



ACCEL FRONTLINE
GLOBAL IT SERVICES

18th Annual Report
2012 - 13

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.

BOARD OF DIRECTORS

N R Panicker
Chairman & Managing Director

Steve Ting Tuan Toon
Director

A P Parigi
Director

Alok Sharma
Director

Sam (S) Santhosh
Director

R Ramaraj
Director

CHIEF FINANCE OFFICER
K. R. Chandrasekaran

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
Arihant Nitco Park, 6th floor,
No. 90, Dr.Radhakrishnan Salai,
Mylapore, Chennai - 600 004, India.

SOLICITORS'
S Ramasubramaniam & Associates
6/1, Boshop Wallers Avenue (West)
Mylapore, Chennai - 600 004.

REMUNERATION COMMITTEE

Sam (S) Santhosh
Alok Sharma
Steve Ting Tuan Toon

AUDIT COMMITTEE

R Ramaraj
A P Parigi
Sam (S) Santhosh

**SHARE TRANSFER & INVESTORS
GRIEVANCE COMMITTEE**

A P Parigi
Alok Sharma
R Ramaraj

NOMINATION COMMITTEE

Alok Sharma
Sam (S) Santhosh
A P Parigi

BANKERS

State Bank of India
IDBI Bank Limited
ICICI Bank Limited
Citibank NA
Axis Bank Limited

REGISTRAR & TRANSFER AGENTS
Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bandup West,
Mumbai - 400 078
Tel. : +91.22.25963838
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

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NOTICE is hereby given that the Eighteenth Annual General Meeting of the members of Accel Frontline Limited will be held on Monday the 12th of August 2013 at "Rajah Sir Annamalai Chettiar Memorial Trust Hall (Rani Seethai Hall) Mount Road, Chennai 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, 2013 and the profit & loss account for the financial year ended on that date and the reports of the Directors and Auditors thereon.
2. To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:

"Resolved that Mr. A.P.Parigi, be and is hereby re-appointed a Director of the Company.
3. To consider and, if thought fit, to pass the following Resolution, with or without modification, as an Ordinary Resolution:

"Resolved that Mr. Alok Sharma, be and is hereby re-appointed a Director of the Company.
4. To appoint M/s K S Aiyar & Co, Chartered Accountants (Registration Number 100186W) as statutory Auditors of the company 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 having Registration Number as 100186W who retired 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.
- 2) 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.
- 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 at 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) Notice alongwith explanatory statement, Annual Report as well as Annual Accounts of the subsidiary companies and Register of Directors' Shareholding are open for inspection, during the business hours, at the Registered Office of the Company.
- 11) The Company has notified closure of the Register of Members and the Share Transfer Books from 6th August 2013 to 12th August 2013 (both days inclusive).
- 12) Members are requested to notify immediately of any change in their address to the Registrars. Members holding shares in electronic form are advised to notify any change in their address with the concerned Depository Participant.
- 13) Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance (Circular No. 17/2011 dated 21.04.2011) allowing paperless compliances by Companies through Electronic mode. Companies are now permitted to send various notices / documents to its shareholders through electronic mode to the registered email address of the shareholders. The Company has communicated to the shareholders on 18th July 2011 about its decision to implement this initiative. Shareholders are requested to update their email addresses with the respective depository participants. Shareholders holding shares in physical mode, are requested to kindly provide your e-mail address and send it to our Registrar, Link Intime India Pvt. Ltd.
- 14) The particulars of the Director, retiring by rotation and eligible for re-appointment, are given in the Report of the Directors to the Members and also in the Report on Corporate Governance.
- 15) Members are hereby informed that Dividend which remains unclaimed / un-encashed over a period of 7 years, has to be transferred as per the provisions of Section 205A of the Companies Act, 1956 by the Company to "The Investor Education and Protection Fund" (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956.

Hereunder are the details of Dividends paid by the Company and their respective due dates of transfer of unclaimed / un-encashed dividends to the designated fund of the Central Government;

Dividend for the Financial Year	Date of Declaration of Dividend	Due date of transfer to the Central Government
2006 – 2007	May 14, 2007	June 16, 2014
2007 – 2008	May 12, 2008	June 17, 2015
2008 – 2009	October 29, 2008	December 04, 2015
2009 – 2010	March 10, 2010	April 14, 2017
2010 – 2011	September 29, 2011	November 03, 2018
2011-2012	December 19, 2012	January 23, 2020

Registered Office
 75, Nelson Manickam Road
 Chennai 600 029
 Date: May 29, 2013

For and on behalf of the Board
 Sweena Nair
 Company Secretary

Directors' Report

To

The Members

The Directors are pleased to present the 18th annual report along with the audited financial statements for the financial year ended March 31, 2013.

Financial results

INR in lakhs

	Standalone		Consolidated	
	2013	2012	2013	2012
Sales, services & other income	32,921.26	42,352.47	40,137.95	48,614.06
Earnings before interest, tax, depreciation and amortization (EBITDA)	3,345.93	3,673.14	3,325.05	3,362.88
Finance costs	1,953.83	1,739.61	1,995.07	1,794.33
Depreciation and amortization expense	968.60	795.08	1,067.77	991.25
Provision for tax (Net)	143.53	199.84	143.54	199.84
Profit after tax	279.97	938.60	118.67	377.46
Balance brought forward from previous year	1,049.18	2,414.74	1,507.02	3,433.72
Amount available for appropriation	1,329.15	3,497.44	1,625.69	3,955.28
Appropriations				
Proposed Dividend on equity shares	-	363.93	-	363.93
Tax on Dividend	-	59.04	-	59.04
Transfer to General Reserve	-	100.00	-	100.00
Security Premium cancelled on account of merger	-	1,925.29	-	1,925.29
Balance carried to Balance Sheet	1,329.15	1,049.18	1,625.59	1,507.03
Total	1,329.15	3,497.44	1,625.69	3,955.28

Company's performance

The global economic slowdown during the financial year 2012-13 with macro economic uncertainties impacted the business environment in India. The slowdown is expected to continue through financial year 2013-14 with faster growth expected in few emerging markets. These uncertainties have prepared the industry to operate more efficiently embedded with a disciplined cost management in order to strengthen the foundation of the businesses.

Financial year 2012-13 represents the full year operations after the consolidation of all the IT service business in 2011-12. The company has successfully integrated these merged business portfolios and could transform itself to offer more value added services.

On a standalone basis, the revenues from operations and other income stood at INR 32,921.26 lakhs, representing a decline of 22% over previous year. Earnings before interest, tax, depreciation and amortization (EBITDA) at INR 3,345.93 lakhs were lower by 9% over previous year. However the EBITDA margins improved 10.16% in FY13 compared to 8.67% in FY12.

On a consolidated basis, the revenues from operations and other income stood at INR 40,137.95 lakhs, representing a decline of 17% over previous year. Earnings before interest, tax, depreciation and amortization (EBITDA) at INR 3,325.05 lakhs were lower by 1% over previous year. However the EBITDA margins improved to 8.28% in FY13 compared to 6.92% in FY12.

The decline in revenues is attributable to planned reduction in the IT hardware centric system integration business, which commands lower margins compared to IT service business. However this reduction in revenues was partly offset by growth in software and

infrastructure management services revenues, which resulted in better EBITDA margins in FY13 compared to FY12.

During FY13 the company's liquidity position remained challenging due to additional investment made in software assets and overseas subsidiaries, to enhance the software business.

The company has initiated various steps to ease the liquidity position and augment long term working capital required for future growth as planned.

Human resource development

The company employs over 1,722 full time employees with diverse background. The collective efforts of all these employees have enabled the company to achieve its organizational goals and set the base right for the next phase of growth.

The company has restructured its work force into various businesses to ensure that every business is operated and supported equally. The human resource policies have evolved to stay relevant to the changing economic and business environment and enhance organizational agility.

Workforce strategy was planned with a focus on sustainable utilization levels. A lot of efforts are being taken to implement these strategies to maintain costs at optimal levels.

The company has a matured talent management process and environment where performance is rewarded and opportunities are provided for career growth and development. Focused initiatives towards work life balance and safety of employees have helped the company in gaining confidence level of the employees and bring down the attrition levels.

Quality standards

The company believes in sustained commitment to highest levels of quality to enhance customer satisfaction. During the year the company continued to invest in technologies, infrastructure and processes in order to keep our quality management systems updated.

The Company achieved certifications for:

- ISO 9001:2008 (Quality Management)
- ISO 27001:2005 (Security Management)
- ISO 20000-1:2005 (Service Management)
- CMMI Level 3 (Software Development)

An employee portal exists for knowledge management and sharing useful information within the Company. Regular knowledge and skill up gradation training programs are conducted by internal as well as external knowledge management experts.

These quality driven processes help in supporting the company's global delivery model

In order to achieve highest levels of quality and robust information security practices, the company has planned to achieve enterprise-wide CMMI Level 5 (for Development) during the next financial year.

Finance, Accounts and Internal control systems

The company has adequate internal control procedures commensurate with the size and nature of its operations. The internal control systems were further strengthened by internal audit carried by an independent firm of Chartered Accountants and a periodical review by the management. The Audit Committee of the board addresses issues raised by internal auditors and the, statutory auditors.

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.

Report of Corporate Governance and Auditors Certificate on 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 as annexure III to this report.

The certificate issued by the auditors of the company on corporate governance is given as Annexure IV 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 to this report.

Director's responsibility statement

The directors' responsibility statement pursuant to sub section 2 AA of Section 217 of the Companies Act 1956 is given as Annexure V to this report.

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

Financial Statements of Subsidiary companies:-

The Company had 8 subsidiaries as on March 31, 2013, up from 7 as on March 31, 2012. Accel Technologies Limited, UK was incorporated during financial year 2012-13 as a strategy to penetrate this market for its 'Product engineering and Automotive embedded solutions'.

There has been no material change in the nature of the business of the subsidiaries.

As required under the Listing Agreement entered into with the Stock Exchanges, a consolidated financial statement of the Company and all its subsidiaries is attached. The consolidated financial statement has been prepared in accordance with the relevant accounting standards as prescribed Under Section 211 (3C) of the Act. The consolidated financial statement discloses the assets, liabilities, income, expenses and other details of the Company and its subsidiaries.

Pursuant to the provisions of Section 212(8) of the Act, the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Statement of Profit & Loss and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2013 is included as an annexure VIII to this report. The annual accounts of these subsidiaries and the related information will be made available to any member of the company/its subsidiaries seeking such information and are available for inspection by any member of the company/subsidiaries at the Registered Office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, at the Head Offices / Registered Offices of the respective subsidiary companies.

Dividend

The Directors have not recommended dividend for the period ended March 31, 2013 considering the lower profits achieved during the financial year 2012-13. Further, given that we are in a high leverage point, the available resources have to be conserved and effectively deployed for ramping up the operations in high growth and high margin services business.

Directors

Mr.A.P.Parigi and Mr. Alok Sharma retire by rotation and are eligible for re-appointment.

Auditors

K S Aiyar & Co., Chartered Accountants, who are the statutory auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The com-

pany 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.

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 included as annexure VII to the Director's Report. 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.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Act, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in an annexure I to this report.

Acknowledgement

The 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. The 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,
May 29, 2013

N.R. Panicker
Chairman & Managing Director

Annexure I to the Director's Report

Conservation of energy

The company's operations involve low energy consumption to run its various offices and therefore the scope of energy conservation is limited. The company has means and process to constantly monitor the usage of power and optimize the same to the extent possible. The company is currently in the process of consolidating its facilities, which will help in reduction of energy consumption without any business implications. The company is in the process of evaluating means of utilizing alternate energy sources for betterment of environment and reduce the consumption of conventional energy

The company has a policy to replace old assets to upgrade to the changing technology and keeping a check on the energy consumption.

Technology Absorption, Adaptation and Innovation

The company is in high technology business and is constantly upgrading and adapting latest technologies to meet the technology challenges.

Research and development (R&D)

The Company has planned a number of R&D initiatives to promote innovation and new product development. These research initiatives are primarily in the field of Software, Systems and Application with the objective of coming up with new products, solutions and technology to our customers. Some of our key R&D initiatives include:

1. New products and solutions- banking products in the field of Government business, embedded solutions for automotive segment, System on Module (SOM), etc.
2. Platforms- Continuous improvement on the platform developed for the warranty management business.

The company will continue to invest in these and other areas of research interests with sufficient funds allocated to this.

The company is in the process of getting registered with Department of Scientific & Industrial Research (DSIR). The expenditure incurred on various R&D initiatives is further discussed in the MD&A section.

Foreign Exchange earnings and outgo

The complete 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 industry scenario

The IT industry in India is currently going through a slow growth phase with growth declining from 15% in FY12 to 12% in FY13. While we consider the sluggishness witnessed in the global economy, this may not be alarming.

Government has been the largest IT consumer. However many of the projects get delayed due to slow decision making. Large Corporate have been delaying tech refresh initiatives due to the challenging business environment. The overall business environment in the country was not very conducive to sustain growth. It is expected that there will be slow recovery from the later part of financial year 2013-14.

Indian IT exports have grown by about 18% during the financial year 2012-13 compared to 22% in the previous year indicating the robustness of the Indian IT export sector. However the resistance to off shoring in US will have its impact on our software exports. The welcome change is the recovery seen in the markets like Japan and opportunity for niche players even in the US markets.

In the company, we are cautiously optimistic about the future as we believe that there are a number of growth opportunities still untapped in the technology segments where we are operating in.

Business overview

Accel is an end-to-end Information Technology services provider specializing in IT Infrastructure Management, System Integration, IT software services, and warranty management services.

The company has a strong PAN India presence in the domestic IT infrastructure management market and serves a number of leading MNCs in India and Indian corporate houses. With its extensive presence and quality of delivery capability, The company has been successful in retaining most of its customers

Our revenues were largely contributed by IT infrastructure and system integration services, which are driven by domestic IT market. However system integration business in the domestic market has become highly competitive with eroding margins. The company will continue to focus on IT infrastructure management and managed services in the domestic market, where we have a large long standing customer base across India with constant annuity revenues.

The company over the last two years has emerged as a niche player in the software service market with a focus on embedded systems and solutions, outsourced product development, cloud and mobility solutions, remote infrastructure management (RIM), etc for the international markets. The Technology services focus on outsourced product development, testing, sustenance and re-engineering services in consumer products, networking and automotive domain. The customers are spread across US, Japan, UK, Australia and Israel. Enterprise applications services focus on Banking and manufacturing with support for core banking and other enterprise applications

We are also a leading provider of warranty management services for the India market, where our scalable time tested model has been helping us to win new customers and create a highly successful business unit in the company. We provide warranty fulfillment, test and repair services and help desk support services on a PAN India basis for more than 30 International product vendors

Our wholly owned subsidiary in UAE (Accel Frontline JLT) has been making successful foray with enterprise IT solutions and has won several corporate customers in the last five years. We continue to serve this market with an increased focus

During the year under review, we have invested in our existing subsidiary company (Accel Systems and Technologies in Singapore) to foray into IT security services in Singapore. In the first nine months of operations, this company has achieved a turnover of about INR 20 crores and earned profits. This business unit is expected to grow vertically in the coming year and make significant contribution to Company's revenue and margins .

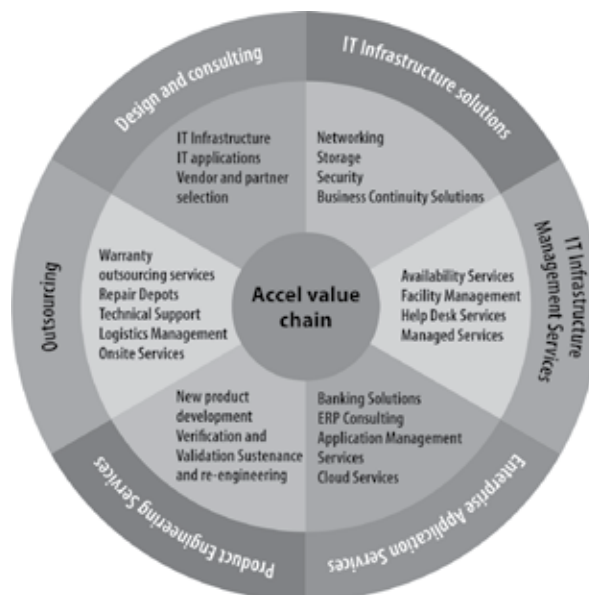
Strategy

The company's strategy to achieve and strengthen its long term objectives is derived from the following:

1. Presence across IT value chain
2. Established player and PAN India presence
3. Quality and long standing customer base
4. Delivery model
5. Non- linear business model

Presence across IT value chain

The company has over the years invested in building multiple service offerings. With this, the company is uniquely positioned to provide end to end solutions at optimum costs to customers. The graph below replicates the company's service portfolio



Established player and PAN India presence

The company is an established IT player and has a PAN India presence. This along with a strong brand enables us to launch a new product or service across India in a short span. The company has offices in 5 countries outside of India viz US, Japan, UK, Dubai and Singapore

Quality and long standing Customer base

Building strong and long lasting relationship with customers is critical to every company's success. The company has strong relationships with a number of Fortune 500 customers and leading corporate houses in India and overseas. The company has been able to retain these key customers through process and service excellence.

Being aligned with customers and their requirements has helped us in retaining customers and penetrate new customers.

Delivery model

The company's delivery model is to provide quality services at low cost of ownership. The company's offshore delivery centre's are strategically located at Trivandrum, Cochin, Chennai and Noida in India.

The hybrid delivery model enables the company to provide end to end solutions across multiple product segments in the warranty management space.

The domestic IT service operations span across 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.

The company has strategic partnerships with international technology providers such as Oracle, IBM and Microsoft to deliver solutions and services that are leading edge and industry oriented.

Non- linear business model

While the Company continues to make significant progress in the traditional IT services offerings, it has been pursuing non-linear growth opportunities, which contribute revenue growth without commensurate growth in headcount. The following contribute to the company's non-linear business model