ACCELFRONTLINE
GLOBAL IT SERVICES

BOARD OF DIRECTORS

N R Panicker
Chairman & Managing Director

Steve Ting Tuan Toon
Director

Sudhir Narang
Director

K R Chandrasekaran
Director & CFO

Dr. Harrison Wang Hong She
Director

Lakshmi G Menon
Director

Sinnakaruppan R
Director

Suresh K Sharma
Director

COMPANY SECRETARY

Sweena Nair

STATUTORY AUDITORS

K.S. Aiyar & Co.,
Chartered Accountants
74, II Floor, IV Main Road, CIT Nagar
Nandanam, Chennai - 600 035

INTERNAL AUDITORS

S. K. RAM Associates
Chartered Accountants
Old No. 57-A, New No. 103
P.S. Sivasamy Salai
Mylapore, Chennai - 600 004

SOLICITORS

S.Ramasubramaniam & Associates
6/1, Bishop Wallers Avenue (West)
Mylapore, Chennai 600 004.

REMUNERATION COMMITTEE

Steve Ting Tuan Toon
Sinnakaruppan R
Suresh K Sharma

AUDIT COMMITTEE

Lakshmi G Menon
Dr. Harrison Wang Hong She
Suresh K Sharma
Steve Ting Tuan Toon

SHARE TRANSFER & INVESTORS GRIEVANCE COMMITTEE

Lakshmi G Menon
Sinnakaruppan R
K R Chandrasekaran

BANKERS

State Bank of India
Citi Bank
ICICI Bank Limited
IDBI Bank Limited

REGISTRAR & TRANSFER AGENTS

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bandup West,
Mumbai - 400 078

REGISTERED OFFICE

75, Nelson Manickam Road
Aminjikarai,
Chennai - 600 029.
Tel : +91.44.4225 2000
Fax : +91.44.2374 1271
Email : info@accelfrontline.in
Website : www.accelfrontline.in

Forward looking statement

In this annual report, we have mentioned certain forward looking information to enable investors to comprehend our business model and future prospects and make informed investment decisions. This annual report and other communications from us, oral or written, may include certain forward looking statements that set out certain anticipated results based on managements assumptions and plans. Even though the management believes that they have been prudent in making such assumptions, we cannot guarantee that these forward looking statements will be realised. We undertake no obligation to update forward looking statements. The achievement of results is subject to various risks, known and unknown. We request readers to bear this in mind while reading this report.

Contents

Chairman's Message

Dear Friends,

I am sure that you will share my happiness on having achieved major milestones with each passing year, ever since we formed the joint venture with Frontline Technologies Corporation in 2004., now renamed as BT Frontline Pte Ltd

The recent acquisition of majority stake in our company by BT Frontline and thereby our company becoming a part of BT Global Services, will go a long way in pursuing our dream of becoming India's leading IT Infrastructure management company more vigorously. We have already started integrating our business portfolio and processes with that of BT Global Services and going forward, we will be in a position to address larger business opportunities in Networked IT services arena.

Our acquisition strategy of adding a string of pearls in our business portfolio has helped us to conclude the acquisitions of Network Programs and XLNC Info Tech Solutions during the year. These acquisitions helped us to strengthen our overall capabilities in Telecom domain and IT services for OEMS. These along with the banking domain expertise, acquired through the acquisition of Telesis Global Solutions during the previous year, we are now in a much stronger position to address the ever growing opportunities in the Enterprise IT Services globally. We have also strengthened our Dubai operations to enable a stronger presence in the Middle East region.

We would not have been so upbeat with all this, had it not been for our significant growth in revenues. A 48% growth in our revenues reflect the outcome of the new initiatives and the future potential. Going forward, we intend to work closely with BT Global Services in India to synergize our mutual offerings and offer our customers unique value propositions that will take us ahead of competition.

The journey has just begun. More excitement lies ahead as we gear up to tap the huge opportunities opened up as a result of our alignment with BT Global Services.

With your continued patronage and support, we are confident of achieving more significant milestones in the coming years backed by the hard work that has brought us thus far in our journey.

Yours Sincerely

N. R. Panicker

Notice

NOTICE is hereby given that the Thirteenth Annual General Meeting of the members of Accel Frontline Limited will be held on Wednesday, the 24th day of September 2008 at Kasturi Srinivasan Hall (Mini Hall), The Music Academy, 168,T.T.K.Road, Chennai 600014 at 11.00 A.M to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited balance sheet of the company as at March 31, 2008 and the profit & loss account for the financial year ended on that date and the reports of the Directors and Auditors thereon.

2. To record and confirm the interim dividend paid.

3. To appoint a director in place of Mr. Steve Ting Tuan Toon, who retires by rotation and being eligible has offered himself for reappointment. Accordingly, to consider and, if thought fit to pass with or without modification, the following Resolution as an ordinary Resolution.

   "Resolved that Mr. Steve Ting Tuan Toon, be and is hereby reappointed a Director of the company".

4. To appoint a director in place of Mr. K.R.Chandrasekaran, who retires by rotation and being eligible has offered himself for reappointment. Accordingly, to consider and, if thought fit to pass with or without modification, the following Resolution as an ordinary Resolution.

   "Resolved that Mr. K.R.Chandrasekaran, be and is hereby reappointed a Director of the company".

5. To appoint a director in place of Mr. Suresh K. Sharma, who retires by rotation and being eligible has offered himself for reappointment. Accordingly, to consider and, if thought fit to pass with or without modification, the following Resolution as an ordinary Resolution.

   "Resolved that Mr. Mr. Suresh K. Sharma, be and is hereby reappointed a Director of the company".

6. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, pass with or without modification, the following Resolution as and ordinary Resolution: provided that in the event of the provisions of section 224 (A) of the Companies Act 1956, becoming applicable to the company on the date of holding this meeting, the same will be proposed as a Special Resolution

   "RESOLVED THAT Messrs K.S.AIYAR & Co, Chartered Accountants, Chennai, who retired at the conclusion of this meeting, be and are hereby reappointed as Auditors of the company to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the company, on a remuneration to be fixed by the board, in consultation with the auditors"

SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution.

   RESOLVED THAT Mr. Sudhir Narang, who was appointed by the Board of Directors as an Additional director of the Company with effect from 29th April 2008 and who holds office up to the date of this annual general meeting in terms of Section 260 of the Companies Act, 1956 (the act), and in respect of whom the company has received a notice in writing from a member under section 257 of the Act, proposing his candidature as a Director of the company, be and is hereby appointed a director of the company, whose office is liable to determination by retirement of directors by rotation.

NOTES:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing a proxy should however be deposited at the registered office of the company, not less than 48 hours before the commencement of the meeting.

   Revenue stamp should be affixed on the proxy from. Forms, which are not stamped, are liable to be considered as invalid. Further for the purposes of identification, it is advised to affix the signature of the proxy also in the proxy form.

2. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business to be transacted at the AGM is annexed hereto under item 7, set out above.

3. Corporate members are requested to send a duly certified copy of the board resolution authorizing their representatives to attend and vote at the AGM.

4. Members/ proxies are requested to bring the attendance slips duly filled in and signed for attending the meeting.

5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

6. Members who hold shares in electronic form are requested to write their client Id and DP ID number and those who hold shares in physical form are requested to write their folio numbers in the attendance slip for attending the meeting to facilitate identification of membership at the meeting. Members are requested to bring their attendance slip along with their copy of the annual report to the meeting.

7. Members who wish to obtain any information on the company or the accounts may send their queries at least 10 days before the date of the Meeting to the company at No.75, Nelson Manickam Road, Aminjikarai, Chennai 600029, or e-mail to sweena.nair@accelfrontline.in, addressed to the Company Secretary.

8. Members having shares registered in the same name or in the same of order of names but in several folios may please write to the RTA so that the folios can be consolidated. A copy of the letter may please be marked to the company secretary.

9. Members holding shares in physical form, who are desirous of making nomination as permitted under section 109A of the Companies Act, 1956 in respect of the shares held by them in the Company, may write to the RTA for the prescribed form.

10. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days except Saturdays between 11.00 AM and 1.00 PM up to the date of AGM.

11. The Company has notified closure of the Register of Members

and the Share Transfer Books from 17th September 2008 To 24th September 2008 (both days inclusive).

12. Your company had declared an interim dividend of 15% to all the members whose name appear in the Register of Members on June 02, 2008 and the same has been despatched to the respective shareholders by ECS credit or warrants under certificate of posting. Members who have not received the same are requested to write to the company giving necessary details.

13. Brief notes on the background and the functional expertise of the Directors proposed for the re-appointment are furnished below.

    i) Mr. Steve Ting Tuan Toon

    Mr. Steve Ting Tuan Toon, 51 years, is the founder and Chairman of the Frontline group of companies (Now known as BT Frontline Pte Ltd.)He graduated from National University of Singapore in 1982. He has held several management positions in Hewlett Packard Singapore and Mentor Graphics Corporation Pte Ltd. He started his first company Mentor Graphics Associates Pte Ltd in 1993 and subsequently Frontline Technologies Pte Ltd in 1994. He has received many awards including the title of Doctorate in Business Administration from the Wisconsin International University in USA in 2002 and the Ernst & Young Entrepreneur of the Year (Business Service & Technology) award in 2002.

    ii) Mr. K.R.Chandrasekaran

    Mr. K.R.Chandrasekaran, 55 years, Director and Chief Financial Officer is a Chartered Accountant with over 30 years of experience. He was previously employed as an Assistant General Manager of Harita Finance Limited from 1990 to 1997, as Manager Finance with HCL Infosystems Ltd from1985 to 1990 and as a Management Accountant of ACC Babcock Ltd from 1980 to 1985.

    iii) Mr. Suresh K.Sharma

    Mr. Suresh K Sharma, 54 years, has completed his Bachelors in Mechanical Engineering from Birla Instutite of Technology, Pilani in 1975, Masters in Aeronautics Engineering from Bangalore University, Masters in Marine Engineering from Naval College of Engineering, Lonavala, Pune, India, Management of Technology from British Aerospace, UK in 1983, and Masters in Aerospace and Engineering Mechanics from University of Florida in 1994. He began his career as a Naval officer. He has been previously involved in various assignments with NASA Langley, USA, British Aerospare, Rolls Royce, UK and Marta, France. He has worked with GE Energy as a Global Technology Leader and was certified GE Six Sigma Master Black Belt. He has authored several technical journals and reports.

By order of the Board

Sweena Nair
Company Secretary

Registered Office
75, Nelson Manickam Road
Chennai 600 029

Date:30th July, 2008

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item 7

Mr. Sudhir Narang, 44 years, holds an engineering degree from BITS, Pilani and has also pursued a post-graduate diploma in international trade. Mr. Sudhir has over 20 years' experience in the Indian IT sector, with a strong grounding in all aspects of sales, business development, product support and customer service. Mr. Sudhir Narang was appointed Managing Director for BT's India operations in December 2007, based in New Delhi. Mr. Sudhir's last position was as CEO of Tulip IT services, a data telecom service provider and IT solutions company. He has also held various leadership positions, including senior vice president, India and SAARC, at Cisco Systems India Pvt Ltd. At Cisco where he spent close to a decade, Mr. Sudhir worked with business verticals comprising enterprise, ITES, public sector and service providers. Before joining Cisco, he held the position of general manager at HCL Connect, the networking line of business for HCL.

Mr. Sudhir Narang was co-opted as an Additional Director by the Board of Directors of the company with effect from 29th April 2008. Pursuant to the provisions of section 260 of the Companies Act, 1956, Mr. Sudhir Narang shall hold office only up to the date of the ensuing Annual General Meeting of the company and is eligible for appointment as Director.

Due notice under Section.257 of the Act has been received from a member, proposing the appointment of Mr. Sudhir Narang as director of the company at the ensuing annual general meeting. The period of his office is liable to determination by retirement of directors by rotation.

The directors commend the resolution for adoption.

None of the directors except Mr. Sudhir Narang is concerned or interested in the said resolution.

By order of the Board

Sweena Nair
Company Secretary

Registered Office
75, Nelson Manickam Road
Chennai 600 029

Date:30th July, 2008

Director's Report

To

Dear Shareholders,

Your Directors are pleased to present the 13th annual report together with the audited accounts of the company for the year ended March 31, 2008.

INR in million

Financial results	Standalone		Consolidated	
for the year ended March 31,	**2008**	**2007**	**2008**	**2007**
Sales, Services & other income	2692.60	1,875.03	2823.39	1,901.75
Profit before interest, depreciation & tax	191.33	260.28	206.11	263.63
Interest	61.48	56.79	62.40	56.80
Depreciation	51.17	28.86	51.48	29.06
Provision for tax	20.81	57.20	20.81	57.20
Profit after tax	57.87	117.42	71.41	120.56
Balance brought forward from previous year	198.52	126.60	212.23	137.17
Profit available for appropriation	**256.39**	**244.02**	**283.64**	**257.73**
Appropriations				
Transfer to general reserve	3.00	6.00	3.00	6.00
Proposed dividend on equity shares	33.76	33.76	33.76	33.76
Tax on dividend	5.74	5.74	5.74	5.74
Balance carried to balance sheet	213.89	198.52	241.14	212.23
Total	**256.39**	**244.02**	**283.64**	**257.73**

Review of operations

The year 2007-08 was a challenging period on account of inflationary pressures , monetary tightening and the consequent pressure on working capital Management, margins and profitability. Despite the challenges, the company grew its business due to total focus on improving efficiency and service delivery. The highlights of the performance for the year are discussed in detail in the Management Discussion and Analysis Report.

Your directors are pleased to inform you that on a standalone basis, your company has posted a net turnover of Rs 2692.60 mn for the year ended March 31, 2008, as compared to Rs 1875.03 mn for the year ended March 31, 2007, registering a growth of 43.5 %. The EBITDA was Rs 191.33 mn for the year ended March 31, 2008 as against Rs 260.28 million for the previous year ended March 31st 2007. The company's focus continued to be Infrastructure management services during the year under review. The IT services business grew by 27.5 % during the year under review. The company reported a profit before tax of Rs. 78.68 mn as against Rs.86.06 mn for the corresponding period last year. On a consolidated basis, the net turnover was Rs 2823.39 mn . The EBITDA was Rs.206.11 mn and the profit after tax was Rs 71.41 mn.

During the year under review, the company acquired the telecom products and solutions business division of Network Programs India Limited , a New Delhi based software services company together with the operations of their two associate companies in USA.

Consolidated financial statements

Consolidated financial statements, prepared in accordance with Accounting Standard AS 21, issued by the Institute of Chartered Accountants of India (ICAI) and as required by the Listing Agreement are attached and forms part of the Annual Report and Accounts. The summary results are provided in the table above.

Report on conservation of energy, technology absorption etc.

Information as required under section 217 (1) (e) of the companies act, 1956 read with companies (disclosure of particulars in the report of board of directors) rule, 1988 regarding conservation of energy, technology absorption are given in annexure I to this Report . The details regarding foreign exchange earnings and outgo are being mentioned in the notes to the accounts.

Manangement discussion and analysis

The management discussion and analysis and various initiatives and future prospects of the company are enclosed, separately as annexure II

Report of Corporate Governance

A report on Corporate Governance together with auditor's certificate on compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is provided in annexure III to this report

Auditors certificate on corporate governance

The certificate issued by the auditors of the company on corporate governance is given in Annexure IV

Directors responsibility statement

The directors responsibility statement pursuant to sub section 2 AA of section 217 of the Companies Act 1956 is given in annexure V

CEO /CFO Certification

The Chairman and Managing Director (CEO) and the Chief Finance Officer have submitted a certificate to the Board regarding the financial statements and other matters as required under Clause 49 (V) of the Listing Agreement , This is provided in annexure VI to this report.

Particulars of Employees

The particulars regarding employees of the company pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in annexure VII to the Director's Report. However in terms of sec 219 (1)(b)(iv) of the Companies Act 1956 the Directors Report (excluding annexure VII) is being sent to all the shareholders of the company. Any shareholder interested in obtaining a copy of the said annexure may write to the company secretary at the registered office of the company.

Financial Statements of Subsidiary companies:-

The audited financial statements of the subsidiary companies are provided elsewhere in the Annual Report. The statement pursuant to sub-section 3 of Section 212 of the Companies Act 1956 are given in annexure VIII to this Report.

Dividend

At the meeting held on May 12, 2008, the Board of directors had approved an interim dividend of 15% (Rs 1.50 per equity share of Rs 10/-) for the year ended March 31, 2008. This Interim dividend was paid to all the shareholders whose names appeared in the register of members as on the Record date ie 2nd June 2008. The Board of directors, keeping in mind the requirement of funds for future expansions, have not recommended any final dividend for the financial year ended March 31, 2008.

Directors

Your directors, Mr. Steve Ting Tuan Toon , Mr. K R Chandrasekaran and Mr. Suresh K Sharma retire by rotation and being eligible offer themselves for reappointment at the ensuing annual general meeting.

Quality Management

Your company's quality policy is to enhance customer satisfaction through continued improvement of skills processes and technologies. During the year the company continued to invest in technologies, infrastructure and processes in order to keep our quality management systems updated. We are a CMMi Level 5 assessed company for software development and delivery, ISO 9001/2000 certified unit for IT infrastructure management.

Auditors

K S Aiyar & Co Chartered Accountants, Chennai, auditors of the Company retire at the ensuing annual general meeting, and being eligible, offer themselves for reappointment. The company has received confirmation from them that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The audit committee of the Board has recommended their reappointment. The necessary resolution is being placed before the shareholders for approval.

Acknowledgement

Your directors would like to express their grateful appreciation for the assistance and co-operation received from central and state governments, financial institutions, banks, government authorities, customers, suppliers and investors during the year under review. Your Directors wish to place on record their deep sense of appreciation, of the dedicated and sincere services rendered by the employees of the company for its success.

For and on behalf of the board

Chennai,
July 30 , 2008.

N.R. Panicker
Chairman & Managing Director

Annexure I to the Director's Report

Conservation of energy, Technology Absorption, Adaptation and Innovation and Foreign Exchange earnings and outgo

The company's operations involve very low energy consumption and therefore the scope of energy conservation is limited. The company has taken steps to conserve electricity consumption in offices.

The company is in high technology business and is constantly upgrading technology to meet the current challenges at all levels. Almost all employees in the company use personal computers, in a networked environment .The company uses internet based technology for its communication needs.

Annexure II to the Directors' Reports

Management Discussion and Analysis

The IT services industry scenario

Despite a general slow down in the economy worldwide, especially USA, the domestic IT market in India continues to grow at phenomenal rate and the momentum is expected to continue in the coming years also, thereby validating the Indian IT sector's inherent strength. Accel Frontline Limited (AFL) is a leading system integrator and is well known for its IT services delivery capabilities across India through its large network of offices .The company has good growth potential through its niche operations in the domestic IT services segment.

The Indian IT industry continues to grow at a rapid pace with domestic as well as export revenues growing at 30% annually. The Indian IT industry is presently estimated to be worth US$ 60 Bn. Of this the domestic turnover is around US$ 17 bn and the export turnover around US$ 43 bn. As per the Dataquest / IDC reports, the momentum will continue for the coming years as well. IT Infrastructure Managemen,Managed Services and Datacenter provisioning are the the emerging opportunities for the IT Services segment. As a company specialising in IT infrastructure services, Accel Frontline has substantial growth potential through its niche operations in these segments.

The Year in brief

The company improved its performance during the financial year 2007-08 due to accelerated growth, organic as well as inorganic routes , with more focus on its offerings in IT infrastructure Services.. On a consolidated basis, the net revenue increased to

Rs.2823.39 mn for the year ended March 31st, 2008, as compared to Rs.1901.75 mn for the year ended March 31st, 2007, registering a growth of 48 %. The income from services grew by 27.5% resulting in improved overall margins. The EBITDA for the year before an exceptional item of Rs. 112 .42 mn due to a one time write off and provisioning for bad and doubtful debts, was Rs.318.52 mn, as against Rs. 263.6 mn for the previous year ended March 31st 2007. The company reported a profit before tax of Rs.92.23 mn as against Rs.177.77 mn during the corresponding period last year. One of the significant development was the strengthening of our Dubai operations which has resulted in improved revenues and profitability during the year, consequent to the shift in the focus to IT Infrastructure solutions based on SUN Microsystems relationships..

Acquisions

During the year, company acquired the Networking and Telecom solutions business of New Delhi based Network Programs India Limited on a slump sale basis . The acquisition included , the two associate companies namely , Network Programs (Japan), Inc. USA and Network Programs (USA) Inc, USA, Registered in the State of Delaware USA and a non – operating company Registered in Tokyo, Japan, ie, Network Programs K.K, w.e f. January 1, 2008. These companies are now wholly owned subsidiaries of the company. The consolidated financial statements of the company includes three months results of these companies .

Change in Shareholding pattern and relationship with BT group Plc.

One of the major development during the year was AFL becoming a group company of BT . One of the promoters and the largest shareholder of the company Frontline Technologies Corporation Ltd (FTC) was fully acquired by BT Singapore Pte Ltd and rechristened as BT Frontline Pte Ltd (BTF) .. Subsequent to this acquisition, BTF acquired additional 9 % from the Indian promoters Accel Limited , making the company a 51 % subsidiary of BT Frontline. . The company is now in the process of integrating its operations with that of BT Global services in India and adopting the the best practices that are followed by BT . The company is now in a postion to leverage the capabilities and Brand image of BT, to further consolidate its standing in the Indian IT industry. The company will be fully aligned to the processes and business practices of BT from now on..

Business Model

The company is focused on its core business of "IT services" . Our focus on IT Infrastructure Management solutions will be further strengthened with Managed Network Solutions that are offered by BT Global Services making us a provider of Networked IT Services to Corporates and MNCs in India.We have the requisite strategic partnerships with international technology providers such as Sun Microsystems, Oracle, IBM and Microsoft to deliver solutions and services that are leading edge and industry oriented. To provide the required focus and to utilize our resources more effectively,,we have organized the business into five vertical industry segments ie, Banking, Manufacturing, Telecom, IT/ITES and Government.

Our business model revolves around IT Services. We will now be offering various services in association with BT Global Services. Our portfolio of services include Network Integration,Datacenter Solutions, CRM solutions, Helpdesk Services, Facility Management, ERP Consulting and Implementation, Banking Software Implementation, Warranty Management Services and IT Outsourcing

Apart from providing customized solutions for customers' IT services needs, the company also owns certain software products.(IPs) that are Accel Frontline Software IP's that are developed inhouse as well as acquired in recent times.

Net Relations

A Contact Center Management suite with CRM, Automatic Call Distribution (ACD), Interactive Voice Recognition (IVR), Predictive Dialing and Voice Loggers. Useful for marketing campaigns, market research, customer service etc.

Net PM

An Enterprise Network Management tool with features such as Server Management, Device Tracking and Management, Asset Management, Bandwidth Management and SLA Management. Useful for IT Infrastructure Management for large enterprises.

GBM

An e-Governance solution that handles various financial transactions involving citizens and government through the banking system and providing necessary accountability and reports to be submitted to the government.

iSMART (NetCAST)

A web based Reporting Tool used for extracting data from legacy applications and distributing it over a wide area network for enabling for enabling availability of information across the organisation. Used in the banking industry.

Bi360

A hub-and-spoke Business Intelligence tool for aggregating data from applications running on diverse platforms in a commercial bank and providing data to the management for decision making. It also generates statutory reports for the central bank (RBI).

Accel UMS

A University Management System developed on open source platform that automates the various administrative functions of a university.

Prodigy - School Management System

A School Management System framework that enables online operations of all administrative and academic functions of a K12 educational institution

Delivery Model

The delivery model is based on our core business philosophy of integrating people, processes and technologies to achieve customer delight. A team of technically qualified and experienced professionals operating from both onsite and offshore locations ,using proven state-of-the-art technologies in conformance with global delivery standards like the ITIL framework and SEI based SDLC ensures optimum performance and lower total cost of ownership for our customers.

Our Offshore Development Center (ODC) for software application services, datacenter for hosting solutions, the call center for technical help desk, the central repair and logistics management depot for warranty management services are all located in Chennai, which serves as the central hub of our service delivery network. We have 8 regional offices and over 100 direct service locations across India in a hub-and-spoke model to help deliver our services on a pan India basis.

Marketing

Though the business is organised into four strategic business units to provide better focus to the individual business verticals,, there is single centralized sales and marketing organization to take care of the marketing and sales efforts. The team has pre sales consultants and solution architects who designs customer focused solutions and help the sales team win contracts that are commercially and technically feasible and profitable.

Competitive Strengths

In the fast changing technology landscape prevailing in the IT industry, customers look for a single window solution for a range of IT products and services. We have a diversified business portfolio which complement each other and we are in a unique position to offer IT outsourcing solutions in a cost effective manner. Our vast experience and expertise in handling large and complex system integration projects for multiple customers , is our competitive edge.We have a stable management team, several of them serving the company since its inception. This along with a team of over 2500 technology professionals give us the edge for future growth in a competitive environment.

Human Resource Management

As on 31st March 2008, the company had an employee strength of 2780.. The multicultural workforce is drawn from different disciplines and domain backgrounds. We have an established employee recruitment and retention policy, which involves identifying right talents through campus recruitment as well as lateral recruitment and providing them with appropriate training and induction.

We ensure that all our employees receive technical and managerial inputs regularly through various training programs. We have been ranked consistently by Datquest as among the top 20 best employers in the Indian IT industry for employee satisfaction..

Quality

The company has benefited immensely from its policy of making Quality an integral part of its processes. The Accel Quality Framework (AQF) initiative has set guidelines and procedures to ensure quality standards across the organisation. The SEI CMMi Level 5 assessment for Software Delivery and the ISO 9001-2000 certification for Infrastructure Management Services were the result of consistent conformance to the AQF initiative. An employee portal has been set up for knowledge management and sharing within the Company. Regular knowledge and skill upgradation training programs are conducted by internal as well as external knowledge management experts

Infrastructure

Our registered and corporate office is located at Chennai. The company occupies approximately 2,25.257 square feet of office space across various locations in India. All the major offices and software development centres are well equipped with all necessary infrastructure facilities.

Usage of Information Technology

The company has automated various department functions in the company such as accounts, finance, HRD, customer service, logistics etc., using appropriate software application packages. During the year, the company has successfully implemented a web enabled CRM software, eProSys Release 4 ,and automated the operations of the warranty management services business at the head office and various locations during the past financial year. . The company is in the process of implementing Oracle e-business suite integrating all the divisions and it is expected to commence operations by end of the current financial year.

Finance, Accounts and Operational Controls

The financial objective of the company is to bring in efficiencies of operations at all levels so as to maximize return on capital employed and to generate sufficient cash profits to fund on-going expansions and to meet the growth objectives.

The audit committee and the board periodically reviews performance parameters related to financial performance of the company to ensure smooth implementation of the internal control systems and efficient management of the various resources. The audit committee conducts periodic reviews with the management, internal auditor and the external auditor. There is an on-going cost monitoring program to control various expenses and the variance analysis is reviewed by the Board.

Revenues

Consolidated revenues have been mentioned at the beginning of this report. On a standalone basis, the company posted a net revenues of Rs.2692.60 million for the year ended March 31, 2008, as compared to Rs.1875.03 million for the year ended March 31, 2007, showing a growth of 43.6 %. The EBITDA for the year ended March 31, 2008, before the write off and provisioning for bad and doubtful debts of Rs 112.42 mn was Rs.303.75 mn as against Rs.260.30 mn for the previous year ended March 31st 2007, registering a growth of 16.7 %. The company's focus was on building up a large portfolio for IT Infrastructure Management Services. The IT services business grew by 27.5 % during the year under review. The company reported a profit before tax of Rs.78.7 million as against Rs.174.7 million for the corresponding period last year

Sales from geographies

During the year under review 95 % of the revenue was from domestic operations and 5% of the revenue was from export of software services and subsidiary operations in Singapore and Dubai and USA

Customer concentration

During the year, our Top 10 customers contributed 52% of the revenue and Top 20 customers contributed 74% of the revenue. The rest is distributed over approx 1543 customers diversified across geography and industry verticals.

The company focuses on major verticals; Manufacturing, BFSI, Telecom, Government and Education. As on March 31 2007, the vertical wise break up of revenues was as follows:

BFSI	30 %
Telecom & IT	29 %
Manufacturing	10 %
Others	31 %

Financial challenges 2007-08

We continue to face challenges in the working capital front as we need increased working capital for our accelerated growth. The finance cost continued to raise during the year due to the increase in interest rates by banks. The company derives 55 % of its revenue from turnkey projects involving creation and maintenance of IT infrastructure for clients. These turnkey projects involving integration, testing and acceptance, of various systems, software etc. results in a longer collection cycle. Hence the requirement of working capital increases year on year in line with the growth. As on March 31 2008, the company had utilised Rs 336.29 mn (P.Y. Rs.454.47 mn) of fund based limits and Letters of credit accepted for payment. The company had also utilised Rs.114.38 mn of bank guarantee limits, for issuing performance guarantees . The company has got sufficient cash flows and profit generation to service these borrowings.

Receivables management

The company's main challenge is the receivable management, due to nature of the industry it operates in, profile of the large clientele with multilocational presence, and complex technologies and processes involved in execution and delivery. The company had sundry debtors amounting to Rs 1176.15 mn (P.Y.Rs.933.22 mn) net of provision for doubtful debts amounting to Rs 57.06 mn (P.Y.Rs.1.7 mn) as at March 31, 2008. The debtors are generally considered good and realizable. This includes an amount of Rs 10.87 mn (P.Y Rs.50.05 mn) being long-term receivables from equipment leasing contracts which are not due as on the date of the balance sheet.

A large portion of these receivables are from turnkey projects, which are being executed by the company for government and public sector undertakings. These projects have a longer gestation to implement and the payment terms are generally on commissioning and acceptance and hence the longer duration of the receivable cycle. During the year, the company reduced its exposure to long gestation projects with anticipated delays in collection of receivables to improve the collection cycle. During the year, the company could achieve growth in revenues, without a large enhancement of its fund based working capital facilities.

Margins

During the year under review, the gross margin was 39 % as compared to 44% in the previous year, showing an decrease of 5 % on the turnover. The reason for the reduction is mainly due to a change in the business mix and increase in the share of the IT infrastructure solutions business from 45 % to 55 % , where the margins are comparatively lower than the IT infrastructure management solutions business.

Reserves and surpluses

During the year under review the company transferred Rs 3 mn (P.Y. Rs 6 million) from the retained earnings to the general reserves, and together with the balance at the beginning of the year, the general reserves stood at Rs 89 mn (P.Y. Rs 86 million.) The reserves and surplus as on March 31, 2008 was at Rs 799.24 mn (P.Y 789.67 mn) , out of which the securities premium was Rs. 493.23 mn (P.Y. Rs 493.23 mn) and the balance in profit & loss account was Rs 241.14 mn (P.Y Rs 212.22 million) . We reduced the reserves and surplus by Rs 2.9 mn (P.Y. Rs.1.7 million) during the year due to currency translation for adjustment in the values of investments and loans & advances with respect to subsidiaries. The company has not revalued any of its assets and hence does not have any revaluation reserve.

Loan profile

As on March 31 2008, the company had a sanctioned working capital facility of Rs 925 mn (P Y. Rs 865 mn) from company's bankers, out of which Rs 395 mn (P Y Rs 395 mn) is fund based and Rs 530 mn (P Y Rs. 470 mn) is non fund based facilities.

The funds utilised and outstanding were Rs 336.29 mn (P.Y Rs 454.47 mn) including letters of credits utilized and accepted for payment. The total amount of performance bank guarantees issued by the bankers were Rs.114.38 mn.(P Y Rs 199.83 mn) The company had taken a hypothecation loan of Rs 125.74 mn (P Y Rs 125.74 mn) from a financial institution to offer equipments on operational lease to one of the large public sector electrical equipment manufacturer and the amount outstanding as on March 31, 2008 was Rs 1.6 mn (P Y Rs 37.11 million.)

Loans and advances

The loans and advances were at Rs 238.49 mn (P.Y. Rs 194.12 mn) as at the end of the year under review. This includes an amount of Rs 43.83 mn (P.Y.Rs 23.77 mn) lying as security deposits offered for various leased premises taken by the company, Rs 11.44 mn offered as (P.Y. Rs 12.28 mn) offered as security earnest money deposits for various contracts and tenders, as performance security, and Rs 58.83 mn (P.Y.Rs.37.98 mn) of unbilled revenues as on March 31, 2008.

Capital expenditure

The capital expenditure incurred during the year was Rs 84.04 mn (P.Y.Rs.197.30 mn.) This includes IPs capitalized of Rs 40 mn, including IPs from the acquition of Networking and Telecom Services division of Network Programs India Limited of Rs 12.2 mn.

Goodwill

The excess of cost to the company of its investments in the subsidiaries acquired overseas , over and above the company's portion of equity, as at the date of making investment, is recognized in the financial statements as Goodwill on consolidation. The value of good will recognized on consolidation as at March 31, 2008 was Rs 66 mn

Depreciation and amortization

The company has been following straight-line basis of depreciation and has depreciated assets based on the rates mentioned in the Companies Act. In respect of application software, estimated useful life of the assets is taken as 7 years and has accordingly amortised the value of the software.

Investments

The investments as at March 31, 2008 stood at Rs 53 mn (P.Y. Rs 143 mn) , out of which Rs 50 million represents investments in mutual funds.

Interest outflow

During the year the working capital facilities utilized was lower than the previous year, inspite of growth in the turnover due to better collections and increased supplier credits negotiated . The rate of interest was increased by the bankers , in line with general increase in interest rates in the country. The company incurred an expense of Rs 62.40 mn (P.Y. Rs 56.80 mn) as Interest and Financial charges. This included an amount of Rs 36.98 mn (P.Y.Rs 30.24 million) towards interest for working capital facilities, Rs 1.97 mn (P Y Rs 4.74 mn) towards interest on hypothecation term loan taken for the equipment leasing facility and Rs 23.45 mn (P .Y. Rs 21.82 mn) towards other financial charges like Bank charges, Bank Guarantee commissions , Letter of Credit discounting charges etc.

Taxation

We have provided for the tax liability considering the present corporate tax rate of 33.99% which includes surcharge and cess. The profits attributable to Software Technology Parks of India (STPI) scheme, are exempted from income tax for a period of 10 years from the financial year the unit starts producing computer software or March 31st 2009 which ever is earlier. There is no tax liability for the Dubai subsidiary and we have unabsorbed losses in Singapore subsidiary. During the year under review, the company has provided an amount of Rs 32.93 mn (P.Y.Rs 41.17 mn) towards Income tax liability. This include tax liability of Rs 18.17 mn payable for the Singapore Branch operations. The effective rate for the year works out to Rs 35.7 % (P.Y.23.16%). The increase is due to provisioning of doubtful debts and loss on account of a derivative