during the quarter. Thank you.

Paresh Shah   Thank you, Nehal. Good afternoon, everyone.

Here is a brief overview of our operational performance and key developments this quarter. ADSL has secured orders totaling over Rs. 150 crore including new wins and multiyear contract renewals.

We have been selected to provide Infrastructure Management Services for a major real estate developer expanding into Northern India's mid housing segment.

We have also secured a contract with the manufacture of high-performance refractory materials in the glass, ceramics and concrete sectors to manage Infrastructure Services for their offices in East India.

One of India's largest integrated chemical companies with an annual revenue of around Rs. 5,000 crore have chosen us to manage Infrastructure Service for their West Region office and also provide annual maintenance services for their Mumbai office.

Additionally, we have renewed several contracts in several sectors, including IT consultancy, financial sectors, software and medical devices, shipping, FMCG, food and beverages, mining and also defense and space.

A provider of innovative scientific solutions in the US has also selected us to manage their IT transformation posts spin-off from Olympus Group, including Digital Workplace Management Services. We are confident of an increased pace of order wins in the quarter ahead.

Now, I will hand it over to Mr. Ramanathan - our Global Head of Strategy, responsible for Growth, Innovation and Partnerships.

Ramanan Ramanathan Thank you, Paresh and good afternoon to everybody.

It is indeed a pleasure and privilege to connect with all of you today. As has been pointed out by the Chairman as well as the other speakers today, Allied Digital over the last 40 years has built a very comprehensive, very impressive range of services, not only for domestic customers in India, but also for customers abroad. And I think there is a tremendous opportunity as I have entered this organization to penetrate larger markets and to be able to broaden our offerings to different types of customers.

Let me share a little bit about what the opportunities are, and our strategies are going to revolve around that. First and foremost, India is a big opportunity. India is a growing market, one of the fastest growing economies of the world. Allied Digital is very well positioned with already 12 to 14 smart cities under its belt and with over 100 smart cities identified in India. That is a tremendous opportunity for Allied Digital to replicate its successes through multiple smart cities. Now, smart city projects are not easy projects. They are very complex projects. They require a combination of hardware, software, integration, engineering as well as application management skills. And this actually helps Allied Digital not just for the Indian market, but also position these services in the global market where smart cities are increasingly being developed and not only in advanced countries like United States, but also in many emerging economies.

The second part is Allied Digital through its comprehensive range of services has penetrated the Indian markets, but not the Enterprise market still and there is an opportunity for Allied Digital to be able to offer its services and its offering. An already impressive range of customers have been acquired over the last one year, but I think over the next couple of years there is a huge opportunity for penetrating. Also, all of you are aware that GCC's are being set up in India, Global Competency Centers and every GCC will require the type of services that Allied Digital offers in Infrastructure Management beyond domain-based competency management.

The third is we are looking at penetrating deeper markets and other markets, for example, I think Nehal already referred to the fact that we have penetrated the Middle East market, but there is an opportunity for Allied Digital to replicate its successes in the United States and in other parts of the world like UK, Europe, as well as in Africa, where emerging economy is very similar to what is there in India. Asia Pacific also offers good scope for their offerings. The fact that many of the customers of Allied Digital are marquee customers with operations in multiple countries across the world positions Allied Digital to be able to offer its services not only through partners that it has, but also directly to many customers. And I think that is one of the strategies that we are going to adopt to see how we get to diversify not only our range of partners, but also diversify into direct access of customs.

Finally, we are all living in a world where technology is rapidly changing, Artificial Intelligence is making its presence well, and I think from a market point of view or a positioning point of view, we have already positioned ourselves as an AI driven intelligent Infrastructure Management Service provider. The Digital Desk solution that has been developed by Allied Digital is very much in this area, so integrating AI into not only infrastructure management, but intelligent application management and being able to value add to our customers is going to greatly benefit Allied Digital in the years ahead. So, these are some of the opportunities we see, but we are also going to be positioning our strategies aligned to the other.

Thank you so much for giving me a chance to share a few thoughts today. I will now pass it on to Gopal - the CFO of the organization.

Gopal Tiwari   Thank you, Mr. Ramanan, and good afternoon to everybody. I will now quickly cover the financial highlights for the period under review. As you

can see from our numbers, there have been positive tracks in this quarter. While the India business continues to be burned, the pace of growth in revenue on a year-on-year basis in this quarter is in the mid-teens compared to more robust levels in the preceding few quarters. This is largely due to the deferment of decision making due to the General Election in India. This is temporary and we expect it to rebound back to more strong levels in the next couple of quarters. We are pleased to report a slight uptake in international business too.

We have reported an increase in EBITDA of 7% on a year-on-year basis. EBITDA margin for the quarter has been steady at 11% when evaluated on a year-on-year basis. As is evident from the revenue metrics, there has been an increase in the Solutions revenue which has resulted in an EBITDA margin at these levels. As the revenue from Services picks up through the year, there will be an improvement in the margin. The EBITDA margin in Q1 FY25 is not strictly comparable with the margin in Q4 FY24. Apart from the slight shift in the revenue mix, the Q4 EBITDA margin of 14% was aided by one-offs due to reversal of provisions made earlier in that financial year.

While the EBITDA margin on a year-on-year basis remained steady at 11%, we have driven improvements in PBT and PAT margins due to better expense management as well as higher other income due to the rising cash balance. Given our solid financial position, abundant liquidity and adequate resources, we are well equipped to fund our growth initiatives and deliver sustainable value to our stakeholders.

Thank you. I will now ask the moderator to open the forum for a Q&A session.

Moderator	Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jyoti Singh from Arihant Capital. Please go ahead.
Jyoti Singh	My question, sir is on the margin side, like in this quarter, we have announced the steady margin at 11%. So, what are further guidance and on the deal win side if you can guide us, on this smart city side, like we already completed a number of cities, but what are the future projections on that side if we have anything active in the discussion? And also on the Digital Desk side, what are the achievements that we have done and what are in the pipeline?

Nehal Shah	Jyoti, I will answer that question to you. I have typically understood there are three questions that you asked, one from the margin side, the other from the smart city future and the third one on the Digital Desk. From the margin side, yes, you are right, the last quarter was as already confirmed by Gopalji during his remarks, in the last quarter there was a certain reversal because of which we saw certain high in the margins. This quarter we feel that this is the base margin that we are at and we should be improving our margins in future quarters. But what we are looking at is that while we focus on our margins, we are also making sure that we focus on our topline growth as well. So, whenever we acquire a new customer in any new geography or any new place, as you are aware, our projects and our business are in line of 3 to 5 years. The intent is during the first two years, the margins are a little bit on the lower side, but as we go ahead in the queue with the customer, our margins keep on increasing through optimization and through acquiring and farming new business from the same customer.
	From smart city side, so far we have completed about 12 cities and two cities are under implementation as we talk today. There are a couple of smart cities that are there in the offering which are right now in the bidding stage. One of them is in the advanced bidding stage where we feel very confident of acquiring that customer in the next one or two quarters. Having said that since the Government of India has not changed and we see the same leadership coming up everywhere, we feel that the smart cities which were right now the top 100 smart cities might be taken down to the future towns that is Tier-2, Tier-3, Tier-4 towns where we expect more such smarter towns coming up, projects coming up. And even in the first phase, the projects that have been implemented, a lot of those projects will undergo renewals and Phase 2 of all those projects coming up as well. So, while we are discussing and talking, I see a lot of opportunity on that side as well. Apart from that, there are other projects which are typically not as a part of the smart city things, but we are constantly working on projects which give us leverage to show our skill sets and show our expertise on doing similar kind of engineering projects. We recently have bid for certain Metro projects as well, where we would be doing CCTV setup on certain railway stations and all. We are waiting for an outcome. Once we have some concrete outcome on that, we will share the news with all of you.
	Apart from that Paresh bhai, if you could just answer on the Digital Desk, that would be great.

Paresh Shah	So, let me just address on the Digital Desk. We have done great enhancements. Last quarter, we released our Bot platform, and this Bot platform helps customers to bring in a lot of automation and use AI from an end user perspective. We are already implementing this for one of the very large automotive customers in India and that project is going on. So, we are pretty much confident that there will be a lot more opportunities coming along the way. Also on the Digital Desk platform, we have added few more customers across the globe, both in India and also across the globe. So, we see that this trend will continue, and we want to make sure we continuously invest in more and more AI enabled projects. Especially AI is going to be part of Digital Desk platform. It will be called as an AI enabled platform very soon. We are certifying that also in coming quarters. And obviously we are moving into AIOps which is more of predictive analytics in coming quarters. So, we already have an exciting journey ahead for Digital Desk, both from the customer point of view as well as bringing a lot of AI features going forward.
Jyoti Singh	Sir, just one more portion on the deal win side that the deal that we won in Q4 and Q1. So, when we are seeing the revenue booking, when we will be going to see that?
Nehal Shah	So, Jyoti, generally whenever we win a deal, typically from a winning of the deal, the announcement of the winning to the first bill, the cycle is anywhere between 90 to 120 days wherein we start the SOW process with our customer which lasts about 4 weeks. Post that we go on the transition phase and once the transition is done is when we have the billing start. So, any deals that we have won in the last quarter of last year will start billing in the 2nd Quarter. So, we see a lot of billings happening in the 2nd Quarter onwards. Deals that we have won in the 1st Quarter, we might see at the end of the 2nd Quarter or maybe the start of third quarter those customers being built, for the net new customers that I am talking. Renewals will continue the way they are, they will not have any change in the billing terms.
Jyoti Singh	So, sir, does that mean our upcoming quarter will be very strong as most of the realization will come in the Q2 and Q3?
Nehal Shah	Correct, so we see there is going to be an upside on the Q2. Q3 should be better as well. That is how it is right now.
Paresh Shah	So, definitely as you see this quarter, we added Rs. 150 crore of revenue, so the billing, you will see that in the third quarter of this financial year

where you will see kind of because it is about 90-120 days as Nehal pointed out.

Moderator	Thank you. Next question is from the line of Manan Vandur from Wallfort PMS. Please go ahead.
Manan Vandur	Sir, I had a few questions. I just wanted to understand, as I am new to this company, even as in the data center side, what service would we provide if there is someone who wants to set up a data center, what service would we provide? Please explain that?
Nehal Shah	I would take that up. Manan, thank you for this question. Typically, our expertise lies in building up operate, so we call it as BOT, build, operate and execute or transfer or maintain those are the kind of things. So, anybody who wants to build a data center we have got this skill set to design them. Make sure that we implement the whole data center and keep it running and manage it for another 5 years. Typical customers for us are various customers, the enterprise side and all the smart cities. So, most of the smart cities that we have done for the Government of India, all of the smart cities have their own data centers and have been built by us. So, close to about 12 to 14 cities that we are working on, and we are building data centers for the state governments in different states and managing the surveillance and the other things on those data centers. So, our expertise lies in designing, solutionizing, managing and maintaining those data centers.
Manan Vandur	And I just wanted to know, going forward, let us say like 4-5 years, what the total addressable market would be for smart cities for us and like how much we would be able to capture out of it?
Nehal Shah	So, a good question, Manan once again. So, typically in the last call, I had said that we are getting news that the Government of India might soon announce 1,000 smaller towns, each town having a budget of about Rs. 30 crore to Rs. 50 crore. So, if that is something that comes up, we might have an addressable market for the next 3 years of about Rs. 50,000 crore. Apart from that, what I would want to also tell you is that there are 6 or 7 players largely who are in the smart city arena, and we are one of the pioneers and we were the first ones to make sure that the first city in India that is Pune City went live way back in 2015. Apart from us, there are our competitors are companies like L&T, NEC, KEC, all those kind of companies. So, these are typically 6 or 7 or maybe 8 companies that I could count that are competing for this kind of business. So, we see the

addressable market is very high with the kind of expertise that we have shown and the kind of implementation that we have done. We always feel that we are a forefront runner in such kind of projects.

Ramanan Ramanathan Ramanan here, if I can add, as all of you are aware, the Government of India has been investing in infrastructure in a very big way across the country and all of that infrastructure implies that there is an opportunity for smart district, smart towns and smart villages also. And Allied Digital is in a good position to bid for some of the important and large projects in that area. The fact that there are 106 smart cities already identified by the Government of India and out of which only about 22 have got implemented so far and in which around 12 are with Allied Digital. That sort of speaks well about the potential as well as the opportunity that Allied Digital has. And those of you are familiar with the Indian geography, there are about 8,000 small towns and cities in the country. And so even if you are expanding from 100 to 200 smart cities, that is going to be a substantial addressable market for the company.

Paresh Shah Also to add, apart from smart city projects, we have a huge market for SI based government projects. We have several projects; we won a very recent one in the state of UP. So, in terms of real estate development, in terms of healthcare, there is major spend that is happening in the government in terms of building digital infrastructure, various applications get built on that. So, we are also pretty much eligible and in the race for lot of SI projects in the government space.

Manan Vandur So, you also talked about some around 1,000 towns, if I am not wrong, right, 100 cities and 1,000 towns if I am not wrong, correct?

Nehal Shah Right, yes.

Manan Vandur And last question, sir, like around 8 years-9 years back, we had margins of around 18% to 19%. So, do you feel that around, in the coming 3 years or something because we will be having so much traction from the data center side as well as the smart city side and the towns and all of this coming up, we would be, you know reaching around 18%-19% in the next 3-4 years, would that be possible for us?

Nehal Shah So, Manan, that is the intent, you are right. We would want to very soon or very quickly go into the project that we have been doing in India. Our absolute dream is to go sometime in the future to reach even 20% with the kind of opportunity that can arise from our Software business, last

product that we have from. So, if that happens, I think the numbers that you are saying are pretty much doable, but the near focus would be to reach quickly to mid-teens.

Manan Vandur	And one last small question, I will squeeze in, around 6-7 players which you mentioned for the smart cities, that competition is there, could you name a few of them?
Nehal Shah	So, I already named three of them, L&T is one of them, KEC, NEC, CMS and maybe some smaller ones, one or two which I am not able to recollect right now.
Nitin Shah	So, I talked about prominently, I would put L&T, they have developed their skill set just recently about 7-8 years back; then international company Honeywell. NEC is another strong player. Then there are a lot of local players like KEC International, who are the other ones? Technosys or something, which is prominent in Madhya Pradesh, so we don't see them as a great competitor because they are not seen anywhere else. So, these are the kind of landscape as far as the competition is concerned.
Moderator	Thank you. Next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
Deepak Poddar	So, just first, I wanted to understand when we say our near-term focus is to reach mid teen kind of a margin, so what is the timeline we are looking at to reach those kind of EBITDA margins?
Nehal Shah	Deepak, if it comes to me, I will want to do it in another 3 or 4 quarters. But to be realistic, depending upon the kind of projects we close on, I wouldn't want to give a definite timeline, but I would say that our intention is to go towards that by constantly improving and making sure that our costs are under control to make sure that we reach to those kind of levels.
Deepak Poddar	Sir, one to two years, would that be fair timeline?
Nehal Shah	Yes, that would be safe and doable thing, I would say.
Deepak Poddar	And another question is, this year I think this 1st Quarter, again it was a little subdued maybe because of the election also. So, the growth was only 6% on a Y-o-Y basis? So, how do we see the growth for this year, FY25 at a company level?

Nehal Shah	We are targeting to grow as we have grown in our previous years. If you have seen in the last 4-5 years, we have been growing more than 20% that the target that we want to keep. We feel that is achievable with the kind of pipelines and the customers that we have. The only question arises, sometimes the billing spills over to another quarter and that is the reason we might see a little bit of things happening here or there, but from second quarter onwards we are pretty confident, our numbers will keep on improving.
Deepak Poddar	So, from second quarter onwards, whatever we are targeting in terms of 20% growth would be visible, right, on a Y-o-Y basis?
Nehal Shah	Yes, you will see an upward trend for sure from here on.
Moderator	Thank you. Next question is from the line of Shadab Akhtar, Individual Investor. Please go ahead.
Shadab Akhtar	So, we have been targeting Rs. 1,000 crore revenue for FY27, right?
Nehal Shah	Yes.
Shadab Akhtar	So, when are we expecting to go at least near about Rs. 200 crore in revenue? Are we targeting this in this year, FY26?
Nehal Shah	Rs. 200 as in quarterly Rs. 200 crore you are saying?
Shadab Akhtar	Yes.
Nehal Shah	Rs. 200 quarterly typically means Rs. 8 crore. Our target is to reach to that probably in this year. We should do that and there is a possibility if the customer and the pipeline that we have, we might even pass that as well.
Shadab Akhtar	And what about the margin side? Are we expecting similar margin growth like on the same basis?
Nehal Shah	I would say currently our margin levels are at our base. From here on we should be able to improve, and improvement should be seen in future quarters. Since our business that we are in is not a business which is driven quarter-on-quarter basis because most of our customers are for a longer period anywhere between 3 to 5 years. We get a lot of opportunities to improve our margins as we go more into the customer in this year, 2 year, 3-year, 4 kind of things. So, there is a constant need and the constant ask to our operations team to make sure that we keep

on improving our margins by optimizing costs, getting AI into our executions and also to make sure that we keep on doing a lot of farming and our current customer base. So, I am sure with all these three things put together, we should be able to better our margins in the near future.

Shadab Akhtar So, like other estimate would be mid-teens, can we expect?

Nehal Shah The idea is to reach there as soon as we can, is what I am telling to everyone.

Moderator Thank you. Next follow up question is from the line of Manan Vandur from Wallfort PMS. Please go ahead.

Manan Vandur Even as we have quite a lot of opportunities ahead, I just wanted to understand even as we are going to look into smart cities and smart towns and all of that, are we looking ahead to taking on debt or it will be more through internal accruals or how is it going to be?

Nehal Shah So, most of the time, we would want to use the vouchers money that we have with us, but we might keep on taking some project funding loans or something for short term where we would utilize them for doing the implementation and would be able to pay them off after that. Gopal, if you could just add to this for that.

Gopal Tiwari So, far as working capital funding is concerned that we are more than sufficient having that. Only thing is project funding in case we win further large projects, we might have to go for a project funding which will be short term in nature. The duration could be 9 months to 12 months period. So, otherwise there is no such issue with our funding because the company is almost, it is net debt free already and we are having sufficient cash flow with us to take care of any large projects coming in.

Moderator Thank you very much. Next question is from the line of Ashish from JM Financial Mutual Fund. Please go ahead.

Ashish Given this entire smart city play, towns and all, what kind of incremental investment you guys would need to make say, because it seems to be a clear story, this entire smart city and all. So, in the next one year, how much are you planning to spend across?

Nehal Shah So, investment, mostly Ashish would be done on the skill set. We would be making most of our people ready for those kinds of projects that we keep on coming. Our core team is absolutely intact. We haven't lost any

of any of our core team members in the last 6-7 years and we are very confident that most of the times, whenever we add on to any smart cities, it is most to do with adding up of more skill sets from a delivery perspective depending upon the city or the state that we are at. So, those are the kind of investments that we see from a delivery perspective. From the skill set perspective, there is a constant search for talent and there is a constant upskilling and reskilling happening at our end to make sure that we are future ready in most of these challenges. So, the good part is that whenever we design or we do the solutionizing, the core team is completely in-house. We do not outsource any of our projects or any of our core designing to any third party. So, that is why we have been successful in delivering all the cities that we have done so far.

Paresh Shah   Just to add on what Nehal talked about, even in technologies we would be looking into making sure we bring in some expertise in terms of creating our own IP and innovation solutions. As we have done several smart cities, we want to make sure that we can become kind of reuse a lot of our talent and solutions design that we have done. So, that could be another opportunity where we will invest into innovative solutions as well as managing certain startups where we can kind of help them to build new solutions that are required for the smart cities.

Ashish   And the entire journey of smart city and all, would you guys also be able to do security part, this cyber security type of thing?

Nehal Shah   Absolutely, Ashish. We are doing most of the cyber security stuff in some of the smart cities that come to us. It comes as a no brainer for us to go and do that. It is a part of most of the RFP's as well where we have to deploy, and we have to manage the cyber security for.

Nitin Shah   Let me tell you for that matter cyber security is a major vertical for us and we have been focusing a lot on cyber security. While we are speaking right now, there is a session which is going on where our head security is giving lecture to several seesaw in one of the five-star hotels today. And we have a stock established since 2007 where very few people had understood what is stock. So, since then we are into this game of cyber security, be it government project or enterprise. We are quite active in cyber security.

Ashish   And just to understand your business model better, do you guys have to pitch showcase via System Integrator, or you have your own BD team and then you pitch for projects?

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Nehal Shah	We call ourselves as Master System Integrators. We are the system integrators. So, how does these projects work, most of the state governments opened a consultant, which are one of the big 4 PWCS, or KPMG's of the world, and they will put out an RFC and system integrators like us or master system integrators like us would go and bid for them and get projects.
Nitin Shah	We have a policy since many years to be completely self-reliant and everything that we do, we do not want to keep anybody between us and our clients except for the very low end activity like tooling cable or directing pole or something which we might outsource it to somebody and labor kind of we outsource it to some, but otherwise we are completely self-reliant when it comes to high in the value chain to provide solutions and that is how we have built the organization to be self-reliant.
Moderator	Thank you. Next question is from the line of Aditya Mutha, Individual Investor. Please go ahead.
Aditya Mutha	Sir, recently India is undergoing many attacks on cyber security front. As you guys are working with governments across the nation, do you think that opens an opportunity for our Cyber Security segment to get some business from them?
Nitin Shah	Yes, unprecedented and we are very active in Cyber Security space, but the kind of threat, not only in India, across the globe, day in, day out, we keep seeing a new threat coming. So, we have a team who will understand the real zero Hour kind of threat. The moment our threat has occurred, our people will be able to identify the root cause of that. So, we have a specialized team to understand, but no one can 100% prevent that, but we have expertise once the threat is detected, we know how to combat that. And recently by the way, our people have worked extensively during that Microsoft and Cloud, why don't you Paresh talk about that? What our team has done wonderful job in that we have done.
Paresh Shah	So, there were some major disruptions, as you know, about close to a week back and where every large organization who had major investment into crowd strike had to face a lot of issues and there were major disruptions across the globe, both in India and US customers. So, we basically had lot of exercise to do on that and we basically not only guided the customers to take up next steps and put in the right patches. Many like we also had banks. Yesterday, I was talking to our team. There were banks who suffered most and where they had a lot of custom

software and we had to kind of put in emergency people to make sure that the team kind of can clarify and clear the issues and put the right patch for crowd strike. So, yes, we have been pretty vigilant into this, and our agility has been very well appreciated by the customer. Even in Azure, just a day before there was a major breakdown, there was a spike and of course it was not your security, but there was a performance related issue. We were able to quickly act on it and kind of support our customers. So, we see this trend coming here and there because cyber security is a continuous threat, and it is going to be always in demand. And we are well positioned, and we also see good traction coming forward from a lot of our customers for doing proactive protection in deploying large platforms on cyber security to prevent major issues.

Aditya Mutha	And one follow up on this, sir, do we own some IP in cyber security or we are just using products of different big companies?
Paresh Shah	So, I won't say we own IP, but we have our own methodology and platform. So, we have our Digital Desk platform, for example, right, which is used for a lot of IT infrastructure management. One of the recent customers that we have won is a single integrated platform which will integrate a lot of IT services, infrastructure services, it is more of an ESM, enterprise service management. Cyber security integration is also part of it.
Nitin Shah	I believe your question is whether we use our own platform or we use third party platform, am I right?
Aditya Mutha	Yes, sir.
Ramanan Ramanathan	So, let me tell you, we use proven platforms, the world well known, one of them is Microsoft and the other one why don't you talk about that?
Paresh Shah	So, we use multiple platforms to leverage cyber security services. Obviously, as I mentioned Microsoft, there is a Fortinet, there is IBM QRadar also. So, we have a lot of technology. So, we are kind of can pick up the technologies pretty much.
Nitin Shah	Platform agnostic support.
Paresh Shah	And we actually use our own methodology to make sure that we can give a very holistic solution. Cyber security is all about providing holistic

solutions to customers and that is where we build a more orchestrated platform around it.

Moderator	Thank you very much. The next follow up question is from the line of Manan Vandur from Wallfort PMS. Please go ahead.
Manan Vandur	If you could explain why there was like a flattish growth over FY23 to FY24 in the revenues, you can please?
Nehal Shah	So, typically Manan, if you look at the overall consolidated revenue, there was a slight sluggishness that you would say or a flat growth that was mostly to do with the US macroeconomic which was not very customer friendly at that point of time. But if you see at the India revenue, the India revenues grew close to about more than 30%-35%. So, in the US at that point of time, due to the war that was going on between Ukraine and Russia, there were a lot of uncertainties, some of our customers had budget issues, we lost some of our customers to their in-house, they shifted most of the business in-house rather than going through a vendor. Those are the kind of things that have happened at that point in time which eventually led flat growth over the year.
Manan Vandur	So, the current situation also going in Israel and Palestine side, so do we have any clients in that Middle Eastern part which might affect us?
Nehal Shah	No, we don't have any clients there currently. Most of our clients are typically in the US and the European region.
Manan Vandur	And if you could just tell me the margins as in like, so we have two breakups, right, Solution and Service. So, if you could tell me about the margin for solution and service individually that would be helpful?
Nehal Shah	So, Manan, there are two line of business where we have kept things very easy. Services line of revenue means recurring revenue. So, any revenue which is recurring in nature, any contracts that we signed for 3 years, 5 years and we have either month-on-month or quarter-over-quarter billing, we put all of those revenues in the Services bucket. Typically, the Q2 revenues are better. They are in the mid-20s, and I am talking about GMs right cross margins are in the mid-20s to late 20s. Solution business is the other side, our onetime projects, those are the projects where we do implementation of large smart city projects, or we do any migration projects or projects that we are doing store expansions for some of our customers. So, any billing or revenue that we get, which is for a shorter

period of time goes under solution which is mostly onetime kind of a billing. So, those revenues are put into the Solutions bucket. In Solutions bucket, typically margins are a little lower because in some of the Solution projects there are products that you need to use typically in the smart city kind of business projects. So, that is why we see a little bit of lesser margin, the margins could be in the range of mid-teens, I would say.

Manan Vandur   And these were gross margins, right, both of them?

Nehal Shah   Yes, mid teens to upper teens, is something the gross margins.

Moderator   Thank you very much. I now hand the conference over to the management for closing comments.

Nehal Shah   Thank you for your participation and engagement during the call. If you have any additional questions or require further information about our company, please reach out to our team or contact CDR India. We look forward to interacting again in the next quarter. Thanks a lot.

Moderator   Thank you very much. On behalf of Allied Digital Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you

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