

**CMP: INR 122**

**Rating: Buy**

**Target Price: 209**

**Stock Info**

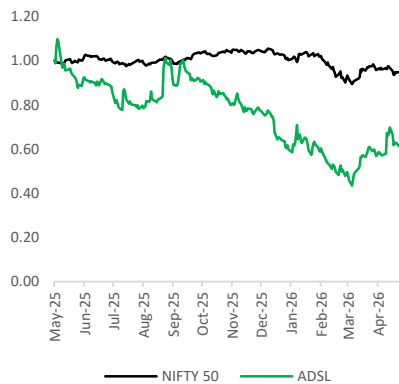
BSE	532875
NSE	ADSL
Bloomberg	ALDS IN
Reuters	ADIS.BO
Sector	IT
Face Value (INR)	5
Equity Capital (INR Mn)	282.6
Mkt Cap (INR Mn)	6,910
52w H/L (INR)	227 / 86
Avg Yearly Vol (in 000')	428

**Shareholding Pattern %**

(As on Mar, 2026)

Promoters	51.07
Public & Others	48.93

**ADSL Vs Nifty**



Abhishek Jain  
[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)  
022 67114851

Ananya Mukne  
[ananya.mukne@arihantcapital.com](mailto:ananya.mukne@arihantcapital.com)  
022 67114851

*Allied Digital Services Ltd (ADSL) reported a strong quarter on the revenue front; consolidated revenue stood at INR 2,678 Mn in Q4FY26, registering a growth of 31% YoY and 8% QoQ. For the full year FY26, revenue stood at INR 9,679 Mn, up 20% YoY. EBITDA (excluding Other Income) stood at INR 260 Mn in Q4FY26, up 26% YoY and flat QoQ, with EBITDA margin at 9.7%. However, reported EBITDA (including Other Income and the one-time ECL provision of INR 360 Mn) came in at INR 320 Mn for the quarter. For FY26, EBITDA (including Other Income, excluding the one-time provision) stood at INR 1,120 Mn, up 14% YoY, with margins at 11.6%. On the profitability front, PBT (excluding the one-time provision of INR 360 Mn) expanded 111% YoY in Q4FY26, reflecting significantly improved operating leverage. PAT for FY26 stood at INR 360 Mn, up 10% YoY, with a PAT margin of 4%. EPS for FY26 stood at INR 6.25 against INR 4.91 in FY25.*

**Investment Rationale**

**Annuity-Led Revenue Model Underpins Earnings Visibility**  
ADSL's revenue mix is structurally skewed toward recurring services, with the Services segment contributing ~78% of consolidated revenues in Q4FY26. The company's managed services contracts — spanning workplace management, cloud infrastructure, and cybersecurity — are typically multi-year in nature, ensuring a predictable and sticky revenue base. This annuity character is further reinforced by strong client retention across its 175-customer base, which includes 10 Fortune 100 accounts, and renewal wins across sectors including mining, BFSI, automotive, and medical devices reported in FY26.

**AI-Led Differentiation Driving Margin Expansion and Wallet Share Gains**

ADSL's investments in proprietary AI capabilities — including its agentic AI platform, computer vision solutions, and the Digital Desk ITSM platform — are beginning to translate into measurable client outcomes, with live deployments delivering L1 ticket deflection of 32%, MTTR improvement of 44%, and analyst time recovery of 30% in enterprise IT managed services engagements. These capabilities are increasingly being embedded into new and renewal contracts, enabling the company to upsell higher-value outcomes-based engagements. As AI-led automation reduces cost-to-serve, management expects this to be a structural tailwind to EBITDA margins over the medium term.

**Outlook and Valuation:** ADSL's record FY26 revenue of INR 9,679 Mn, approaching the INR 10,000 Mn milestone, marks an inflection point in the company's growth trajectory. Having established a globally integrated delivery model across 70+ countries and 20 offices, the company is well-positioned to scale its high-margin services business through deeper penetration of existing accounts and expansion into new geographies. The structural shift toward AI-augmented service delivery, combined with a disciplined approach to Solutions-segment selectivity, is expected to support gradual EBITDA margin recovery from the current 11% (excluding the one-time FY26 provision) toward the 12-14% range demonstrated in prior years. Sustained investment in proprietary platforms such as Digital Desk, and growing traction in smart city and digital engineering projects, provide further upside optionality. **We used DCF model to arrive at a target price of INR 209 per share. Accordingly, we maintain our "BUY" rating on the stock**

**Exhibit 1: Financial estimates**

Particulars (in INR Mn)	Q4FY26	Q3FY26	Q4FY25	YoY%	QoQ%
Revenue	2,678	2,474	2,044	31.0%	8.2%
Employee cost	502	499	545	-8.0%	0.4%
Other Expenses	594	314	755	-21.4%	88.8%
<b>EBITDA</b>	-101	262	93	8.7%	-138.6%
<i>EBITDA margin %</i>	-3.78%	10.57%	-4.55%	1bps	-14bps
<b>Adj EBITDA</b>	259	-	-	-	-
<i>Adj EBITDA Margin</i>	9.67%	-	-	10bps	10bps
Depreciation	51	50	153	-66.8%	2.0%
EBIT	-152	212	-246	-38.3%	-171.7%
<i>EBIT margin %</i>	-5.7%	8.6%	-12.0%	6bps	-14bps
Finance costs	35	31	20	76.9%	10.6%
PBT	-126	227	110	-214.4%	-155.2%
Tax Expense	-92	75	184	-149.8%	-221.8%
Effective tax rate %	325.0%	225.0%	167.9%		
PAT	33.80	152.00	-74.60	-54.7%	-122.2%
MI & Associates	-0.1	0	-1.5		
Consolidated PAT	33.90	152.00	-76.10	-55.5%	-122.3%
Reported PAT	34	152	76	-55.5%	-122.3%
<i>PAT margin %</i>	-1.3%	6.1%	-3.7%	2bps	-7bps
EPS (INR)	0.6	2.2	1.3	-55.4%	-127.3%

Source: Arianth Research, Company

## Allied Digital Services – Q4FY26 Concall KTAs

### Financial Performance

FY26 consolidated revenue came in at INR 9,680 million, up 20% YoY — the highest annual revenue in company history. On a Q4 run rate basis, the company has crossed the INR 10,000 million annualized milestone it had targeted since 2023. Adjusted EBITDA grew 14% YoY to INR 1,120 million with margins at 11%, while EBITDA before exceptional items jumped 33% to INR 810 million. PAT grew 10% YoY from INR 320 million to INR 360 million, supported by a INR 210 million deferred tax asset recognition that partially offset a one-time ECL provision of ~INR 360 million.

### Segment & Geographic Mix

India revenues grew 17% YoY, with Q4 domestic revenues surging 37% YoY driven by execution milestones. International revenues grew 22% YoY. Enterprise customers were the star, growing 31% YoY, while government revenues dipped 6% — primarily due to equipment cost volatility linked to geopolitical uncertainty (Iran-Israel conflict) that pushed certain tender wins out. Management expects a meaningful government rebound in FY27-28.

### Order Book & Pipeline

New orders and renewals in Q4 stood at INR 1,660 million, which management acknowledged was muted due to the government slowdown. Key wins included a smart city command and control centre engagement, oil and gas managed services, and multi-region workplace support across North America, Latin America, and Africa. A Mumbai government contract worth INR 1,500–2,000 million is expected to be announced within two to three weeks. The Maharashtra state pipeline alone is estimated at over INR 20,000 million, with two large contracts worth INR 6,000 million each where Allied is reportedly a frontrunner. The Western Railway tender (two orders totalling ~INR 2,500 million) went for a rebid due to cost escalation and is expected to re-emerge in mid-July.

### Audit & Governance

The company resolved all prior-year auditor qualifications. Key actions included converting INR 1,120 million of the INR 1,720 million in non-interest-bearing subsidiary loans into equity (with the balance squared off or interest-bearing), completing GST ITC reconciliation, physical verification of assets, and booking the one-time ECL provision. The remaining regulatory step is RBI approval for the overseas equity conversion, expected within one to two quarters, after which management expects a fully clean audit opinion. Current EBITDA margin is 11%. Near-term target is 12–12.5%, moving toward 13–15% over the medium term. Key drivers are AI-led automation (with 20–25% headcount reduction at client sites within six to twelve months), operating leverage from larger multi-year managed services contracts, and a deliberate strategy to grow services to 75–80% of revenues for greater revenue consistency and margin stability.

### AI Strategy

The company has a three-pronged AI approach: embedding AI into smart city and infrastructure solutions (including edge AI); enhancing its Digital Desk managed services platform with AI agents for ticket routing and resolution; and building agentic AI frameworks for broader enterprise deployment. Two PoCs were completed last quarter with one BFSI client live on AI and automation. Management views agentic AI as a level playing field globally and an early-mover opportunity for Allied.

### Guidance

FY27 revenue growth guidance is 20–25% with an internal aspiration that is more aggressive. The long-term ambition is 10x revenue over 10 years (~20–25% CAGR from the INR 10,000 million base). Effective tax rate for FY27 is expected to normalize to approximately 23–25%, with some residual deferred tax asset benefit.

# Allied Digital Services Ltd. Q4FY26 Result Update

## DCF Valuation

### Valuation Assumptions

g (World Economic Growth)	3%
Rf	7%
Rm	13%
Beta (2 Yr)	1.5
CMP (INR)	122

### WACC

We	85.5%
Wd	14.5%
Ke	16.0%
Kd	31.6%

### Valuation Data

Total Debt (long term borrowings) (2026)	1,168
Cash & Cash Equivalents (2026)	1,496
Number of Diluted Shares (2026)	57
Tax Rate (2026)	25.0%
Interest Expense Rate (2026)	42.1%

### WACC

**18.28%**

MV of Equity 6,895

Total Debt 1,168

**Total Capital 8,063**

## FCFF & Target Price

FCFF & Target Price	Explicit Forecast Period					Linear Decline Phase					Terminal Yr	
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
EBIT * (1-Tax Rate)	1,126	1,482	1,929	2,444	3,015	3,616	4,215	4,770	5,237	5,571	5,738	5,910
Dep	229	264	303	409	489	587	684	774	850	904	931	959
Purchase of Assets	299	370	457	595	724	869	1,013	1,146	1,258	1,338	1,378	1,420
Changes in Working Capital	992	372	558	660	843	1,012	1,179	1,334	1,465	1,559	1,605	1,653
FCFF	65	1,005	1,216	1,599	1,937	2,323	2,708	3,064	3,364	3,579	3,686	3,797
% Growth in Post Tax EBIT		31.6%	30.1%	26.7%	23.3%	19.9%	16.6%	13.2%	9.8%	6.4%	3.0%	3.0%
As % of Post Tax EBIT												
Dep	20.4%	17.8%	15.7%	16.7%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%
Purchase of Assets	26.5%	24.9%	23.7%	24.3%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Changes in Working Capital												
Capital	88.1%	25.1%	28.9%	27.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
FCFF	65	1,005	1,216	1,599	1,937	2,323	2,708	3,064	3,364	3,579	3,686	3,797
Terminal Value												24,854
<b>Total Cash Flow</b>	<b>65</b>	<b>1,005</b>	<b>1,216</b>	<b>1,599</b>	<b>1,937</b>	<b>2,323</b>	<b>2,708</b>	<b>3,064</b>	<b>3,364</b>	<b>3,579</b>	<b>3,686</b>	<b>28,650</b>

Enterprise Value (EV) 11,462

Less: Debt 1,168

Add: Cash 1,496

Equity Value 11,790

Equity Value per share (INR) 209

% Returns 70.99%

Rating BUY

WACC (%)

209	g(%)								4.00%
	3.75%	4.00%	4.25%	4.50%	3.00%	3.25%	3.50%	3.75%	
11.00%	508	522	538	554	554	572	613	688	832
11.25%	488	501	515	531	531	547	584	652	779
11.50%	469	482	495	509	509	524	557	619	732
11.75%	452	463	475	488	488	502	533	588	689
18.28%	452	463	475	488	488	502	533	588	689
18.53%	436	446	457	469	469	482	510	561	652
18.78%	406	415	425	435	435	446	470	512	586
19.03%	367	375	383	391	391	399	418	452	508
19.28%	325	331	337	343	343	350	364	389	429

Source: Company reports, Arianth Capital Research, Figures are in INR Mn. except share price and percentage data

**Key Financials**

Income Statement (INR Mn)						Balance Sheet (INR Mn)					
Year End-March	FY25	FY26	FY27E	FY28E	FY29E	Year End-March	FY25	FY26	FY27E	FY28E	FY29E
<b>Revenues</b>	8,071	9,679	11,950	14,784	18,298	<b>Sources of Funds</b>					
Change (%)	17.5%	19.9%	23.5%	23.7%	23.8%	Share Capital	281.9	282.6	274.2	274.2	274.2
Other Income	446	204	225	247	272	Reserves & Surplus	5,736	5,854	7,854	9,319	11,206
Cost of Goods Sold (COGS)	4,664	5,863	7,110	8,722	10,704	<b>Net Worth</b>	<b>6,018</b>	<b>6,136</b>	<b>8,129</b>	<b>9,593</b>	<b>11,481</b>
<b>Gross Profit</b>	<b>3,853</b>	<b>4,020</b>	<b>5,064</b>	<b>6,308</b>	<b>7,865</b>	<b>Loan Funds</b>	<b>721</b>	<b>1,168</b>	<b>721</b>	<b>721</b>	<b>721</b>
Employee costs	1,617	1,974	2,402	2,957	3,477	MI, Deferred Tax & other Liabilities	144	0	81	81	81
Other expenses	1,249	1,280	837	1,035	1,464	<b>Capital Employed</b>	<b>9,254</b>	<b>10,582</b>	<b>11,003</b>	<b>12,997</b>	<b>15,404</b>
<b>Total Expenses</b>	<b>7,530</b>	<b>9,117</b>	<b>10,349</b>	<b>12,714</b>	<b>15,645</b>	<b>Application of Funds</b>					
<b>EBITDA</b>	<b>541</b>	<b>562</b>	<b>1,601</b>	<b>2,070</b>	<b>2,653</b>	Gross Block	2,477	3,377	4,277	5,177	6,077
<b>EBITDA Margin</b>	<b>6.70%</b>	<b>5.81%</b>	<b>13.40%</b>	<b>14.00%</b>	<b>14.50%</b>	Less: Depreciation	1,152	1,388	1,688	2,050	2,475
Adj EBITDA (Exc one time prov)	-	922	-	-	-	Net Block	1,326	1,989	2,590	3,127	3,602
<b>Adj EBITDA Margin</b>	<b>-</b>	<b>9.53%</b>	<b>-</b>	<b>-</b>	<b>-</b>	CWIP	-	-	-	-	-
Depreciation	296	199	229	264	303	Other Non-current Assets	115	17	19	21	23
<b>EBIT</b>	<b>245</b>	<b>363</b>	<b>1372</b>	<b>1806</b>	<b>2350</b>	Other Current Assets	197.6	367.7	404.5	444.9	489.4
Interest	83	118	95	101	105	<b>Net Fixed Assets</b>	<b>1,639</b>	<b>2,374</b>	<b>3,013</b>	<b>3,593</b>	<b>4,114</b>
<b>PBT</b>	<b>608</b>	<b>449</b>	<b>1,501</b>	<b>1,952</b>	<b>2,517</b>	<b>Investments</b>	<b>60.10</b>	<b>61.60</b>	<b>64.68</b>	<b>67.91</b>	<b>71.31</b>
Exceptional Items	-2	0	0	0	0	Debtors	1,875	1,401	1,494	1,848	2,287
<b>PBT after exceptional Items</b>	<b>606</b>	<b>449</b>	<b>1,501</b>	<b>1,952</b>	<b>2,517</b>	Inventories	491	479	646	793	973
Tax	285	81	375	488	629	Cash & Bank Balance	1,881	1,341	2,907	4,539	5,554
Rate (%)	4.0%	3.8%	9.4%	9.9%	10.3%	Loans & Advances & other CA	1,412	2,171	2,388	2,747	3,158
<b>PAT</b>	<b>321.0</b>	<b>368.5</b>	<b>1,126.1</b>	<b>1,464.1</b>	<b>1,887.9</b>	<b>Total Current Assets</b>	<b>6,351</b>	<b>7,833</b>	<b>8,195</b>	<b>10,902</b>	<b>13,109</b>
<b>PAT Margin (%)</b>	<b>4.0%</b>	<b>3.8%</b>	<b>9.4%</b>	<b>9.9%</b>	<b>10.3%</b>	Current Liabilities	2,105	3,111	2,545	3,073	3,590
						Provisions	619	381	286	286	286
						<b>Net Current Assets</b>	<b>4,246</b>	<b>4,722</b>	<b>5,650</b>	<b>7,829</b>	<b>9,519</b>
						<b>Total Assets</b>	<b>9,254</b>	<b>10,582</b>	<b>11,003</b>	<b>12,997</b>	<b>15,404</b>

Cash Flow Statement (INR Mn)						Key Ratios					
Year End-March	FY25	FY26	FY27E	FY28E	FY29E	Year End-March	FY25	FY26	FY27E	FY28E	FY29E
<b>PBT</b>	<b>606</b>	<b>449</b>	<b>1,501</b>	<b>1,952</b>	<b>2,517</b>	<b>Per share (INR)</b>					
Adjustments: Add	221	1,181	691	1,698	2,095	EPS	5.9	6.7	20.5	26.7	34.4
Change in assets & Liabilities	-318	619	-911	-372	-558	BVPS	115	119	148	175	209
Net Cash From Operations	221	1,181	691	1,698	2,095	<b>Valuation (x)</b>					
<b>Capex</b>	<b>-141</b>	<b>-121</b>	<b>-247</b>	<b>-302</b>	<b>-345</b>	P/E	20.8	18.2	5.9	4.6	3.5
Cash From Investing	494	232	-129	697	-231	P/BV	1.1	1.0	0.8	0.7	0.6
Other financing activities	127	-1,688	1,604	15	1	EV/EBITDA	7.9	10.0	2.3	0.9	0.3
<b>Finance cost paid</b>	<b>(82.90)</b>	<b>(117.80)</b>	<b>(95.21)</b>	<b>(100.98)</b>	<b>(104.59)</b>	<b>Return ratio (%)</b>					
Cash From Financing	47	-2,059	1,187	-574	-732	EBITDA Margin	6.7%	5.8%	13.4%	14.0%	14.5%
<b>Net Increase/ Decrease in Cash</b>	<b>763</b>	<b>-645</b>	<b>1748</b>	<b>1821</b>	<b>1132</b>	PAT Margin	4.0%	3.8%	9.4%	9.9%	10.3%
<b>Cash at the beginning of the year</b>	<b>1,379</b>	<b>2,142</b>	<b>1,496</b>	<b>3,245</b>	<b>5,066</b>	ROE	5.0%	5.5%	13.9%	15.3%	16.4%
Cash at the end of the year	2,142	1,496	3,245	5,066	6,198	ROCE	2.6%	3.4%	12.5%	13.9%	15.3%
						<b>Leverage Ratio (%)</b>					
						Total D/E	0.04	0.08	0.03	0.02	0.02
						<b>Turnover Ratios</b>					
						Asset Turnover (x)	1.3	1.2	1.5	1.4	1.4
						Inventory Days	38	30	33	33	33
						Receivable Days	85	53	46	46	46
						Payable days	27	43	33	37	37

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

### Head Office

#1011, Solitaire Corporate Park  
Building No. 10, 1<sup>st</sup> Floor  
Andheri Ghatkopar Link Road  
Chakala, Andheri (E)  
Mumbai – 400093  
Tel: (91-22) 42254800

### Registered Office

6 Lad Colony,  
Y.N. Road,  
Indore - 452003, (M.P.)  
Tel: (91-731) 4217100/101  
CIN: L66120MP1992PLC007182

### Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

### Absolute Return

Research Analyst  
Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

[www.arihantcapital.com](http://www.arihantcapital.com)

[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

## Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800

**Disclaimer:** This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800

---

Abhishek Jain  
Head of Research  
[Abhishek.jain@arihantcapital.com](mailto:Abhishek.jain@arihantcapital.com)

---