

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
#54/2, Paulwells Road,
St. Thomas Mount, Chennai - 600 016

INTERNAL AUDITORS

Grant Thornton India
Unit Nos. 13, 14 and 16
31, Thiru-vi-ka Road,
Royapettah,
Chennai - 600 014

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
IDBI Bank Limited

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bandup West,
Mumbai - 400 078
Tel. : +91.22.25960320
Email : mumbai@linkintime.co.in

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



Contents

| | |
|---|----|
| Notice of 14th annual general meeting | 3 |
| Directors' report | 5 |
| Management discussion and analysis report | 6 |
| Reports on corporate governance | 9 |
| Consolidated financials | 21 |
| Standalone financials | 39 |

Notice

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of Accel Frontline Limited will be held on Tuesday, the 29th day of September 2009 at Narada Gana Sabha Trust Mini Hall, 314, T.T.K. Road, Chennai 600018 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 31st March 2009 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 Smt. Lakshmi G Menon, who retires by rotation and is eligible has offered herself for re-appointment. Accordingly, to consider and, if thought fit to pass with or without modification, the following resolution as an ordinary resolution.

Resolved that Smt. Lakshmi G Menon, be and is hereby re-appointed a Director of the Company.

4. To appoint a director in place of Shri. R. Sinnakaruppan, who retires by rotation and is eligible has offered himself for re-appointment. Accordingly, to consider and, if thought fit to pass with or without modification, the following resolution as an ordinary resolution.

Resolved that Shri. R. Sinnakaruppan, be and is hereby re-appointed a Director of the Company.

5. To appoint a director in place of Dr. Harrison Wang Hong She, who retires by rotation and is eligible has offered himself for re-appointment. Accordingly, to consider and, if thought fit to pass with or without modification, the following resolution as an ordinary resolution.

Resolved that Dr. Harrison Wang Hong She, be and is hereby re-appointed 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 modifications, the following resolution as an 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 retires at the conclusion of this meeting, be and are hereby appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration to be fixed by the board/ Audit Committee, in consultation with the Auditors.

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

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

4. 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.

5. 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.

6. 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 at sweena.nair@accelfrontline.in, addressed to the Company Secretary.

7. 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.

8. 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.

9. 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, Sundays and holidays between 11.00 AM and 1.00 PM up to the date of AGM.

10. The Company has notified closure of the Register of Members and the Share Transfer Books from 25.09.2009 to 29.09.2009 (both days inclusive).

11. Your company had declared an interim dividend of 10% to all the members whose name appeared in the Register of Members on November 19, 2008 and the same has been paid to the respective shareholders by ECS credit and Under Certificate of Posting. Members who have not received the same are requested to write to the company giving necessary details.

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

i) Smt. Lakshmi G Menon

Mrs. Lakshmi G Menon, 67 years, graduated in electronics engineering in 1964 from the Madras Institute of Technology. She has been the Chairman and Managing Director of ITI Limited (ITI), telecom equipment manufacturer, since 2000. Prior to joining ITI, she was the Chairman and Managing Director of Hindustan Teleprinters Limited (HTL), a technology company. She has previously worked with Videsh Sanchar Nigam Limited (VSNL) for about 20 years, where she was promoted to the position of Chief General Manager. She has received the Individual Excellence Award for Management, and Vasvik Research Award for outstanding contributions in the field of telecommunications in VSNL and HTL and the Management Excellence award for ITI conferred by the Bangalore Management Association. She was a Syndicate member of Anna University for three years and also served as an Executive Chairperson of NMS Works Software Limited for three years.

ii) Shri. R. Sinnakaruppan

Mr. R. Sinnakaruppan, 50 years, graduated with a Bachelor's Degree in Mechanical and Production Engineering from Nanyang Technological University, Singapore in 1985. He

began his career as a Research and Development Engineer (Automation) at National Semiconductor Pte Limited (an American Company in IC manufacturing) in 1985. He received a Foreign and Commonwealth Scholarship to pursue a Master's programme in Flexible Manufacturing systems and Robotics, at Loughborough University of Technology in 1987. In 1988, he was promoted and seconded to the Singapore Economic Development Board as the Manager, Local Industry Upgrading Programme. In April 1997, he was appointed as an Assistant Secretary-General of National Trade Union Congress (NTUC) and worked for the public sector unions.

iii) Dr. Harrison Wang Hong She

Dr. Harrison Wang Hong She, 51 years, has over 18 years of experience in industrial automation and venture capital investments in the Silicon Valley and in Asia. He graduated as a Bachelor of Science in Mechanical Engineering from National Taiwan University. He completed his Master of Science degree in Mechanical Engineering and PhD in Robotics and Industrial Automation from Stanford University. Previously, he was the Managing Director with GE Capital, responsible for its business development in Asia. He was appointed the Managing Director for Deutsche Bank and CEO of the e-millennium Asia fund set up by the Bank. He is currently the Managing Partner with Pine Tree Equity, a private equity fund set up by AIG in 2004 for investments in Asia.

Registered Office
75, Nelson Manickam Road
Chennai 600 029

Date: July 28, 2009

By order of the Board

Sweena Nair
Company Secretary



Director's Report

Dear Shareholders,

Your Directors are pleased to present the 14th annual report together with the audited accounts of the company for the year ended March 31, 2009.
 INR in million

| Financial results for the year ended March 31, | Standalone | | Consolidated | |
|---|---------------|---------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| Sales, Services & other income | 2736.34 | 2692.60 | 2946.74 | 2823.39 |
| Profit before interest, depreciation & tax | 192.54 | 191.33 | 219.16 | 206.11 |
| Interest | 60.43 | 61.48 | 61.73 | 62.40 |
| Depreciation | 61.57 | 51.17 | 61.96 | 51.48 |
| Provision for tax | 28.07 | 20.81 | 28.07 | 20.81 |
| Profit after tax | 42.47 | 57.87 | 67.40 | 71.41 |
| Balance brought forward from previous year | 213.89 | 198.52 | 241.14 | 212.23 |
| Profit available for appropriation | 260.71 | 256.39 | 312.90 | 283.64 |
| Appropriations | | | | |
| Transfer to general reserve | 10.00 | 3.00 | 10.00 | 3.00 |
| Dividend on equity shares | 22.51 | 33.76 | 22.51 | 33.76 |
| Tax on dividend | 3.83 | 5.74 | 3.83 | 5.74 |
| Balance carried to balance sheet | 224.37 | 213.89 | 276.56 | 241.14 |
| Total | 260.71 | 256.39 | 312.90 | 283.64 |

Review of operations

The year 2008-09 continued to be a challenging year on account of economic slow down, intense competition and the continued pressure on margins and profitability. The company registered modest growth even after considering the lower turnover contribution from the Warranty Management Services division (WMS division) whose results are only for the nine months period ended December 31, 2008. The highlights of the performance are discussed in detail in the management discussion and analysis report attached as annexure to this report.

Your directors are pleased to inform you that on a standalone basis, your company has posted a net turnover of Rs 2,736.34 mn for the year ended March 31, 2009, as compared to Rs 2,692.60 mn for the year ended March 31, 2008, registering a modest growth of 1.62%. The EBITDA for the year after an exceptional item of Rs.80.22 mn was Rs 192.54 mn for the year ended March 31, 2009 as against Rs 191.33 mn for the previous year ended March 31st 2008. The company reported a profit before tax of Rs. 70.54 mn as against Rs.78.68 mn for the corresponding period last year. On a consolidated basis, the net turnover was Rs 2,946.74 mn as compared to the previous year turnover of Rs. 2,823.39 mn. The consolidated EBITDA for the year after an exceptional item of Rs.84.18 mn was Rs.219.16 mn for the year ended March 31st 2009 as against Rs.206.11 mn for the previous year ended March 31st 2008. The company continued to focus on IT Infrastructure management services as it's core business in the year under review.

During the year the company acquired XLNC InfoTech Solutions Private Limited, (XLNC) a company engaged in warranty management services business, based out of Bangalore. XLNC together with the WMS division of the company was divested with effect

from January 1, 2009, in order to refocus its core business of IT Infrastructure management and to move away from non-core business activities of the company, as it does not have synergy with the business activities of BT Global Services, a division of BT, Plc.

Consolidated financial statements

Consolidated financial statements, prepared in accordance with Accounting Standard AS 21, issued by the Institute of Chartered Accountants of India, 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.

Management 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 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 as 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 or it is available for inspection at the registered office of the company.

Financial Statements of Subsidiary companies:-

The statement pursuant to sub-section 3 of Section 212 of the Companies Act 1956 are given in annexure VIII to this Report. Pursuant to the exemption granted by the Department of Company Affairs, Government of India, vide letter no. 47/632/2009 dated August 28, 2009, the company is publishing the consolidated and standalone financial statements of Accel Frontline Limited. The financial statements and auditors' report of the individual subsidiaries are available for inspection by the shareholders at the registered office of the company. The information in aggregate on capital, reserves, total assets, total liabilities, details of investments, turnover, profit before taxation, provision for taxation, profit after taxation and proposed dividend for each subsidiary are given elsewhere in the report.

Dividend

At the meeting held on October 29, 2008, the Board of Directors had approved an interim dividend of 10% (Rs 1.00 per equity share of Rs 10/-) for the year ended March 31, 2009. This Interim dividend was paid to all the shareholders whose names appeared in the register of members as on the record date i.e., November 19, 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, 2009.

Directors

Your Directors, Dr. Harrison Wang Hong She, Mrs. Lakshmi G Menon and Mr. R. Sinnakaruppan 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 ISO 9001/2000 certified unit for IT infrastructure management services.

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 28, 2009.

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.

The details regarding foreign exchange earnings and outgo are being mentioned in the notes to the accounts.

Annexure II to the Director's Report

Management Discussion and Analysis

The IT services industry scenario

The Indian economy is going through a slow down impacted by the global recession. The IT industry is no exception, even though the slowdown is not very severe, as compared to other sectors of the economy. IT Infrastructure Management Services continues to be a growing segment in the IT industry. Accel Frontline with its core business being IT Infrastructure Management has growth potential through its niche operations.

The Year in brief

On a consolidated basis, the net turnover increased to Rs. 2,946.74 mn for the year ended March 31st, 2009 as compared to Rs. 2,823.39 mn for the year ended March 31st, 2008, registering a modest growth of 4%. The EBIDTA for the year before an exceptional item of Rs. 82.68 mn was Rs. 301.85 mn for the year ended March 31st 2009 as against Rs. 318.52 mn for the previous year ended March 31st 2008. The drop in the EBIDTA was mainly due to a loss of Rs. 35.03 mn on account of foreign exchange fluctuation loss, increase of overheads and drop in the margins. The company reported a profit before tax of Rs. 95.47 mn as against Rs. 92.23 mn during the corresponding period last year. The subsidiary company in Dubai improved its performance during the year and achieved a turnover of AED 11.60 mn as compared to AED 9.59 mn for the previous year ended March 31, 2008. The Singapore, US and Japan subsidiaries are expected to perform better during the current financial year.

Acquisitions

During the year under review, the company had acquired XLNC InfoTech Solutions Private Limited, a company engaged in warranty management services business. This company together with the warranty management services division was divested with effect from January 1, 2009, as it was decided later to move away from non-core business activities of the company, as it does not have synergy with the business activities of BT Global Services, a division of BT, PLC.

Business Model

The company's business model revolves around IT Services, which includes Systems Integrations, IT infrastructure management and software services, including ERP consulting and implementation, banking software implementation and e governance projects. The company continues to enjoy strategic partnerships required for its business with global IT companies like SUN Microsystems, Oracle, IBM and Microsoft to deliver solutions and services.

Delivery Model

The delivery model for our IT services is based on our core business philosophy of integrating people, processes and technology to achieve customer delight. A workforce of technically competent and experienced professionals operating from both onsite and offshore locations use proven and state-of-the-art technologies in conformance to global delivery standards like the ITIL framework to enable solutions at lower total cost of ownership for our customers.

Our offshore development center for software application services, datacenter for hosting solutions, the call center for technical help desk, are 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.

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.

Marketing

The business is organised into three strategic business units to provide better focus to the individual businesses. Our three strategic business units are IT Infrastructure Solutions, IT Infrastructure Management Services and Enterprise Software Solutions.

There is a single centralized marketing and sales organization to manage the marketing and sales efforts. The team includes presales consultants and solution architects who design customer

focused solutions to help the sales team winning contracts that are commercially and technically feasible and profitable.

Competitive Strength

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 2000 technology professionals give us the edge for future growth in a competitive environment.

Human Resource Management

As on 31st March 2009, the company had employee strength of 2388. 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.

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. 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 170,000 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. The company is in the process of implementing Oracle e business suite integrating all the divisions and it is expected to be over during 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 review 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 Board reviews the variance analysis.

Revenues

Consolidated revenues have been mentioned at the beginning of this report. On a standalone basis, the company posted net revenues of Rs. 2,736.34 mn for the year ended March 31, 2009, as compared to Rs. 2,692.60 mn for the year ended March 31, 2008, showing a modest growth of 1.62%. The EBITDA for the year ended March 31, 2009 before write off and provisioning for bad and doubtful debts was Rs. 272.76 mn as against Rs. 303.75 mn for the previous year ended March 31st 2008. The company's focus continues to be IT Infrastructure Management Services during the year under review. The company reported a profit before tax of Rs. 70.54 mn as against Rs. 78.68 mn for the corresponding period last year.

Sales from geographies

During the year under review, 93% of the revenue was from domestic operations and 7% of the revenue was from subsidiary operations in Singapore, Dubai, USA and Japan..

Customer concentration

During the year, our Top 10 customers contributed 53 % of the revenue and Top 20 customers contributed 63 % of the revenue. The rest is distributed over approx 1700 customers diversified across geography and industry verticals.

The company focuses on major verticals; Manufacturing, BFSI, Telecom, Government and Education. As on March 31 2009, the vertical wise break up of revenues was as follows:

| | |
|---------------|------|
| Manufacturing | 10 % |
| BFSI | 24 % |
| Telecom & IT | 28 % |
| Others | 38 % |

Financial challenges 2008-09

The major challenges during the year were managing the bills receivable and working capital. The company derives 56% 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. resulting in a longer collection cycle. Hence the requirement of working capital increases year on year in line with the growth. As on March 31 2009 the company had utilised Rs. 335.97 mn (previous year Rs. 336.29 mn) of fund based limits and Letters of Credits accepted for payment. The company had also utilized Rs. 259.65 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 continues to be the receivable management, due to the nature of industry it operates in profile of the large clientele with multi locational presence and complex technologies and processes involved in execution and delivery. The company had a sundry debtors amounting to Rs. 988.09 mn net of provision for doubtful debts amounting to Rs. 30.02 mn as at March 31, 2009, as compared to Rs. 1176.15 mn as at March 31, 2008. The debtors are considered good and realizable. This includes an amount of Rs. 2.78 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. The company has been consciously reducing

the exposure to projects with anticipated delays in collection of receivables and increasing the services business where the collection cycle is shorter and the margins are higher.

Margins

During the year under review, the gross margin was 41% as compared to 39% in the previous year, showing an increase of 2 % on the turnover, mainly due to improved margins in Infrastructure solutions business and control of cost of services for our Infrastructure Management services business.

Reserves and surpluses

During the year under review the company transferred Rs. 10 mn 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. 77.81 mn. The reserves and surplus as on March 31, 2009 was at Rs. 842.41 mn, out of which the securities premium was Rs. 493.23 mn and the balance in profit & loss account was Rs 276.56 mn. We reduced the reserves and surplus by Rs. 5.19 mn during the year due to currency fluctuation 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, 2009, the company had a sanctioned working capital facility of Rs. 890 mn from company's bankers, out of which Rs. 170 mn is fund based and Rs. 720 mn is non-fund based facilities. During the year, the company closed its working capital facilities with ICICI Bank and Citibank totaling to Rs. 120 mn of fund based limits and Rs. 150 mn of Non fund based limits. The funds utilised and outstanding as on March 31, 2009 were Rs. 335.97 mn including letters of credits utilized and accepted for payment. The total amount of performance bank guarantees issued by the bankers was Rs. 259.65 mn. The company had taken a hypothecation loan of Rs. 125.74 mn in 2004 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, 2009 was Rs 0.11 mn.

Fixed Assets

During the year, the company has removed from the gross fixed assets and accumulated depreciation an amount of Rs.118.92 Mn and Rs. 95.40 Mn respectively towards assets put out of use on account of technology upgradation, end of life, hiving off WMS division and scrapping of assets.

Capital expenditure

The capital expenditure incurred during the year was Rs. 34.42 mn including a capital work in progress of Rs. 14.03 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 goodwill recognized on consolidation as at March 31, 2009 was Rs. 63.55 mn. The movement in goodwill is on account of exchange fluctuation recognized during the year.

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 assets capitalized. During

the year, an amount of Rs. 3 mn was charged off as additional depreciation of the assets which were found to be not in use.

Investments

During the year, the company redeemed its mutual funds for Rs. 50 mn. During the year, the company acquired XLNC InfoTech Solutions Private Limited (XLNC), a company engaged in warranty management services business, based out of Bangalore which was hived off effective January 01, 2009. The investments as at March 31, 2009 stood at Rs. 3 mn.

Loans and advances

The loans and advances were at Rs. 318.89 mn as at the end of the year under review. This includes an amount of Rs. 31.26 mn lying as security deposits offered for various leased premises taken by the company, Rs. 21.01 offered as security earnest money deposits for various contracts and tenders, as performance security and Rs. 73.13 mn of unbilled revenues, Rs. 16 mn of custom duty refunds due and Rs. 110.97 mn of advance income tax and tax deducted at source net of provision for income tax.

Interest outflow

During the year the working capital facilities utilized was less than the previous year due to improved collections in the last quarter. The rate of interest was increased by the bankers, in line with general increase in interest rates in the country. However, the interest rates were reduced during the month of March 2009 and the benefit of reduction will accrue only during the current year. The company incurred an expense of Rs. 61.73 mn as Interest and Financial charges. This included an amount of Rs. 30.20 mn towards interest for working capital facilities, Rs. 0.17 mn towards interest on hypothecation term loan taken for the equipment leasing facility and Rs. 31.36 mn towards the 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 2010 whichever is earlier. There is no tax liability for the Dubai subsidiary and we have unabsorbed losses in Singapore, USA and Japanese subsidiaries. During the year under review, the company has provided an amount of Rs. 19.97 million towards Income tax liability. The company has an advance tax and tax deducted at source net of provisions of Rs. 110.97 mn,

Forex

We import goods using foreign currency. We have availed buyer's credit in foreign currencies from banks. During the year, we have made a net loss of Rs. 35.03 mn due to foreign exchange fluctuations on various accounts, on the portion uncovered, due to unforeseen fluctuations in the US Dollar never witnessed during the last decade. The company has however covered the entire exposure in foreign exchange during the current year at the prevailing rates.

Risk management

We operate in highly competitive and fast changing market environment. Our competition includes large system integrators and IT service providers such as IBM Global Services, HP global services,

Wipro, HCL Infosystems, TCS, CMC etc. We face challenges due to the fast changing technology and shortage of technically competent professionals and the high attritions that are faced in the industry. We have mitigated this risks through a diversified business portfolio comprising of multi vendor IT services and IP based software services. We believe that we have requisite management and HRD capabilities to recruit, train and deploy IT professionals on an ongoing basis in order to make available sufficient manpower. We have strengthened our financial stability and the brand equity to attract talent as well as large corporate customers. We have a review system which analyses various risk factors in the operations of the company and business risks associated with various contracts in system integration as well as services. We believe that we have adequate checks and balances in place to identify and mitigate risks associated with our business.

Room for optimism

The company having been in existence for 17 years has been successful in creating a loyal base of customers giving repeat business. In the last three years we have substantially strengthened our relationship with our technology partners. Our IT infrastructure management business, most of which are annuity based have been showing steady growth. Our software IP's have been accepted in the market and are expected to generate revenues in the future also. With a diversified business portfolio and better financial position, the management is confident that the growth seen in the last few years will be sustained in the coming years.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the company's objective, projections estimates, expectation may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the companies operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas market in which the company operates, change in Government regulations, tax laws, interest costs, other statutes and other incidental factors.

Thus the company should and need not be held responsible, if which in not unlikely, the future turns out to be something quite different. Subject to this management disclaimer, this discussion and analysis should be perused.

Annexure III to the Director's Report

Report on corporate governance

The Directors present the Company's Report on Corporate Governance.

1) Philosophy on Corporate Governance

Accel Frontline Limited (AFL) is respected for its professional management and good business practices amongst its Clientele integrity, emphasis on quality services and transparency in its dealing with all stakeholders are its core values.

AFL believes that good governance generates goodwill among business partners, customers and investors, earns respect from society, brings about a consistent sustainable growth for the Company and generates competitive returns for the investors. Your Company is committed to the principles of good governance.

2) Board of Directors

a) Composition of the Board

The Board of Directors consists of professionals drawn from diverse fields. The Board currently comprises two Executive Directors and Six non-executive Directors. Of the non-executive directors, four are independent which is equal to 50% of the size of the Board. The objective judgment of the independent and non-executive directors on corporate affairs and their collective experience and contributions are valuable to the company.

i) Executive Directors

Managing Director N.R.Panicker
 Whole time Director K.R.Chandrasekaran

ii) Non-Executive Directors

Representing Promoters Steve Ting Tuan Toon
 Sudhir Narang
 Independent Harrison Wang Hong She
 Lakshmi G Menon
 Sinnakaruppan.R
 Suresh K.Sharma

b) Details of Equity Shares held by the Directors

| Name of the Director | No of shares |
|--|--------------|
| N.R.Panicker, Chairman & Managing Director | 287,500 |
| K.R.Chandrasekaran, Whole time Director | 28,172 |
| Lakshmi G Menon, Independent Director | 2,900 |

c) Details in regard to attendance of Directors at Board Meetings/Shareholders Meetings, the Number of Directorship/(s) held in Indian Public Limited Companies and the position of Membership/Chairmanship of Audit Committee / Remuneration Committee / Shareholder's and Investor Grievance Committee.

| Name of the Director | Category as at 31.3.2009 | No. of board meetings attended out of 6 meetings held as on 31.3.2009 | Attendance at the last AGM held on 24.09.2008 | No. of directorship held in indian public limited companies (excluding Accel FrontLine Limited) | Committee/s position as on 31.03.2009 (All companies excluding Accel Frontline Limited) | |
|----------------------------|------------------------------------|---|---|---|---|----------|
| | | | | | Member | Chairman |
| N.R. Panicker | Executive Chairman & M.D. | 06 | Yes | 04 | 02 | 01 |
| Steve Ting Tuan Toon # | Non Executive Director | 05 | No | 00 | Nil | Nil |
| Lim Chin Hu \$ | Non Executive Director | 01 | No | 00 | Nil | Nil |
| K.R. Chandrasekaran | Whole time Director | 06 | Yes | 02 | Nil | Nil |
| Lakshmi G Menon | Non-executive Independent Director | 06 | Yes | 00 | Nil | Nil |
| Dr. Harrison Wang Hong She | Non-executive Independent Director | 04 | No | 00 | Nil | Nil |
| Sinnakaruppan R | Non-executive Independent Director | 05 | No | 00 | Nil | Nil |
| Suresh K Sharma | Non-executive Independent Director | 04 | No | 00 | Nil | Nil |
| Sudhir Narang \$\$ # | Non Executive Director | 03 | No | 00 | Nil | Nil |

\$ resigned from the Board w.e.f. 12th May 2008.

\$\$ Inducted as a Director to the Board w.e.f. 29th April 2008.

Representing Promoters

d) Board's functioning & procedure

The AFL Board plays a pivotal role in ensuring good governance. Its style of functioning is democratic. The Members of the Board have always had complete freedom to express their opinion and decisions are taken on the basis of a consensus arrival at after detailed discussion. The members are also free to bring up any matter for discussion at the Board Meetings with the permission of the Chairman.

The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of setting

corporate goals and monitoring corporate performance, it directs long term sustainable growth that translates itself into progress, prosperity and the fulfillment of stakeholders' aspirations are accomplished. It also sets standards of corporate behavior and ensures ethical behavior at all times and strict compliance with laws and regulations.

The items placed at the meetings of the Board include the following:

- Report on operations of the company.
- Opportunities for organic and inorganic growth;