Red Herring Prospectus
Please read Section 60B of the Companies Act, 1956
Dated September 19, 2006
100% Book Building Issue

ACCELFRONTLINE
ENTERPRISE IT SOLUTIONS

ACCEL FRONTLINE LIMITED

(Originally incorporated as Accel Computers Limited on June 8, 1995 under the Companies Act, 1956 as a public limited company. The name was changed to Accel ICIM Systems & Services Limited on October 21, 1999. The registered office of our Company was shifted from SFI Complex, No.179 Valluvarkottam High Road, Nungambakkam, Chennai 600 034 to III Floor, New No. 75 (Old No. 124), Nelson Manickam Road, Aminjikarai, Chennai 600 029 on April 3, 2000. The name was further changed to Accel ICIM Frontline Limited on August 27, 2004. The name was changed to Accel Frontline Limited on November 03, 2005)

Registered and Corporate Office: III Floor, New No. 75 (Old No. 124), Nelson Manickam Road, Aminjikarai, Chennai 600 029, Tamil Nadu.
Tel: +91 44 4225 2000 Fax: +91 44 2374 1271
Compliance Officer/Contact Person: Mr. R. Neelakantan; Website: www.accelfrontline.in; E-mail: neel@accelfrontline.in

PUBLIC ISSUE OF 5,635,950 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION, COMPRISING A FRESH ISSUE OF 5,175,667 EQUITY SHARES BY ACCEL FRONTLINE LIMITED ("COMPANY" OR "ISSUER") AND AN OFFER FOR SALE OF 460,283 EQUITY SHARES BY INTEL PACIFIC, INC., ("INTEL" OR THE "SELLING SHAREHOLDER"). THE FRESH ISSUE AND THE OFFER FOR SALE ARE JOINTLY REFERRED TO HEREIN AS THE "ISSUE". THE ISSUE WOULD CONSTITUTE 25.04% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

PRICE BAND: RS. 75 TO RS. 90 PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH

ISSUE PRICE IS 7.5 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 9.0 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of the Price Band subject to the Bidding/ Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("**NSE**") and The Bombay Stock Exchange Limited ("**BSE**"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager ("**BRLM**") and Co-Book Running Lead Manager (**"Co-BRLM"**) and at their terminals.

This Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("**QIBs**"), out of which 5% will be available for allocation on a proportionate basis to mutual funds registered with Securities and Exchange Board of India ("**SEBI**") and the remaining QIB portion shall be available for allocation on a proportionate basis to the QIB bidders including mutual funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first public issue of Equity Shares of our Company, there has been no formal market for the Equity Shares. The face value of the Equity Shares is Rs. 10 and the Issue Price is [·] times of the face value. The Issue Price (as determined by our Company and the Selling Shareholder in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/ or sustained trading in the Equity Shares of our Company nor regarding the price at which the Equity Shares will be traded after listing. Our Company has not opted for IPO grading for this Issue.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the SEBI, nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page xii of this Red Herring Prospectus.

COMPANY AND THE SELLING SHAREHOLDER ABSOLUTE RESPONSIBILITY

Our Company and the Selling Shareholder having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Please also refer to section titled "Disclaimer by the Selling Shareholder" beginning on page 17 of this Red Herring Prospectus.

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated June 1, 2006 (and letter dated September 6, 2006) and June 2, 2006, respectively. For the purposes of this Issue, The National Stock Exchange of India Limited shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
SBI Capital Markets Limited **SBI CAPITAL MARKETS LIMITED** 202, Maker Tower "E", Cuffe Parade, Mumbai 400005 Tel: +91 22 2218 9166, Fax: +91 22 2218 8332 E-mail: accel.ipo@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Subrat Panda	INTIME SPECTRUM REGISTRY LIMITED **INTIME SPECTRUM REGISTRY LIMITED** Unit: Accel IPO C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup West, Mumbai 400 078. Tel: +91 22 2596 0320 Fax: +91 22 2596 0329 Email: : afslipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Vishwas Attavar

ISSUE PROGRAMME	
BID/ ISSUE OPENS ON : THURSDAY, SEPTEMBER 28, 2006	**BID/ ISSUE CLOSES ON : THURSDAY, OCTOBER 5, 2006**

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SECTION I: DEFINITIONS AND ABBREVIATIONS

Definitions

CONVENTIONAL/GENERAL TERMS

Term	Description
Articles/ Articles of Association	Articles of Association of Accel Frontline Limited, as amended.
Board of Directors/ Board	The board of directors of Accel Frontline Limited or a committee constituted thereof.
Director(s)	Director(s) of Accel Frontline Limited, unless otherwise specified.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each, unless otherwise specified in the context thereof
Financial Year/ Fiscal / FY	Period of 12 months ended March 31 of that particular year, unless otherwise stated.
Memorandum/ Memorandum of Association	The Memorandum of Association of Accel Frontline Limited.
Auditors/Statutory Auditors	The statutory auditors of our Company, being K.S. Aiyar & Co., Chartered Accountants.

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the allotment and transfer of Equity Shares pursuant to this Issue.
Allottee	The successful Bidder to whom the Equity Shares are/have been issued or transferred.
Bajaj	Bajaj Capital Limited
Bankers to the Issue	The Bankers to the Issue being ICICI Bank Limited, State Bank of India, Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited and Kotak Mahindra Bank Limited.
Bid	An indication to make an offer during the Bidding/ Issue Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus.
Bid/ Issue Closing Date	The date after which the Members of the Syndicate will not accept any Bids for the Issue, which shall be mentioned in the Red Herring Prospectus and the Bid cum Application Form and notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper, with wide circulation.

Term	Description
Bid/ Issue Opening Date	The date on which the Members of the Syndicate shall start accepting Bids for the Issue, which shall be mentioned in the Red Herring Prospectus and the Bid cum Application Form and notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper, with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which Bidders can submit their Bids.
Book Building Process	Book building route as provided under Chapter XI of the SEBI DIP Guidelines, in terms of which the Issue is being made.
BRLM/ Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Co-BRLM	Co-Book Running Lead Manager to the Issue, in this case being Bajaj Capital Limited
Companies Act/Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	The Issue Price finalised by our Company and the Selling Shareholder in consultation with the BRLM. Only Retail Bidders are entitled to bid at Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to bid at Cut-off Price. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Allotment will be made to successful Bidders.
Designated Stock Exchange	The National Stock Exchange of India Limited
DRHP or Draft Red Herring Prospectus	The draft red herring prospectus filed with SEBI on May 2, 2006. .
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue.
Escrow Account	Account opened with an Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount/ Margin Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into amongst our Company, the Selling Shareholder, the Registrar, the Escrow Collection Banks, the BRLM and the Co – BRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.

Term	Description
Escrow Collection Banks	The banks, which are clearing members and registered with SEBI as Bankers to the Issue and with whom the Escrow Account will be opened, in this Issue being ICICI Bank Limited, State Bank of India, Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited and Kotak Mahindra Bank Limited.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Fresh Issue	Issue of 5,175,667 Equity Shares by our Company at the Issue Price.
Government/ GoI	The Government of India.
I.T. Act/ ITA	The Income Tax Act, 1961, as amended from time to time.
Indian GAAP	Generally accepted accounting principles in India.
Issue/Issue Size	Public issue of 5,635,950 Equity Shares for cash at a price of Rs. [•] per Equity Share aggregating Rs. [•] million comprising a Fresh Issue of 5,175,667 Equity Shares by our Company and an Offer for Sale of 460,283 Equity Shares by the Selling Shareholder, pursuant to the Red Herring Prospectus and the Prospectus.
Issue Price	The final price at which Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by our Company and the Selling Shareholder, in consultation with the BRLM, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/ her Bid, being 10% to 100% of the Bid Amount.
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Funds Portion	5% of the QIB Portion or 140,899 Equity Shares (assuming the QIB portion is 50% of the Issue) available for allocation to Mutual Funds only, out of the QIB portion.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs).
Non-Institutional Portion	The portion of the Issue being atleast 845,393 Equity Shares available for allocation to Non-Institutional Bidders.
Non-Residents	Eligible NRIs, FIIs, FVCIs and multilateral and bilateral development financial institutions, who are eligible to Bid in the Issue.
NRI/Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of atleast 60% by NRIs including overseas trusts, in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly. OCBs are not allowed to participate in this Issue.

Term	Description
Offer for Sale	Offer for sale of 460,283 Equity Shares by the Selling Shareholder, pursuant to the Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus.
Pay-in Date	Bid/ Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/ Issue Closing Date, and with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Person/ Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/ or incorporated in the jurisdiction in which it exists and operates, as the context requires.
PIO/Persons of Indian Origin	Shall have the meaning as defined in the Foreign Exchange Management (Deposits) Regulations, 2000
Price Band	The price band with a minimum price of Rs. 75 and the maximum price of Rs. 90 per Equity Share, including revisions thereof.
Pricing Date	The date on which our Company and the Selling Shareholder in consultation with the BRLM shall finalize the Issue Price.
Promoters	1. Mr. N.R. Panicker 2. Accel Limited 3. Frontline Technologies Corporation Limited.
Promoter Group	Includes companies forming part of the promoter group.
Prospectus	The Prospectus, to be filed with the RoC containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
QIB Margin Amount	An amount representing atleast 10% of the Bid Amount.
QIB Portion	The portion of the Issue being 2,817,975 Equity Shares, available for allocation to QIBs on a proportionate basis out of which 140,899 Equity Shares are available for allocation to Mutual Funds.
Qualified Institutional Buyers or QIBs	Public Financial Institutions, scheduled commercial banks, Mutual Funds, FIIs registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to the applicable law), with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.

Term	Description
Red Herring Prospectus	This Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It carries the same obligations as are applicable in case of a Prospectus and is being filed with the RoC. After the pricing date, it will become a Prospectus after filing with the RoC.
Registered Office	New No. 75 (Old No. 124), Nelson Manickam Road, Aminjikarai, Chennai 600 029, Tamil Nadu, India.
Registrar/ Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited.
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being atleast 1,972,582 Equity Shares, available for allocation to Retail Individual Bidders.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s).
RoC	The Registrar of Companies, Tamil Nadu located at Shastri Bhavan, Haddows Road, Chennai 600 006.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Employee Stock Option Guidelines	Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.
SEBI DIP Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including instructions and clarifications issued by SEBI from time to time.
Selling Shareholder	Intel Pacific, Inc., offering 460,283 Equity Shares as an Offer for Sale in this Issue.
SBI Caps	SBI Capital Markets Limited
Stock Exchanges	NSE and BSE.
Members of the Syndicate	The BRLM and the Co-BRLM.
Syndicate Agreement	The agreement to be entered into among our Company, the Selling Shareholder, the BRLM and the Co BRLM, in relation to the collection of Bids in this Issue.
TRS or Transaction Registration Slip	The slip or document issued by the Members of the Syndicate to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Co-BRLM .
Underwriting Agreement	The Agreement among the members of the Syndicate, the Selling Shareholder and our Company to be entered into on or after the Pricing Date.
VCF/Venture Capital Fund	Venture Capital Funds registered with SEBI under the SEBI (Venture Capital Funds) Regulations, 1996, as amended from time to time.

Company and Industry Related Terms

Company Related Terms

Term	Description
"Accel Frontline" or "Company" or " our Company" or "Issuer" or "Accel Frontline Limited"	Accel Frontline Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at III Floor, New No. 75 (Old No. 124), Nelson Manickam Road, Aminjikarai, Chennai 600 029, Tamil Nadu.
"we" or "us" and "our"	Unless the context otherwise requires, refers to Accel Frontline Limited and, where the context requires, its subsidiaries, being ACL Singapore and Accel Dubai.
ACL Singapore	ACL Systems & Technologies Pte Limited, Singapore, incorporated under the laws of Singapore.
Accel Dubai	Accel Infotech FZE, Dubai, incorporated under the laws of United Arab Emirates.
Frontline/FTC	Frontline Technologies Corporation Limited, Singapore
Intel	Intel Pacific, Inc., incorporated under the laws of Delaware and having its registered office located at 2200 Mission College Boulevard, Santa Clara CA 95052, USA.
TCW	TCW/ICICI India Private Equity Fund, LLC
TCW AMP	TCW/ICICI India Private Equity AMP Fund, LLC
ICICI Emerging Fund	ICICI Emerging Sectors Fund
ICICI Investors	Refers collectively to TCW, TCW AMP and ICICI Emerging Fund
Prior Investors	Refers collectively to Intel and ICICI Investors
"Subsidiary" or "Subsidiaries"	Currently means ACL Singapore and Accel Dubai, individually or collectively, as the context may require

Industry Related Terms

Application Hosting	Third party hosting whereby the host charges its clients a fee for the right to use its software applications.
ASP	Application Service Provider. An ASP provides access over the Internet to application programs and related services which would otherwise have to be located in the users' computers.
BIOS	Basic Input/Output System
BPO	Business Process Outsourcing and also refers to a strategic business unit of our Company which undertakes such activities.
CRM	Customer Relationship Management. An integrated information system that is used to plan, schedule and control the pre-sales and post-sales activities.
ERP	Enterprise Resource Planning. A system with software that allows business functions such as payroll, inventory, planning, manufacturing, sales and marketing to link to each other.
ESS	Enterprise Software Solutions, a strategic business unit of our Company
IIS	IT Infrastructure Solutions, a strategic business unit of our Company

Term	Description
IMS	IT Infrastructure Management Services, a strategic business unit of our Company
Internet	An open global network of interconnected commercial, educational and governmental computer networks that utilise a common communications protocol.
Intranet	A collection of computers connected through a network and using Internet technologies for communication within it.
IP	Internet Protocol
IPRs	Intellectual Property Rights
ISDN	Integrated Services Digital Network
ISP	Internet Service Provider
IT	Information Technology
IT Consulting	A professional service that provides information, advice and proposes strategies and *inter alia* plans to store, retrieve, share and send information through the use of computer and telecommunication systems.
ITES	IT Enabled Services
IT Infrastructure	A system of hardware and / or software arrangements that facilitates the storing, retrieving and sending of information.
ITIL	IT Infrastructure Library
IT Outsourcing	The subcontracting of IT services that would otherwise be provided and handled by a company using its internal resources.
LAN	Local Area Network
MIS	Management Information System
OEM	Original Equiment Manaufacturer
Portal	A principal entry point and gateway for accessing the Internet that provides useful Web-related services and links.
R&D	Research and Development
Server	A computer programme that provides services to other computer programmes in the same or other computers. The computer that a server programme runs on is often referred to as a server.
SLA	Service Level Agreement
SDLC	Software Development Life Cycle
SOA	Service Oriented Architecture
Systems Integration	The integration of hardware and software components to complete a computer system.
TCO	Total Cost of Ownership
VPN	Virtual Private Network
WAN	Wide Area Network

Term	Description
API	Application Program Interface
EAI	Enterprise Application Integration (EAI) is the use of software and technology systems architectural principles to integrate a set of enterprise computer applications

Abbreviations

Abbreviation	Full Form
ACIT	Assistant Commissioner of Income Tax
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited, Mumbai
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIT	Commissioner of Income Tax
EGM	Extraordinary General Meeting
EPS	Earnings per share
FCNR Account	Foreign Currency Non-Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.
Financial year / Fiscal / FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
FII	Foreign Institutional Investor registered with SEBI under the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time.
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GIR	General Index Registry Number.
Government / GOI	The Government of India
HUF	Hindu Undivided Family
HK $	Hong Kong Dollar
I.T. Act/ITA	The Income Tax Act, 1961, as amended from time to time.
LC	Letters of Credit
NAV	Net Asset Value
NI Act	Negotiable Instruments Act

Abbreviation	Full Form
NRE Account	Non-Resident External Account
NRI / Non – Resident Indian	Non Resident Indian, is a person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a.	per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit after Tax
PBT	Profit before Tax
PLR	Prime Lending Rate
RBI	The Reserve Bank of India
RoNW	Return on Net Worth
SCRA	The Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SGX	Singapore Exchange Limited
Sing $/S$	Singapore Dollar
USD/US $/$	United States Dollar

SECTION II: RISK FACTORS

FORWARD LOOKING STATEMENTS

All statements contained in this Red Herring Prospectus that are not statements of historical fact constitute “forward-looking statements”. We have included statements in this Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that could be considered to be “forward-looking statements”. The financial liability identified in the risk factor titled “Our Company, Subsidiaries and Promoter group companies are involved in certain legal proceedings in India” has been quantified to the extent that the same are quantifiable. The eventual financial liability in relation to these provisions may exceed the liability outlined by us therein.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the information technology industry.

For further discussion of the factors that could affect our future financial performance please refer to the section titled “Risk Factors” beginning on page xii of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we nor any of our Directors nor the Selling Shareholder nor the Underwriters, nor any of their respective affiliates have any obligation or intend to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

FINANCIAL AND MARKET DATA

Unless stated otherwise, the financial information used in this Red Herring Prospectus is derived from our Company's restated consolidated financial statements as at and for the financial years ended March 31, 2006, 2005, 2004, 2003 and 2002 and prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI DIP Guidelines, as stated in the report of our Statutory Auditors, K.S. Aiyar & Co, Chartered Accountants, included in this Red Herring Prospectus.

Our financial year commences on April 1 and ends on March 31 of a particular year. Unless stated otherwise, references herein to a Fiscal (e.g., Fiscal 2005) are to the financial year ended March 31 of a particular year.

In this Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and GAAP followed in other jurisdictions; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI DIP Guidelines. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We have not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on financial data.

Currency of Presentation

All references to "Rupees", "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "million" refer to one million which is the equivalent of ten lakhs i.e 1,000,000. Please refer to section titled "Exchange Rates and Currency of Presentation" on page 122 of this Red Herring Prospectus.

Market Data

Market data used throughout this Red Herring Prospectus has been obtained from industry publications and internal Company reports and management estimates. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although our Company believes that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Red Herring Prospectus, before making any investment decision relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to fall significantly and you may lose all or part of your investment. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify financial implications of any of the risks mentioned below. The financial liability identified in the risk factor titled "Our Company, Subsidiaries and Promoter group companies are involved in certain legal proceedings in India" has been quantified to the extent that the same are quantifiable. The eventual financial liability in relation to these provisions may exceed the liability outlined by us therein.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this RHP, including the consolidated financial statements included in this RHP. Unless stated otherwise, the financial data in this section is as per our consolidated financial statements prepared in accordance with Indian GAAP. In this section only, any reference to "we", "us" or "our" refers to Accel Frontline Limited on a consolidated basis.

Internal Risk Factors

1. **We have not finalized the proposed target company, which we propose to acquire/invest in terms of the 'Objects of the Issue' and for which we propose to use the proceeds from the Issue.**

   As on the date of the Red Herring Prospectus, we have not yet finalized the proposed target company which we propose to acquire/invest in terms of the 'Objects of the Issue' using the proceeds from the Issue. As on the date of filing the Red Herring Prospectus, we have shortlisted certain potential targets, in India and overseas which we believe are a strategic fit to our business, including a Chennai based software services company and a Mumbai based BPO services provider. However, we cannot assure you that we will acquire / invest in any or all of the aforesaid shortlisted companies. We may also acquire / invest in company(ies) which may be outside our shortlist. We have not entered into any definitive agreements in relation to the proposed acquisition / strategic investment and will evaluate any such acquisition / investment on the basis of legal, financial and commercial due diligence and discussions to be undertaken at a later date.

2. **Future strategic investments, partnerships and acquisitions are important to our strategy but they may harm our business, dilute your ownership interest and cause us to incur debt.**

   As part of our growth strategy, we may make strategic investments, establish partnerships and/or make acquisitions relating to complementary businesses, technologies, services or products. We may not be able to identify suitable investment opportunities, partners or acquisition candidates. If we do identify suitable investment opportunities, partners or acquisition candidates, we may be unable to negotiate terms commercially acceptable to us or complete those transactions at all. If we acquire another company or form a new joint venture or other strategic partnership, we could have difficulty in integrating that company's business, including personnel, operations, technology and software, with our business. In addition, the key personnel of an acquired company may decide not to work for us. Any potential acquisition, alliance or joint venture could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and amortisation of acquired intangible assets, some or all of which could have a material adverse impact on our business, financial condition and results of operations. In the event that we plan to acquire or invest in an overseas company, we may be required to obtain the prior approval of the

FIPB / RBI, other regulators and/or the Government of India or that of the target companies' jurisdiction and there can be no assurance that such approvals will be obtained in a timely manner, or at all.

We may finance future investments, partnerships or acquisitions with a portion of the net proceeds from the Issue, as well as with cash from operations, our existing cash balances, debt financing, the issuance of additional Equity Shares or a combination of these. We cannot guarantee that we will be able to arrange financing on acceptable terms, if at all, to complete any such transaction. Investments, partnerships or acquisitions financed by the issuance of our Equity Shares would dilute the ownership interest of our shareholders. Till date no definitive letter of Intents, agreements or MOUs have been entered into towards this objective.

3. **We may face risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including whether we can identify opportunities, complete transactions and integrate the other parties into our business**

In order to enhance our capabilities, technical expertise and geographic coverage, we may undertake strategic acquisitions, which may prove to be difficult to integrate and manage or may not be successful. We acquired the Systems and Engineering Services division of Fujitsu ICIM Limited and Accel Limited with effect from January 1999 and April 1999, respectively. We acquired the banking software solutions division of TVSE Technologies Limited in July 2003. In October 2003, we acquired the mobile phone warranty outsourced service business from Accel Limited. We acquired the SMS and wireless application software services business of Trinity Infosys India Private Limited in February 2004. We may acquire or make investments in complementary businesses, technology, services or products or enter into strategic partnerships with parties who can provide access to those assets, if appropriate opportunities arise. We may not be able to identify potential acquisitions, investments, strategic partnerships or other ventures or if we do identify suitable targets, we may not complete those transactions on commercially acceptable terms or at all. Further, if we acquire another company, we could have difficulty in integrating that company's personnel, products, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us and its key customers may decide to terminate their agreements with us or reduce the volume of work of their purchases. These difficulties may disrupt our ongoing business, affect our management and employees and increase our expenses. As part of our business operations, we are evaluating and from time to time may continue to evaluate acquisition, joint venture and/or divestment opportunities. Subject to consideration and approval by the Board and shareholders of our Company, it is proposed that the business and other activities of certain companies in the software and BPO services category be acquired at a later date. For more details on the proposed acquisitions, please refer to the section titled "Objects of the Issue" beginning on page 29 of this Red Herring Prospectus. However, as at the date of this Red Herring Prospectus, we have not entered into a letter of intent or any definitive commitment or agreement for any material strategic acquisition or joint venture transaction, except as stated in this Red Herring Prospectus.

4. **Our revenues and expenses are difficult to predict and can vary significantly from period to period, which could cause our share price to decline.**

Our revenue has grown in recent years and may vary significantly in the future from period to period. Therefore, we believe that period-to-period comparisons of our results of operations may not be necessarily meaningful and may not be relied upon as an indication of our future performance. It is possible that in the future some of our results of operations may be below the expectations of market analysts and our investors, which could cause the share price of our Equity Shares to decline significantly.

Factors which affect the fluctuation of our operating results include:

- the size, timing and profitability of significant service projects and product sales;
- the mix of services and product revenues;
- the ability to modify and enhance our suite of product offerings based on customer needs and evolving technologies;
- changes in our pricing policies or those of our competitors;
- the proportion of services that we perform outside India as opposed to at our development centers in India;
- the effect of wage pressures, seasonal hiring patterns and the time required to train and productively utilize new employees, particularly information technology, or IT, professionals;
- unanticipated cancellations, contract terminations or deferrals of projects; and
- unanticipated variations in the duration, size and scope of our projects.

In addition, a significant portion of our revenues is dependent upon the timely completion of various project milestones, which is dependent not only on our abilities but also on the readiness and capability of the project teams of our clients. Delays in meeting project milestones resulting from the deficiencies in our client's project teams will cause cost overruns and adversely affect our working capital.

There are also a number of factors, other than our performance, that are not within our control that could cause fluctuations in our operating results from period to period. These include:

- the availability and duration of tax holidays or exemptions and the availability of other Government of India incentives;
- currency exchange rate fluctuations, particularly when the Rupee appreciates in value against foreign currencies, such as the U.S. Dollar, Singapore Dollar, United Arab Emirates Dirham, which reduce the Rupee value of our foreign currency revenues;
- changes in Indian law relating to foreign exchange management and to foreign equity ownership of Indian IT companies that could constrain our ability to raise capital outside India through the issuance of equity or convertible debt securities; and
- the economies of India and our other principal international markets, as well as other general economic factors.

5. Intense competition in the market for IT products and services could affect our cost advantages, which could reduce our share of business from clients and may adversely impact our revenues and profitability.

The IT products and services markets are highly competitive. We offer IT infrastructure solutions, IT infrastructure Management Services, Enterprise Software Solutions and Business Process Outsourcing services. These solutions are typically in the nature of specific products and services that we are able to offer our clients, including products like Accel UMS, Accel HealthSPACE and Accel Prodigy and services like IT security consulting, facility management and web hosting. For more details on our products and services, please refer to the section titled "Business – Business Model" beginning on page 60 of the Red Herring Prospectus. The IT industry is experiencing rapid changes that are affecting the competitive landscape, including recent divestitures and acquisitions that have resulted in consolidation within the industry. These changes may result in larger competitors with significant resources. Our competitors include large consulting firms, large multinational technology firms, IT outsourcing firms, Indian IT services firms, software firms and inhouse IT departments of large corporations. Some of these competitors include Wipro Limited, HCL Infosystems Limited, CMC Limited and Tata Consultancy Services Limited. In addition, some of our competitors have added or announced plans to add cost-competitive offshore capabilities to their service offerings. Many of these competitors are substantially larger than us and have significant experience with international operations, and we may face competition from them in countries in which we currently offer our products and services, as well as in countries in which we expect to begin offering our products and services. Additionally, we believe that our ability to compete also depends in part on factors outside our control, such as the price at which our competitors offer comparable products and services, and the extent of our competitors' responsiveness to their clients' needs. While we have historically been able to provide our products and services in our principal markets at competitive prices and on a cost-efficient basis, there can be no assurance that we will be able to do so in the future, as our competitors may be able to offer products and services using offshore and onshore models that are more effective than ours.

Growing competition may force us to reduce the prices of our products and services, which may reduce our revenues and margins and/or decrease our market share, any of which could have a material adverse effect on our business, financial condition and results of operations. Many of our competitors have significantly greater financial, technical and marketing resources, generate greater revenues and have greater name recognition than we do. We cannot assure you that we will be able to compete successfully against such competitors, or that we will not lose clients to such competitors. Also, to obtain engagements for various business solutions, we will need to successfully compete with such large, well-established international IT service and consultancy firms, resulting in increased competition and marketing costs. For more details, please refer to the section titled 'Business – Our Competition' on page 69 of the Red Herring Prospectus.

6. **Valuations in the software / information technology industry may not be sustained in future and current valuations may not be reflective of future valuations for the industry.**

We are engaged in providing services and products in the IT industry and we believe that there is no directly comparable listed company on the Indian stock exchanges. In our opinion CMC Limited, HCL Infosystems Limited, Tata Elxsi Limited and 3i Infotech Limited would be the closest listed comparable companies. Valuations in the software/information technology industry may not be sustained in future and current valuations may not be reflective of future valuations for the industry.

7. **Our business and profitability will suffer if we fail to anticipate and develop new products and services and enhance existing products and services in order to keep pace with rapid changes in technology and the industries on which we focus.**

The IT products and services markets are characterized by rapid technological change, evolving industry standards, changing client preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet client needs. We may not be successful in anticipating or adequately responding to these advances in a timely basis, or, if we do respond, the services or technologies we develop may not be successful in the marketplace. Further, products, services or technologies that are developed by our competitors may render our offerings noncompetitive, obsolete or force us to reduce prices, thereby adversely affecting our margins. Details of the revenues generated for the last three years from the aforesaid SBUs and the focus industry verticals are provided in the section titled "Business – Key Business Strategy" on page 67 of the Red Herring Prospectus.

8. We may face difficulties in providing business and software solutions for our clients, which could lead to clients discontinuing their work with us, which in turn could harm our business and profitability.

We have been expanding the nature and scope of our engagements. The success of these new offerings are dependent, in part, upon continued demand for such products or services by our existing and new customers and our ability to meet this demand in a competitive and cost effective manner. We cannot be certain that we will be able to attract existing and new customers for such new offerings or effectively meet our customers' needs. Larger projects may involve multiple engagements or stages, and there is a risk that a customer may choose not to retain us for subsequent stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from the business or financial condition of our customers or the then prevailing economic situation. Such cancellations or delays may make it difficult to plan for project resource requirements, which may have a negative impact on our profitability. Further, the increased breadth of our service and software offerings may result in larger and more complex projects with our clients. This will require us to establish closer relationships with our clients and have a thorough understanding of their operations. Our ability to establish such relationships will depend on a number of factors including the proficiency of our IT professionals and our management personnel.

9. We are continuously investing monies in our products business, which may not provide adequate returns.

We have been continuously investing monies, including in relation to product engineering for the development of our products business. However, our returns on these investments in the recent past have not been commensurate to the investments. We have provided details of the revenues generated for each of our products in the section titled "Business- Software Products" on page 64 of the Red Herring Prospectus. Based on our management's perception of the market potential, we propose to make further investments in this segment. We may not be able to make suitable levels of investments as may be required by the business and cannot assure you that any such investments, which are made will provide adequate returns. This may affect our business results and operations.

10. We may not be able to meet certain contractual obligations or be forced to accept onerous terms in our contractual arrangements with customer.

The engagements that we perform for our customers are often critical to the operations of our customers' business and any failure in our customers' systems could subject us to legal liability, including substantial damages, regardless of our responsibility for such failures. In the past, certain customers have been provided price reductions, most favored pricing terms, indemnities, cooling off periods and/or non compete provisions. While negotiating contracts in future, certain clients may demand that we offer them similar price reductions and most favored pricing terms. In case of any contractual breach, the customer may seek to enforce indeminties against us, which may adversely affect our financial performance and results of operations. In relation to our recruitment process, some of the employees that we recruit may face a cooling off period and/or non-compete provisions in relation to ther employment contract with previous employers. The terms of our customer engagements are typically designed to limit our exposure to legal claims and damages related to our services. However, these limitations may not be enforceable under the laws of certain jurisdictions. Assertion of one or more legal claims against us could have an adverse affect on our business and professional reputation. Further, several of our contracts are based on successful tender bids and certain clauses in the tender (specifically, with Government organisations) may contain certain onerous clauses, which cannot be negotiated favourably, if at all. We cannot assure you that our existing or future customers will not demand such provisions in their contractual arrangements with us. Any such benefit given to specific customers could materially or adversely affect our business, profits and results of operations.

We maintain certain insurance coverage, including in relation to burglary, fire and special perils policy, vehicle insurance, a marine open policy (to cover inland transit of computer hardware) along with certain employee related policies. However, we cannot be assured that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim or claims. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our results of operations.

11. We could become liable to customers, suffer adverse publicity and incur substantial costs as a result of defects in our products or services, which in turn could adversely affect our results of operations.

Many of our contracts involve providing products and services that are critical to the operations of our customers' business. Any failure or defect in our software or in our customers' products, networks or computer systems could result in a claim against us for substantial damages, regardless of our responsibility for such a failure or defect. Although we attempt to limit our contractual liability for all damages, including consequential damages, in rendering our services, we cannot be assured that the limitations on liability we provide for in our service contracts will be enforceable in all cases, or that they will otherwise be sufficient to protect us from liability for damages.

12. Our customer contracts can typically be terminated without cause and with little or no notice or penalty, which could negatively impact our revenues and profitability.

Most of our customer contracts can be terminated with or without cause, normally with 30 to 90 days notice and without termination-related penalties. Additionally, most of our agreements with customers are without any commitment to a specific volume of business or future work. Our business is dependent on the decisions and actions of our customers, and there are a number of factors relating to our customers that are outside our control that might result in the termination of a project or the loss of a customer. Any of these factors could adversely affect our revenues and profitability.

13. Certain contracts expose us to risks of quality and non-timeliness of delivery due to non- performance by certain third party vendors.

In certain contracts, we are required to work with multiple third party vendors to deliver a solution to our customers. In such cases, our delivery of the solution to the customer could be adversely impacted by inadequate performance and/or failures of such third party vendors to meet quality and/or the scheduled timelines set by our customers. Any such failure by the third party vendor could result in a loss of business or result in our not complying with our contractual obligations and could materially or adversely affect our business, profits and results of operations.

14. We derive a significant portion of our revenues from a few customers. The loss of any one of these customers, a decrease in the volume of work from these customers or a decrease in the price at which we offer our services to them may adversely impact our revenue and profitability.

In fiscal 2005 and fiscal 2006, our top customer accounted for 9.16% and 12.75 % of our revenues, respectively, on a consolidated basis. During the same periods, our top five customers accounted for 22.03% and 30.51% of our revenues, respectively on a consolidated basis. There are a number of factors, other than our performance, which may not be predictable that could cause the loss of a customer. The loss of any one of our major customers, any requirement to lower the prices we charge these customers or the loss or financial difficulties of these customers could have a material adverse effect on our business, revenues and profitability.

15. Any inability to manage our growth could disrupt its business and reduce its profitability.

We have experienced significant growth in total income restated in recent years. Our total income, on an unconsolidated basis was Rs. 1,378.06 million in fiscal 2005 to Rs. 1,664.49 million in fiscal 2006. The total income on a consolidated basis was Rs. 1,420.01 million in fiscal 2005 and Rs. 1,704.29 million in fiscal 2006. We expect this growth to place significant demands on both our management and our resources. This will require us to continuously evolve and improve our operational, financial and internal controls across the organisation. In particular, continued expansion increases the challenges involved in: recruiting, training and retaining sufficient skilled technical, sales and management personnel; adhering to our high quality and process execution standards; maintaining high levels of customer satisfaction; preserving our culture, values and entrepreneurial environment; and developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems. Any inability to manage growth may have an adverse effect on our business, results of operation and financial condition. For details of our business philosophy and values, please refer to the section titled "Business – Our Philosophy" beginning on page 60 of this Red Herring Prospectus.

16. We may infringe on the intellectual property rights of others.

While we take care to ensure that we do not infringe or otherwise prejudice the intellectual property rights of others, we cannot determine with certainty whether we are infringing upon any existing third party intellectual property rights which may force us to alter our technologies, obtain licenses or significantly cease some portions of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims. Regardless of whether claims that we are infringing patents or other intellectual property rights have any merit, those claims could, *inter alia*:

- adversely affect our relationships with current or future customers;
- result in costly litigation;
- divert management's attention and resources;
- subject us to significant liabilities; and
- require us to enter into royalty or licensing agreements; and require us to cease certain activities.

An adverse ruling arising out of any intellectual property dispute could subject us to significant liability for damages, prevent us from using technologies or developing products, or require us to negotiate licenses to disputed rights from third parties. Although patent and intellectual property disputes in the technology area are often settled through licensing or similar arrangements, costs associated with these arrangements may be substantial and could include license fees and ongoing royalties. Furthermore, necessary licenses may not be available to us on satisfactory terms, if at all. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition. As on the date of filing this Red Herring Prospectus, we do not have any intellectual property infringement disputes.

17. We may not be able to attract and retain skilled professionals in the competitive job market for IT professionals.

Our ability to execute current and future projects and to obtain new customers depends, largely on our ability to attract, train, motivate and retain highly skilled personnel, particularly project managers, project leaders and domain experts. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to bid for or obtain new projects and to continue to expand our business.

In fiscal 2006, 2005, and 2004, the employee attrition rates (or the total number of people who ceased to be our employees during the fiscal divided by the total number of employees as of the end of such fiscal) were 25.65%, 17.5%, and 21.8%, respectively. The majority of employees who left us comprised trained IT personnel, such as software engineers and project managers with three to four years experience, many of whom joined competing companies. Any increase in our attrition rates, particularly the rate of attrition for experienced software engineers and project managers and leaders, would adversely affect our growth strategy, including our ability to successfully bid for projects and/ or plan future project requirements. We cannot assure that we will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. Further, we cannot assure that we will be able to re-deploy and re-train our technical personnel to keep pace with continuing changes in IT, evolving technologies and changing customer preferences. While we have never experienced a work stop page as a result of labour disagreements or otherwise, we cannot guarantee that our employees will not unionize or that we will not experience any strike, work stop page or other industrial action in the future.

18. Our future success depends to a significant extent on key technical and managerial personnel.

We are highly dependent on the senior members of our technical and management team, including the continued efforts of our Managing Director and Chief Executive Officer, our whole-time Directors, our Chief Financial Officer and other members of senior management. Our future performance may be affected by any disruptions in the continued service of these persons. We maintain key person insurance only for for our Managing Director. Competition for senior management in our industry is intense, and we may not be able to retain such senior technical and management personnel or attract and retain new senior technical and management personnel in the future. The loss of any members of our senior management or other key personnel may have a material adverse effect on our business, results of operations and financial condition. For details of the key managerial personnel, please refer to page 94 of this RHP.

19. Increases in wages for IT professionals could reduce our cash flows and profit margins.

Historically, wage costs in the Indian IT services industry have been significantly lower than wage costs in the developed countries for comparable skilled technical personnel. However, in recent years wage costs in the Indian services industry have been increasing at a faster rate than those in certain developed countries. In the long term, wage increases may make us less competitive unless we are able to continue increasing the efficiency and productivity of our professionals and the prices we can charge for our products and services. Increases in wages, including an increase in the cash component of our compensation expenses, may reduce our cash flows and our profit margins.

20. Our failure to complete fixed-price contracts within budget and on time will negatively affect our profitability.

As an element of our business strategy, all our contracts for IT services are on a fixed-price basis, rather than on a time-and-materials basis. Fixed-price contracts are those contracts where the aggregate amount to be billed is specified in the contract. We expect to continue to derive a significant proportion of our services revenues from fixed price contracts. Although we use latest software engineering methodologies and processes (such as, 'Functional Point Analysis' for effort estimation on a project, 'Rational Unified Process' for design and development of software, etc.) and rely on past project experience to reduce the risks associated with estimating, planning and performing fixed-price, fixed-time frame projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. If we fail to accurately estimate the resources and time required for a project, future wage inflation rates, or currency exchange rates, or if we fail to complete our contractual obligations within the contracted time frame, our profitability and results of operations may suffer.

21. Disruptions in telecommunications and basic infrastructure could harm our customer service capabilities, which could result in client dissatisfaction and a reduction of our revenues.

Any disruption in basic infrastructure could negatively impact our business since we may not be able to provide timely or adequate services to our clients. Such disruptions may also cause harm to our clients' business. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power, IT infrastructure or telecommunications lines is disrupted. This may result in the loss of clients and claims for damages against us, impose additional costs on us and have an adverse effect on our business, results of operations and financial condition.

We cannot guarantee that we will be able to maintain active voice and data communications between our various development centres and between our development centres and our clients' sites at all times. Any significant loss in our ability to communicate could result in a disruption in business, which could hinder our performance or our ability to complete client projects on time. This, in turn, could lead to client dissatisfaction and a material adverse effect on our business, results of operations and financial condition.

22. If we are unable to successfully protect our computer systems from security risks, our business could suffer.

Our client contracts require us to comply with certain security obligations, including maintenance of network security, back-up of data, ensuring our network is virus-free and ensuring the credentials of those employees who work with our clients. We cannot assure you that we will be able to comply with all these obligations and not incur any liability. Further, while we have implemented industry-standard security measures, our network may still be vulnerable to unauthorized access, computer viruses and other disruptive problems. A party that is able to circumvent security measures could misappropriate proprietary information and cause interruptions in our operations. We may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurance that any measures implemented will not be circumvented in the future. Any disruption in our services or any misappropriation of data from our systems could hinder our affect our ability to complete client projects on time and lead to client dissatisfaction and have material adverse effect on our business, results of operations and financial condition.

Any disruption in our services or any misappropriation of data from our systems could hinder our affect our ability to complete client projects on time and lead to client dissatisfaction and have material adverse effect on our business, results of operations and financial condition.

23. Our principal shareholders may have the ability to determine the outcome of any shareholder resolution.

Frontline Technologies Corporation Limited, Accel Limited and Mr. N. R. Panicker, our three largest shareholders, collectively own 93% of our currently issued Equity Shares and will own 73% of our issued Equity Shares at the completion of the Issue. As significant shareholders, Frontline Technologies Corporation Limited, Accel Limited and Mr. N. R. Panicker may have interests that are adverse to the interests of shareholders and/or our own interests and may have the ability to determine the outcome of any shareholder resolution. As only 25% of the fully diluted post-issue capital is being offered in this Issue, you may not be able to determine the outcome of any ordinary resolution proposed at a shareholder meeting or influence any decision taken by Frontline Technologies Corporation Limited, Accel Limited and Mr. N. R. Panicker.

24. High days of sales outstanding may increase our collection risk, which could adversely affect our results of operations.

We normally allow customers up to 90 days from the invoice date within which to pay amounts due. For fiscal 2005 and for fiscal 2006, our days of sales outstanding (which is the ratio of sundry debtors to total sales in a particular period multiplied by the number of days in that period) was approximately 154 days and 150 days, respectively. Our provisions for bad debts were, Nil, Rs. 36 million, Nil and Nil for fiscal 2003, 2004, fiscal 2005 and fiscal 2006, respectively. Further, we wrote off bad debts totaling Rs. 12.66 million, Rs. 1.73 million, Rs. 11.36 million and Nil during fiscal 2003, fiscal 2004, fiscal 2005 and fiscal 2006, respectively. Our inability in future to accelerate the realisation of receivables could adversely impact our operations.

25. Any future equity offerings or issue of options under future employee stock option scheme may lead to dilution of your shareholding in us.

Purchasers of Equity Shares in this Issue may experience dilution of their shareholding to the extent we make future equity offerings or issues of Equity Shares and to the extent we decide to grant options that may be issued under an employee stock option scheme. We do not have any ESOP scheme currently.

26. We have not entered into any definitive agreements to utilize the proceeds of the Issue and the requirement of funds has not been appraised

We intend to use the net proceeds of the Issue for the purposes described in the section titled “Objects of the Issue” on page 29 of this RHP. The Objects of the Issue have not been appraised by any bank or financial institution. Except as mentioned in the section titled “Objects of the Issue”, we have not entered into any definitive agreements to utilize the net proceeds of the Issue. We have shortlisted certain target companies in the software and BPO services category, which we may acquire in the future. All the figures included in the section titled “Object of the Issue” are based on our own estimates.

27. We have not commissioned an independent appraiser for monitoring the use of proceeds to be raised through the Issue.

The use of proceeds of the Issue have been determined based on our management’s internal estimates and no bank or financial institution has appraised the use of proceeds to be raised through the Issue. No independent body will be monitoring the use of proceeds. The audit committee of the Board will be monitoring the use of proceeds of the Issue. We will disclose the details of the utilisation of the Issue proceeds, including interim use, under a separate head in our financial statements for fiscal 2007 and fiscal 2008, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges in India.

28. We require certain registrations and permits from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require certain registrations and permits for operating our business. If we fail to obtain approval of any of these registrations and permits in a timely manner or at all, our business may be adversely affected and our Company, Directors and Officers or Employees may be subjected to regulatory or criminal proceedings.

29. Our Company, Subsidiaries and Promoter group companies are involved in certain legal proceedings in India.

Our Company, Subsidiaries and Promoter group companies are involved in certain legal proceedings and claims in India in relation to certain civil, criminal, taxation and other matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. We have in the past and may in the future need to make provisions in our financial statements in relation to certain legal proceedings, which could increase our expenses and our current liabilities. We cannot assure you that these legal proceedings will be decided in our favour. Any adverse decision may have an effect on our business and results of operations. While we have quantified the liability arising under these legal proceedings to the extent quantifiable, our eventual liability in relation to the said legal proceedings may be in excess of the liability outlined herein below.

There are two civil cases and one employment related matter initiated against us for an amount aggregating to around Rs. 2,152,438 (including interest as applicable). Further, there are four consumer cases pending at district and state consumer forums that have been filed against our Company, amounting to approximately Rs. 428,915. In addition two legal notices have been issued to our Company raising a potential liability of around Rs. 100,000.

There are two civil cases initiated by us for an amount aggregating to around Rs. 2,854,350 and three criminal cases initiated by us for an amount aggregating around Rs. 1,260,750.

In addition to these, there is one direct tax case. We have eightsales tax cases involving our Company, aggregating Rs. 0.64 million.

There are three cases in relation to a tax and two consumer matters in which past penalties have been imposed.

As regards outstanding litigation in relation to our Promoter group companies, there are one consumer case pending against Accel Limited raising a claim of around Rs. 84,000. There is one consumer case and one civil case filed by Accel Limited for amounts of Rs. 750,000 and Rs. 112,360 respectively. A legal notice has been issued to Accel Tele.Net for alleged insufficient payment of stamp duty. Further, there is one consumer case and one civil case pending against Accel Transmatic raising a liability of around Rs. 474,375.

For more information regarding the legal proceedings involving our Company, Subsidiaries, and Promoter group companies, please refer to the section titled “Outstanding Litigation and Defaults” beginning on page 200 of this Red Herring Prospectus.

30. We have a number of contingent liabilities, and our profitability could be adversely affected if any of these contingent liabilities materializes.

Our contingent liabilities which includes performance bank guarantees, letters of credit opened, disputed tax matters and claims not acknowledged as debts, for the fiscal 2006 and fiscal 2005 amount to Rs. 184.66 million and Rs. 185.54 million. If any of these contingent liabilities materialises, our results of operations and financial condition may be adversely affected. For more details of our contingent liabilities for the fiscals ended March 31, 2006, 2005, 2004, 2003 and 2002, refer to annexure III of the section titled "Financial Statements" beginning on page 124 of the Red Herring Prospectus. Some of our group companies have certain contingent liabilities. For details, please refer to the section titled "Outstanding Litigation and Defaults" beginning on page 200 of the Red Herring Prospectus.

31. We may not be sufficiently insured for certain losses that we may incur.

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions, the limitations of liability set forth in our contracts may not be enforceable in all instances or may not protect us from liability for damages. A successful assertion of one or more large claims against us that exceeds our available insurance coverage coverage may adversely affect our results of operations. Further, changes in our insurance policies, including premium increases or the imposition of a large deductible could adversely affect our results of operations.

32. Both our Subsidiaries and certain Promoter group companies have incurred losses in recent years.

Both our Subsidiaries have incurred losses as given below:

Name of the company	**Profit/Loss for the year ended March 31,**			**Accumulated losses as on March 31,**		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Accel Singapore (in Sing$ million)	0.10	(0.06)	(0.11)	(0.28)	(0.32)	(0.26)
Accel Dubai (in AED million)	1.40	(0.21)	(0.13)	(0.05)	(0.34)	(0.09)

The following companies forming part of the Promoter group (as disclosed in the Red Herring Prospectus) have incurred losses:

(Rs. in million)

Name of the company	**Profit/Loss for the year ended March 31,**			**Accumulated losses as on March 31,**		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Accel Systems Group, Inc., USA	1.30	(10.12)	(9.67)	(79.658)	(82.20)	(84.59)
Accel Transmatic Limited	6.55	(32.74)	(9.83)	(68.94)	(75.49)	(25.43)
Accel Technologies Private Limited	0.75	(0.19)	(0.36)	(3.17)	(3.91)	(3.73)

(Sing$ in million)

Name of the company	Profit/Loss for the year ended March 31,			Accumulated losses as on March 31,		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Frontline Innovations Pte Limited	0.03	0	(0.4)	(0.4)	(0.4)	(0.4)
Frontline Solutions Pte Limited	1.09	(0.10)	(1.0)	0.56	(0.50)	(0.4)
Frontline Outsourcing (Asia) Pte Limited	(0.04)	(0.13)	0	(0.18)	(0.14)	0.04

(Malaysian Ringitt in million)

Name of the company	Profit/Loss for the year ended March 31,			Accumulated losses as on March 31,		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Frontline Technologies Corporation (M) Sdn. Bhd	(0.3)	0.3	0.2	(1.3)	(1.1)	(0.5)

33. We have incurred losses in the past and had a negative cash flow

In fiscal 2004, we incurred losses (after tax), which aggregated Rs. 29.79 million on a consolidated basis and Rs. 26.77 million on an unconsolidated basis. These losses were primarily on account of provision for doubtful debts, and write down of spares inventories. In fiscal 2004 and 2003, we had negative cash flows (on a consolidated basis) of Rs. 28.34 million and Rs. 3.83 million, respectively and a negative return on net worth of 1.01% in fiscal 2004. In fiscal 2004, we had negative earnings per share, amounting to Rs. 2.31. Our Subsidiaries in Dubai and Singapore also incurred losses (on an unconsolidated basis) in fiscal 2003 and fiscal 2004. Our group companies, Accel Systems Group, Inc., USA and Accel Tele.Net Limited had a negative networth.

34. One of our group companies may not have fulfilled the objects of the issue for which they raised funds and consequently resulted in a shortfall in the promise versus performance.

Accel Transmatic Limited (which was partially acquired by us in October 2003) while under previous management had made a public issue of 1,440,000 shares of Rs. 10 each at a premium of Rs. 15 per share, aggregating Rs. 36 million in September 1994. The primary object of the issue was expansion and diversification of the product lines in telecommunication and electronic equipment areas to augment long term working capital of Accel Transmatic Limited. We cannot assure you that the erstwhile management of Accel Transmatic Limited met the objects of their issue.

35. Some of our Promoters, directors and key managerial personnel may be deemed to be interested to the extent of fees and commission payable to them, equity shares held by them or the remuneration paid to them

Except as stated in "Related Party Transactions" on page 121 of this Red Herring Prospectus and to the extent of their shareholding in our Company, our Promoters do not have any other interest in our business. No other persons apart from our Company have significant rights in our Company under the terms of our Articles of Association. For additional information, please refer to the section entitled "Main Provisions of Articles of Association of Accel Frontline Limited" on page 242 of this Red Herring Prospectus. All Directors of our Company may be deemed to be interested to the extent of fees and commissions, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The whole time directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our directors may also be deemed to be interested to the extent of equity shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of their shareholding in the Company and the remuneration or benefits to which they are entitled to as per their terms of appointment (including the relevant bonus and profit sharing plan applicable to them) and reimbursement of expenses incurred by them during the ordinary course of business.

36. We are subject to certain restrictive covenants in our loan documents, which may restrict our operations and ability to grow and may adversely affect our business.

We have entered into or may enter into loan agreements in respect of our borrowings, which may contain certain restrictive covenants, some of which require the prior permission of the banks, including in relation to (i) prior to any change in the equity, management and operating structure of our Company (ii) issue of any guarantee of any kind (iii) any future borrowings (iv) issue of any personal guarantee (v) formulating any scheme of amalgamation (vi) investment by way of share capital or lend or advance funds to any other concern. Please refer to the section titled "Certain Financial Indebtedness" beginning on page 197 of this Red Herring Prospectus. Such restrictive covenants may restrict our ability to obtain credit, or undertake any changes in our business structure even though such changes may be in our interest.

37. We are subject to certain restrictions imposed on our Company pursuant to a shareholders agreement

Pursuant to a Shareholders Agreement dated January 27, 2004 between Frontline, Accel Limited, Mr. N.R.Panicker, Intel and the ICICI Investors, certain special rights and restrictive covenants have been provided to Frontline, Intel and the ICICI Investors, including director nomination rights, certain actions which require their prior consent, payment of control premium and adjustment values (as defined in the agreement) and restrictions on transfer of shares (tag along rights and put options). For details, please refer to the section titled "History and Certain Corporate Matters - Details of Shareholder Agreements" on page 78 of the Red Herring Prospectus. The aforesaid shareholders agreements shall cease on the relevant shareholder not holding any Equity Shares in the Company, the occurrence of the listing of the Equity Shares of our Company or sale pursuant to a genuine offer.

38. The percentage of net tangible assets to be created out of the Issue proceeds is less than 25% of the Issue size.

The section titled " Objects of the Issue" beginning on page 29 of the Red Herring Prospectus refers to the objectives for raising capital in this Issue. The breakup of funds required for the relevant objects are : (i) to fund our regional/global expansion and acquire or invest in strategic businesses, i.e. Rs. 300 milion; (ii) to expand and improve our ESS and BPO infrastructure, i.e. Rs. 90 million; (iii) for working capital and general corporate purposes including sales and marketing, customer support, hiring and training key employees, improvement in our processes, methodologies and IPR, quality certification and enhancing our operational infrastructure, i.e. Rs. 200 million (iv) meeting Issue expenses i.e. Rs [●] million. The net tangible assets in relation to the objects of the issue refers to the expansion and improvement of our ESS and BPO infrastructure. The percentage of net tangible assets to be created out of the Issue proceeds is less than 25% of the Issue size.

External Risk Factors

1. We are subject to various Indian and international taxes and avail of certain tax benefits offered by the Government of India and the State of Tamil Nadu and other states and countries in which we do business. Our profitability would decrease due to any adverse change in general tax policies or if the tax benefits were reduced or withdrawn.

Taxes and other levies imposed by the Government of India and/or the State of Tamil Nadu and other states and countries in which we do business that may affect the IT industry include: customs duties; excise duty; central and state sales tax and other levies; income tax; value added tax; entry tax; turnover tax; service tax; and other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time. For more details on the direct benefits, please refer "Statement of possible Tax Benefits available to our Company and its shareholders" beginning on page 42 of this Red Herring Prospectus.

We currently take advantage of various income tax exemptions and deductions, which are applicable to companies engaged in export activities, some of which are only for a specified duration. The loss or unavailability of these benefits would increase our income tax obligations and have a material adverse effect on our after tax profits and cash flow.

2. If certain labour laws become applicable to us, our profitability may be adversely affected.

India has stringent labour legislations that protect the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Though we are exempt from the applicability of certain labour law legislations there can be no assurance that such laws will not become applicable to the IT industry in the future. In addition, our employees may form unions in the future. If the labour laws become applicable to our workers or if our employees unionise, it may become difficult for us to maintain flexible labour policies, discharge employees or downsize, and our profitability may be adversely affected. With respect to our employees located at customer premises overseas, we may be exposed to risks arising from contract labour legislations in such jurisdictions. Further, we cannot assure you that there will be no adverse change in the relevant labour legislations in the respective jurisdictions.

3. Wage pressures in India may prevent our Company from sustaining its competitive advantage and may reduce its profit margins.

Wage costs in India have historically been significantly lower than wage costs in the United States and

Europe and other developed countries for comparably skilled professionals, which has been one of our Company's competitive strengths. However, wage increases in India may prevent our Company from sustaining this competitive advantage and may negatively affect our Company's profit margins. Wages in India are increasing at a faster rate than in other developed countries, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. The Company may need to continue to increase the levels of its employee compensation to remain competitive and manage attrition. Compensation increases may result in a material adverse effect on our Company's business, results of operation and financial condition.

4. Immigration restrictions could limit our Company's ability to expand its operations in the United States and other countries.

The Company has plans to undertake business and generate revenue from onsite operations for customers located in the United States, Europe and Asia Pacific countries. Immigration laws in these countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for software professionals makes us vulnerable to such changes and variations as it affects our ability to staff projects with software professionals who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining the condition of such visas. Any inability to obtain such visas in the future could have an impact on our business, financial condition and results of operations.

5. The appreciation of the Rupee against the US Dollar, Singapore Dollar or UAE Dirham would have a material adverse effect on our results of operations

In future our Company may have exposures to various foreign currencies primarily denominated in US Dollar, Singapore Dollar or UAE Dirham, respectively. The exchange rate between the Rupee and the US Dollar, Singapore Dollar or UAE Dirham has changed substantially in recent years and may fluctuate substantially in future. We cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on the results of our operations. We have not entered into any foreign exchange hedging contracts in relation to these risks.

6. Our multinational operations subject us to risks that could adversely affect our business.

We currently market our products and services in around seven countries directly or through distributors or partners and we have direct onsite presence in around two countries. Our future revenue growth depends upon the successful continued expansion of our sales, marketing support and service teams through direct and indirect channels in various countries around the world where our current or potential customers are located. Such expansion will require that we establish new offices, hire new personnel and manage offices in widely disparate locations with different economies, legal systems, languages and cultures and will require significant management attention and financial resources. Due to the global nature of our operations, we are affected by various factors inherent in international business activities, including:

- coordinating and managing global operations;
- political instability and related uncertainties;

- different economic and business conditions;
- difficulties in staffing and managing foreign operations, including coordinating and interacting with our local representatives and partners to fully understand local business and regulatory requirements; immigration and labour laws of various countries may prevent us from deploying or retaining an adequate number of employees in foreign countries;
- foreign currency exchange rate fluctuations;
- restrictions on repatriation of earnings;
- tariffs and other restrictions on trade and differing import and export licensing and other legal requirements;
- multiple and possibly overlapping tax structures;
- limited protection for intellectual property rights in some countries;
- exposure to varying legal standards;
- unexpected regulatory, economic or political changes; and
- travel restrictions.

Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

7. Political opposition to offshore outsourcing in the United States, and other countries where we operate, could adversely affect our business.

Recently, offshore outsourcing has been the subject of intense political debate, including in the campaign for the recently concluded U.S. presidential elections, and has come under increased government scrutiny within the United States due to its perceived association with loss of jobs in the United States. Several U.S. state governments have recently implemented or are actively considering implementing restrictions on outsourcing by U.S. state government entities to offshore IT services providers. Any changes to existing laws in the United States or in other countries where we operate or the enactment of new legislation restricting offshore outsourcing, particularly by private companies, may adversely impact our business and profitability.

8. Political instability or changes in the Government could adversely affect economic conditions in India generally and our business in particular.

The Indian Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

9. Terrorist attacks and other acts of violence or war involving India, the United States and other countries could adversely affect the financial markets, result in loss of customer confidence and adversely affect our business.

Terrorist attacks, such as the bomb blasts that occurred in Mumbai on July 11, 2006, the October 2004 bomb blasts that occurred in Northeast India, the World Trade Center attack on September 11, 2001 and the bomb blast in London on July 7, 2005, as well as other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, prospects, financial condition and results of operations. Travel restrictions as a result of such attacks may have an adverse impact on our ability to operate effectively. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

10. Any loss of certain tax exemptions will increase our tax liability and decrease any profits we might have in the future.

The statutory corporate income tax rate in India is currently 35.0%. This tax rate is presently subject to a 2.5% surcharge and an education cess of 2%, resulting in an effective tax rate of 36.59%. We cannot assure you that the tax rate or the surcharge will not be increased further in future. Presently, we benefit from the tax holidays given by the Government of India for the export of IT services from specially designated software technology parks and special economic zones in India. As a result of these incentives, which include a 10-year tax holiday from Indian corporate income taxes for the operation of most of our Indian facilities and a partial taxable income deduction for profits derived from exported IT services, our operations have been subject to relatively low tax liabilities. The Finance Act, 2000, phases out the 10-year tax holiday over a ten-year period from March 31, 2000 through March 31, 2009. This is likely to increase the tax rate of our Company as certain concessions claimed now may not be available after this period. For details, please refer to the section entitled "Statement of Tax Benefits available to Company and its Shareholders" on page 42 of this Red Herring Prospectus. There can be no assurance that similar or greater reductions in tax benefits would not be introduced in future. When our tax benefits expire or terminate, our tax expense could materially increase, reducing our profitability.

11. After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop.

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and global securities market;
- our results of operations and performance;
- performance of our competitors, the Indian IT industry and the perception in the market about investments in the IT sector;
- adverse media reports on our Company or the Indian IT industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies; and
- significant developments in India's fiscal and environmental regulations.

There has been no public market for our Equity Shares and the prices of our Equity Shares may fluctuate after this Offer. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Offer, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Offer.

12. Indian laws limit our ability to raise capital outside India and to enter into acquisition transactions with non-Indian companies.

Indian laws constrain our ability to raise capital outside India through the issuance of equity or convertible debt securities and restrict the ability of non-Indian companies to acquire us. Generally, any foreign investment in, or an acquisition of, an Indian company requires approval from the relevant government authorities in India, including the Reserve Bank of India.

However, there are certain exceptions to this approval requirement for IT companies on which we are able to rely. Changes to such policies may create restrictions on our capital raising abilities. If the Government of India does not approve the investment or acquisition, or implements a limit on the foreign equity ownership of IT companies, our ability to obtain investments, and/or enter into acquisitions with, foreign investors will be limited. In addition, making investments in and/ or the strategic acquisition of a foreign company by us requires various approvals from the Government of India and the relevant foreign jurisdiction, and we may not be able to obtain such approvals.

Notes to Risk Factors

1. Public issue of 5,635,950 Equity Shares of Rs. 10/- each at a price of Rs. [●] for cash aggregating Rs. [●] million (referred to as the "Issue") comprising a Fresh Issue of 5,175,667 Equity Shares, an offer for sale by Selling Shareholder of 460,283 Equity Shares. The Issue would constitute 25.04% of the fully diluted post Issue paid-up capital of our Company.

2. The net worth of our Company was Rs. 607.35 million and Rs. 530.76 million as on March 31, 2006 and March 31, 2005, respectively, as per our restated consolidated financial statements under Indian GAAP.

3. The book value per Equity Share of Rs. 10 each was Rs. 35.04 and Rs. 30.62 as on March 31, 2006 and March 31, 2005, respectively, as per our restated consolidated financial statements under Indian GAAP.

4. For details on the transfer of shares, including to Promoters in the last six months, please refer to note 9 in the 'Notes to Capital Structure' in the section titled "Capital Structure" beginning on page 18 of this Red Herring Prospectus.

5. As on the date of filing this Red Herring Prospectus, the average cost of acquisition of our Equity Shares by our Promoters, Mr. N.R. Panicker, Accel Limited and Frontline Technologies Corporation Limited is Rs.5.87, Rs. 4.96 and Rs. 48.80, respectively

6. The name of our Company was changed to Accel ICIM Systems & Services Limited pursuant to the acquisition of the systems and engineering services (SES) business of Fujitsu ICIM Limited and we received a fresh Certificate of Incorporation dated October 21, 1999. Subsequently, the name of our Company was changed to Accel ICIM Frontline Limited, as part of the strategic equity investment made by Frontline in order to leverage Frontline's name in its business operations in India and abroad and we obtained a fresh certificate of incorporation dated August 27, 2004. The name of our Company was again changed to Accel Frontline Limited, as under the name license agreement dated October 11, 1999 between Fujitsu ICIM Limited, Accel Limited and our Company, the name 'ICIM' could be used solely for the SES business and not in relation to other IT businesses undertaken by our Company.

7. Our related party transactions during the fiscal 2006, fiscal 2005 and fiscal 2004 have amounted to Rs. 102.60 million, Rs. 40.74 million and Rs. 41.78 millions, respectively. For details on our related party transactions, please refer to the section titled "Related Party Transactions" beginning on page 121 of the Red Herring Prospectus.

8. For details on transactions in which the Directors and Key Managerial Personnel are interested, please refer to the sections titled "Management – Interest of our Directors" and "Management – Interest of Key Managerial Personnel" on pages 92 and 96, respectively, of this Red Herring Prospectus. Apart from such transactions, no other ventures of Promoters or Directors have business or other interests in our Company. Further, no loans/advances have been made to any persons/companies in which our Directors are interested.

9. Under-subscription, if any, in any category in the Issue, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than 140,899 Equity Shares (assuming QIB Portion is 50% of the Issue, i.e. 2,817,975 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange. In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

10. Investors should note that in case of oversubscription in the Issue, Allotment would be made on a proportionate basis to QIB Bidders, Retail Individual Bidders and Non-Institutional Bidders. For more information, please refer to the section titled "Basis of Allotment" beginning on page 233 of the Red Herring Prospectus.

11. Trading in Equity Shares of our Company for all investors shall be in demat form only.

12. Investors may contact the BRLM and the Co-BRLM for any complaints, information or clarifications pertaining to the Issue.

13. Investors are advised to refer to the section titled "Basis for Issue Price" beginning on page 39 of the Red Herring Prospectus.

SECTION III: INTRODUCTION

OVERVIEW:

I. Industry Overview

Information technology today is an important aspect of everybody's day-to-day life. Corporations, governments, and individuals are adapting to the various technological products and services in order to derive more value from the existing systems and solutions. To address the various IT needs, corporations are focusing on their core competencies and are using outsourced technology service providers to help improve productivity, develop new products, conduct research and development activities, reduce business risk, and manage operations more effectively. Time-to-market considerations and the requirement of low cost solutions are making technology decisions a critical element in a corporation's overall business strategy. Thus IT- ITES organisations, to address the various requirements of clients, are positioning themselves across the service spectrum, which includes IT consulting, customised applications, application outsourcing, security management, IT infrastructure management and outsourcing. Such applications and technologies are also varied in nature based on the different platforms available in the market place such as, Microsoft, Oracle, Linux, AS/400, J2EE etc. Also, IT infrastructure requirements also change rapidly, be it for printers, desktops, storage systems, or servers. Nowadays, security protocols and systems, networking and communications, disaster recovery and business continuity solutions have become strategic requirements in an organisation's business plan.

Some of the salient business concepts in IT management are: Application Management Outsourcing , IT Infrastructure outsourcing, Outsourced Product Development, Enterprise Application Services, Enterprise Application Integration (includes the traditional middle-ware approach and the recent web-based/SOA approach), Application Development & Maintenance, Security, Disaster Recovery and Business Continuity Services, and Engineering and R&D Services and Software Products.

The global IT-ITES industry witnessed a growth rate of approximately 7% in the fiscal 2005 with increased IT spending in the US, Western Europe and the emerging economies. This growth was fuelled primarily by the Business Process Outsourcing (BPO) services. Services, comprising IT services, product engineering and BPO account for 58% of the worldwide aggregate spend and thus form the fastest growing segment of the industry. Hardware (28%) and software (14%) spending grew by 6.5% and 5.1%, respectively.

With the maturing of global delivery practices, emerging locations are expected to tap the potential and growth opportunities, and India shall remain one of the leading destinations owing to its strong reputation as a quality and technologically superior solutions provider. Indian companies now figure amongst the best IT companies and service providers and there is still headroom for growth in the global IT arena. Also, the Indian domestic market is being targeted by the Indian as well as MNC IT service providers and this would lead to the maturing of the domestic market and increased IT adoption and spending. Global IT-ITES spending is projected to grow at a CAGR of more than 7% over 2005-09. Aggregate IT spends, comprising amounts spent on hardware, software and IT services are forecast to grow at a CAGR of 6% over the same period. Spending on ITES-BPO is expected to grow significantly faster, at a CAGR of more than 10%, over the same period. Overall, the Indian IT industry is expected to export USD 60 billion by FY 2010 and will contribute to the export earnings, employment creation and in doubling its share in the national GDP.

II. Business Overview

We are an Information Technology ("IT") Services provider specialising in consulting, infrastructure, applications, outsourcing and support services. We offer a spectrum of information technology solutions that helps organisations gain a competitive edge in their business. The Accel group commenced operations as Accel Automation Private Limited in 1991. The group commenced operations by providing multi-vendor services for computers systems and repair services. Our Company was incorporated as Accel Computers Limited in 1995. In 2000, we acquired the systems and engineering services division of Fujitsu ICIM Limited and our name was changed to Accel ICIM Systems and Services Limited. In 2004, our Company entered into a strategic alliance with Singapore based Frontline Technologies Corporation Limited and changed its name to Accel ICIM Frontline Limited on August 27, 2004. Since we proposed to align our business model with that of Frontline, we decided to change our name to Accel Frontline Limited on November 3, 2005. Our business model has evolved over the years from being a computer maintenance services provider to a total IT solutions Company. We have structured our business by carving out four strategic business units ("SBUs"): 1. IT Infrastructure Solutions; 2. IT Infrastructure Management Services; 3. Enterprise Software Solutions; and 4. Business Process Outsourcing Services.

Our IT Infrastructure Solution portfolio help customers to assess, build, deploy and optimise IT Infrastructure for mission critical applications. The solutions include system integration of data centres, networks, storage management, disaster recovery and security. These solutions are offered in association with leading technology providers, including Sun MicroSystems ("Sun") and IBM. This SBU has been accredited with an ISO 9001:2000 quality certification. Our IT Infrastructure Solution SBU contributes about 54.72% of the total service turnover of our Company as of March 31, 2006.

Our IT Infrastructure Management Services SBU provides IT infrastructure maintenance, facilities management services, application management services and IT outsourcing. This SBU has been accredited with an ISO 9001:2000 quality certification. Our IT infrastructure management services SBU contributes about 30.31% of the total service turnover of our Company as of March 31, 2006.

We offer Enterprise Software Solutions services since 2001, which provide ERP consulting, application management, outsourced product development and industry specific solutions. We are focused on certain business verticals in the domestic and overseas markets, including manufacturing, education, healthcare, government, banking and finance and software practice groups. We have partnered with global software leaders such as Oracle, IBM and Microsoft to offer our services around their products like J.D. Edwards ERP solutions and Lotus Notes along with certain proprietary software products. Our Company has a software development and competency centre in Chennai with a capacity to house 500 software professionals. . The ESS division was formed as a SBU in fiscal 2005 and has been successfully assessed to meet SEI CMMi Level 5 in March 2005. Our Enterprise Software Solutions SBU contributes about 6.95% of the total service turnover of our Company as of March 31, 2006.

Our Business Process Outsourcing ("BPO") services division provides warranty outsourcing, logistics management, repair depot and technical helpdesk services to major IT and telecom product companies in India. Our BPO SBU contributes about 8.01% of the total service turnover of our Company as of March 31, 2006.

We have established a network of support centres in the country spanning over 80 locations. Having established this multi-location presence in India, we propose to expand our operations in the Asia Pacific region with the help of our wholly owned subsidiaries in Singapore and Dubai and by leveraging our strategic partner, Frontline's presence in seven countries in the Far East region including China, Malaysia, Thailand, Hong Kong, Taiwan, Phillipines and Singapore.

Our total income on a consolidated basis was Rs. 1,408.18 million in fiscal 2004, Rs. 1,368.19 million in fiscal 2005 and Rs. 1,704.29 million in fiscal 2006. EBITDA was Rs. 67.95 million in fiscal 2004, Rs. 133.67 million in fiscal 2005 and Rs. 207.95 million in fiscal 2006. Profit after tax was Rs. (30.02) million in fiscal 2004, Rs. 42.17 million in fiscal 2005 and Rs. 97.12 million in fiscal 2006.

BUSINESS MODEL

Our business model has evolved over the years from being a computer maintenance services provider to a total IT solutions Company. We have structured our business by carving out four strategic business units:

1. IT Infrastructure Solutions ("IIS")
2. IT Infrastructure Management Services ("IMS")
3. Enterprise Software Solutions ("ESS")
4. Business process Outsourcing Services ("BPO")

Each of the SBUs are equipped to provide our customers with a bouquet of services to choose from in the relevant practice domains.

COMPETITIVE STRENGTHS

We believe that the following are our principal competitive strengths:

We are an end-to-end IT solutions provider with further scope of value addition.

Due to the fast changing IT environment, customers typically look forward to a single window provider for a range of products and services. We are well positioned through our four strategic business units, to provide a host of services to our clients. Our experience and expertise in handling large, mission critical, system integration projects (e.g., setting up the data centre for a leading Indian mobile telephony service provider) provides us a competitive edge. Since each of the four SBUs are independent profitable business units, we have a de-risked business model, while at the same time they are able to complement each other in the overall growth of our Company. Leveraging the cross selling synergies across the SBUs, we are able to provide value added /incremental services as required in relation to the customer's IT service needs.

We have a strong focus on customer service and satisfaction.

In line with our motto of '*Delivering value through service*' and our core value of 'customer care and delight', we have placed a significant emphasis on customer service and satisfaction. Our customers value us for our effective advice and service, timely responsiveness, quality consistency and integrity. We have received positive feedback from several clients in relation to the work we have undertaken for them. This has also been reflected in the volume of repeat customer business and customer references. Nearly 79.81% of our business is through repeat customer business and customer referrals.

We have a strong pan India customer service network.

We have a pan-India presence with 92 offices (and support centres) in 86 locations. This helps us address client needs, especially in relation to warranty outsourcing and IT infrastructure management, who have multi-locational service requirements and to service them in a time efficient manner. We can effectively use this wide network to help scale up our business operations with marginal increase in costs.

We are a multi-vendor service provider and enjoy good and long term relationships with our principals.

We have strong relationships with certain vendors and technology partners like Sun, IBM, Oracle and Microsoft. We are able to leverage these relationships to provide our IT infrastructure solutions and IT infrastructure management customers an optimal and cost efficient solution. Given our relationship with these vendors and technology partners, we are not dependent on a particular technology solution or a particular vendor, thus improving our efficiency as a service provider. Further, we are able to leverage the relationship with our strategic partner, Frontline, to increase our footprint in certain regions outside India, like South East Asia.

We have a stable management setup.

The Accel group of companies commenced business operations in 1991. Majority of our management, including our individual Promoter, whole time executive directors and key managerial personnel have been employed with the Accel group in the 1990s and have been employed with our Company since its inception in 1995. With a relatively flat organisational structure, appraisal based remuneration package, multi-cultural workforce and a dynamic and challenging work environment, we are able to keep up the employee satisfaction and motivation levels. On an average, our key managerial personnel have a work experience of around 10 years in our Company, which reflects our Companys', stable top management resources. We were ranked as one of the top 10 IT employers in India two times in a row (in 2004 and 2005) by Dataquest magazine in their national employee satisfaction survey conducted for the Indian IT Industry.

KEY BUSINESS STRATEGY

We seek to further enhance our position as a leading provider of integrated IT services. We intend to accomplish this through:

Leveraging the Pan-Asia presence of Frontline, to grow the enterprise software and outsourcing business.

Frontline has presence in seven countries (apart from India) in Asia, namely China, Malaysia, Thailand, Hong Kong, Taiwan, Philippines and Singapore. This presence and the large client base, provides us the opportunities to expand our software business in these pan-Asian markets. We are in the process of setting up dedicated offshore development centre exclusively for Frontline's clients.

Leveraging on the various IPRs, Process and Methodologies from Frontline

Frontline possesses number of IPRs, process and methodologies that we would like to leverage upon, to further enhance our capabilities and successfully deliver large scale projects for our key customers in the telecom, banking and financial services sector. For more details on the IPRs, process and methodologies of Frontline, please refer to the section titled "Business – Intellectual Property" on page 72 of the Red Herring Prospectus. Frontline's IT Infrastructure Library (ITIL) framework includes methodologies such as business continuity planning, IT infrastructure management, disaster recovery management and security framework for enterprise and application security. In the areas of service delivery management, we can leverage upon the strong processes in project management and service delivery.

To leverage the strength in IT Infrastructure management in the global business

Our 1200 strong professional team in the IT infrastructure management SBU can be utilized for high-yielding international IT Infrastructure management projects. We propose to jointly bid for IT Infrastructure management projects with Frontline in the Far-East region and to use our subsidiary operations in Dubai to strengthen the IT services business in the Middle-East region.

Increasing the global market reach by appointing business partners at various locations, not covered by Frontline or our Company at present.

Market opportunities for our service offerings are very high in the Far East, Middle East and Africa regions. We intend to leverage this opportunity through an indirect business model. We have started a business partner development initiative in various unrepresented areas and have appointed business partners in countries like Saudi Arabia, Kuwait, Bahrain, and are presently identifying partners in South Africa and Kenya. We also intend to reinforce our Singapore and Dubai subsidiaries with additional sales and marketing personnel.

We are finalising a roadmap to tap into the US market.

Since a substantial portion of the IT services market is outsourced from USA, we have appointed three business partners in strategic locations in the USA. We believe that an increased market penetration with more strategic approach is required to obtain large value projects in the software domain from the US markets. We propose to appoint additional business partners in unrepresented areas and propose to grow our ESS and BPO SBUs by way of acquisition(s) / strategic investment(s). We also intend to reinforce our US presence by utilizing the services of USA based group company with additional sales and marketing personnel.

We plan to move up the value chain in IT Infrastructure management.

IT Infrastructure management division offers tremendous scope for high value added activities such as managed services and total IT Outsourcing. As the company is already providing services in facilities management, application management and BPO, it becomes a logical extension for these activities to offer total IT outsourcing services, which the company intends to undertake in the near future.

The following table presents the percentage contribution of our product and service offerings to our total revenues for the periods indicated:

Services	**Percentage of total revenues for the year ended March 31,**		
	2006	**2005**	**2004**
IT Infrastructure Solutions	54.72	56.55	69.97
IT Infrastructure Management Services	30.31	31.99	22.54
Business Process Outsourcing Services	8.01	5.63	5.30
Enterprise Software Solutions	6.95	5.82	2.18

The details of the revenues generated for the last three years on the basis of the industry verticals are provided below:

(Rs. in million)

Focus industries	**For the year ended March 31,**		
	2006	**2005**	**2004**
(i) Manufacturing	295.01	228.30	204.40
(ii) Education and research	91.05	163.07	41.01
(iii) Healthcare	13.34	16.36	-
(iv) Government	87.14	146.72	186.88
(v) Banking and finance	608.06	407.67	495.24

FACILITIES AND INFRASTRUCTURE

We believe that being closer to the customer improves our customer support capability. In order to better serve our customers, we have created a large network of service centres for our IT Infrastructure Management, IT Infrastructure Solutions and BPO SBUs.

Our registered and corporate office is located at No. 75 (Old No. 124), Nelson Manickam Road, Chennai 600 029. Our Company occupies about 89,700 square feet for various offices in Chennai and we have leased nearly 205,900 square feet for our various other offices across the country. All our major offices and software development centres are well equiped with air conditioning, uninterrupted power supply, connectivity, security and work stations. Our 8,000 square foot call centre in Chennai is equipped with servers, switches, CRM software and other infrastructure required for the operations. We have a 2,000 square foot data centre facility in Chennai for providing application hosting services to our clients.

We operate out of 1 head office, 8 regional offices, 22 area/branch offices and 80 service locations. We have software development centres in Chennai and Kochi. Our BPO operates at 39 locations with head offices in Chennai and major centres in all the metropolitan cities. We also have two subsidiary offices in Singapore and Dubai.

THE ISSUE

Issue	5,635,950 Equity Shares, aggregating Rs. [●] million
Which comprises:	
(i) Fresh Issue of:	5,175,667 Equity Shares, aggregating Rs. [●] million
(ii) Offer for Sale of:	460,283 Equity Shares, aggregating Rs. [●] million
Of the Issue	
(i) QIB Portion including Mutual Funds*	Upto 2,817,975 Equity Shares constituting 50% of the Issue (allocation on a proportionate basis) out of which 5% will be available for allocation to Mutual Funds and the remaining QIB portion will be available for allocation to QIBs, including Mutual Funds.
(ii) Non – Institutional Portion*	Not less than 845,393 Equity Shares constituting at least 15% of the Issue (allocation on a proportionate basis)
(iii) Retail Portion*	Not less than 1,972,582 Equity Shares constituting at least 35% of the Issue (allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	17,333,333 Equity Shares
Equity Shares outstanding after the Issue	22,509,000 Equity Shares, assuming full subscription
Objects of the Issue	Please please refer to the section titled "Objects of the Issue" beginning on page 29 of this Red Herring Prospectus.

* Under-subscription, if any, in any category in the Issue, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange. **However, if the aggregate demand by Mutual Funds is less than 140,899 Equity Shares (assuming QIB Portion is 50% of the Issue, i.e. 2,817,975 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.** In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange. In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

SELECTED FINANCIAL INFORMATION

The following table sets forth the selected historical consolidated and unconsolidated financial information of Accel Frontline Limited derived from its restated and audited consolidated financial statements for the fiscals ended March 31, 2006, 2005, 2004, 2003 and 2002, all prepared in accordance with Indian GAAP, the Companies Act, and SEBI DIP Guidelines, and restated as described in the auditor's report of M/s K.S. Aiyar & Co, Chartered Accountants included in the section titled "Financial Statements" beginning on page 124 of this Red Herring Prospectus and should be read in conjunction with those financial statements and notes thereon.

Annexure I: Consolidated summary stated of assets and liabilities, as restated

(Rupees in millions)

As at		March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A	**Fixed assets**					
	Gross block	227.04	166.23	202.98	168.09	153.06
	Less: accumulated depreciation	100.13	74.74	98.44	77.27	51.58
	Net block	126.91	91.49	104.54	90.82	101.48
	Capital work in progress incl capital advances	11.98	3.61	-	-	-
	Total	**138.88**	**95.10**	**104.54**	**90.82**	**101.48**
B	**Current assets, loans and advances**					
	Inventories	197.60	159.08	138.92	138.93	105.74
	Sundry Debtors	901.09	746.17	642.29	787.87	647.04
	Cash & bank balances	85.77	36.22	32.99	61.34	65.17
	Loans and advances	177.03	185.86	120.88	138.17	133.05
	Total	**1,361.49**	**1,127.34**	**935.08**	**1,126.31**	**951.00**
C	**Liabilities & provisions**					
	Secured loans	494.87	388.89	429.45	464.38	343.43
	Unsecured loans	3.02	-	-	-	20.00
	Deferred tax liability	36.95	35.42	21.39	37.35	29.04
	Current liabilities & provisions	358.20	267.37	290.80	387.63	352.28
	Total	**893.02**	**691.68**	**741.64**	**889.36**	**744.75**
D	**Net worth (A + B - C)**	**607.35**	**530.76**	**297.98**	**327.77**	**307.73**
	Represented by:					
E	**Share capital**	173.33	173.33	130.00	130.00	130.00
	Share application money	-	-	-	-	-
F	**Reserves & surplus**	434.02	357.43	167.98	197.77	177.73
	Net Worth (E+F)	**607.35**	**530.76**	**297.98**	**327.77**	**307.73**

Note:

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE - II : CONSOLIDATED SUMMARY STATEMENT OF PROFITS & LOSSES, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Income					
Sales - IT Products, net	935.06	707.35	891.90	1,087.18	1,144.14
Income from services	759.16	649.39	506.18	416.19	400.58
Other income	10.08	11.45	10.10	11.93	8.35
Total Income (A)	**1,704.29**	**1,368.19**	**1,408.18**	**1,515.31**	**1,553.07**
Expenditure					
Cost of sales & services	971.88	760.75	900.13	978.11	1,050.15
Employees' remuneration and benefits	323.85	255.70	192.82	184.78	167.17
General and administration expenses	200.61	218.07	247.27	213.70	200.97
Financial charges	49.64	42.60	75.23	64.71	51.24
Depreciation	26.68	31.46	35.34	27.56	22.27
Total Expenditure (B)	**1,572.67**	**1,308.58**	**1,450.79**	**1,468.86**	**1,491.79**
Profit before tax (A - B)	**131.62**	**59.60**	**(42.61)**	**46.44**	**61.28**
Provision for taxation					
- Current	29.54	3.41	3.36	10.76	5.01
- Deferred	1.52	14.03	(15.95)	8.31	9.61
Fringe Benefit Tax	3.45	-	-	-	-
Profit after tax	**97.12**	**42.17**	**(30.02)**	**27.37**	**46.65**
Earlier year adjustments	0.77	-	(0.23)	-	1.33
Add : Balance carried forward from previous years	21.01	(11.78)	18.01	4.20	1.04
Appropriations					
Transfer to general reserve	-	-	-	6.23	6.24
Proposed dividend	17.33	8.27	-	6.50	32.60
Tax on proposed dividend	2.43	1.11	-	0.83	3.32
Balance carried to Balance sheet	97.59	21.01	(11.78)	18.01	4.20

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

GENERAL INFORMATION

Incorporation and change of name

Our Company was incorporated in the State of Tamil Nadu on June 08, 1995 in the name of Accel Computers Limited as a public limited company. The Registration No. U30006TN1995PLC031736 was assigned to our Company. We obtained our Certificate of Commencement of Business on June 22, 1995. The name of our Company was changed to Accel ICIM Systems & Services Limited pursuant to the acquisition of the systems and engineering services (SES) business of Fujitsu ICIM Limited and we received a fresh Certificate of Incorporation dated October 21, 1999. Subsequently, the name of our Company was changed to Accel ICIM Frontline Limited, as part of the strategic equity investment made by Frontline in order to leverage Frontline's name in its business operations in India and abroad and we obtained a fresh certificate of incorporation dated August 27, 2004. The name of our Company was again changed to Accel Frontline Limited, as under the name license agreement dated October 11, 1999 between Fujitsu ICIM Limited, Accel Limited and our Company, the name 'ICIM' could be used solely for the SES business and not in relation to other IT businesses undertaken by our Company. We obtained a fresh certificate of incorporation dated November 3, 2005. The registered office of our Company was shifted from SFI Complex, No.179 Valluvarkottam High Road, Nungambakkam, Chennai 600 034 to III Floor, No. 124, Nelson Manickam Road, Aminjikarai, Chennai 600 029 on April 3, 2000.

Registered and Corporate Office of our Company

Accel Frontline Limited
III Floor, New No. 75 (Old No. 124),
Nelson Manickam Road,
Aminjikarai,
Chennai 600 029,
Tamil Nadu, India
Tel: +91 44 4225 2000
Fax: +91 44 2374 1271
Website: www.accelfrontline.in
Registration Number: U30006TN1995PLC031736

The registered office of our Company was shifted from SFI Complex, No.179 Valluvarkottam High Road, Nungambakkam, Chennai 600 034 to III Floor, New No. 75 (Old No. 124), Nelson Manickam Road, Aminjikarai, Chennai 600 029 on April 3, 2000.

The Company is registered with the Registrar of Companies, Tamil Nadu at Chennai. The office of the Registrar of Companies is located at Shastri Bhavan, Haddows Road, Chennai 600 006.

Board of Directors

Our Board of Directors currently consists of the following persons:

S. No.	Name, Designation, Occupation	Age (in years)	Address
1	Mr. N.R. Panicker, Chairman and Managing Director *Business*	51	AI 109, 08th Main Road, Anna Nagar, Chennai 600 040
2	Mr. K.R.Chandrasekaran, Chief Financial Officer *Service*	52	985/1, Lakshmanaswamy Salai, K.K. Nagar, Chennai 600 078
3	Mr. Steve Ting Tuan Toon, Non-Executive Director *Business*	48	9, Ardmore Park # 08-02 Singapore 259955
4	Mr. Lim Chin Hu, Non-Executive Director *Service*	48	98, Dunbar Walk Singapore 459411

S.No.	Name, Designation, Occupation	Age (in years)	Address
5	Dr. Harrison Wang Hong She, Independent Director *Private Equity Investor*	48	31, Pinewood Grove Singapore 73826
6	Mrs. Lakshmi G. Menon, Independent Director *Telecom Consultant*	63	118, Kottur Manor, 4th Main Road Extension, Kotturpuram, Chennai 600 085
7	Mr. Sinnakaruppan R., Independent Director *Corporate Advisor*	47	69, Jalan Lokam Singapore 537894
8	Mr. Suresh K. Sharma, Independent Director *Business Consultant*	51	1720, Paramore Place NE Marietta GA 30062

For further details of our Chairman and Directors, please refer to the section titled "Management" beginning on page 83 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr R. Neelakantan
Accel Frontline Limited,
III Floor, New No. 75 (Old No. 124),
Nelson Manickam Road,
Aminjikarai, Chennai 600 029.
Tamil Nadu.
Tel: +91 44 4225 2000
Fax: +91 44 2374 1271
E-mail: neel@accelfrontline.in

Registrar to the Issue

Intime Spectrum Registry Limited
Unit: Accel IPO
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup West,
Mumbai 400 078.
Tel: +91 22 2596 0320
Fax: +91 22 2596 0329
Email: afslipo@intimespectrum.com
Website: www. intimespectrum.com
Contact Person: Mr. Vishwas Attavar

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment or refund orders, credit of allotted shares in the respective beneficiary account, etc.

Book Running Lead Manager

SBI Capital Markets Limited
202, Maker Tower "E",
Cuffe Parade,
Mumbai 400005
Tel: +91 22 2218 9166
Fax: +91 22 2218 8332
E-mail: accel.ipo@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Subrat Panda

Co-Book Running Lead Manager

Bajaj Capital Limited
003, Ground Floor,Peninsula Towers,
Peninsular Corporate Park,
Lower Parel,
Mumbai 400 013
Email: rajnishr@bajajcapital.com
Website: www.bajajcapital.com
Contact Person: Mr. Rajnish Rangari

Legal Counsel to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.
201, Midford House,
Midford Garden,
M.G. Road,
Bangalore 560 001
Tel: +91 80 2558 4870 / 4112 4950
Fax: +91 80 2558 4266

Legal Advisors to the Company

S. Ramasubramaniam & Associates
6/1, Bishop Wallers Avenue (West),
Mylapore, Chennai 600 004.
Tel: +91 44 2499 2596 / 2499 0424
Fax: +91 44 2499 3516

Auditors to the Company

K.S. Aiyar & Co.,
Chartered Accountants
74, II Floor, 04th Main Road,
CIT Nagar, Nandanam,
Chennai 600 035.
Tel: +91 44 2436 4357
Fax: +91 44 2432 2249
Email: SNarayanan@KSAiyar.com

Bankers to the Company

State Bank of India
103, Anna Salai,
Chennai 600 002.
Tel: +91 44 28603182
Fax: +91 44 28603177
Contact Person : V.S. Radhakrishnan
Email: radhakrishnan.vs@sbi.co.in

ICICI Bank Limited
110, Prakash Presidium,
Uthamar Gandhi Salai,
Nungambakkam,
Chennai 600 034
Tel: +91 44 28220220
Fax: +91 44 28207120
Contact Person: A. Ramachandran
Email: ramachandran.a@icicibank.com

Citibank N.A.
2, Club House Road,
Chennai 600 002.
Tel: +91 44 28461151
Fax: +91 44 28460002
Contact Person: Vivek Naidu
Email: vivek.b.naidu@citigroup.com

Banker to the Issue and Escrow Collection Banks

State Bank of India
New Issues & Securities Services Division,
Mumbai Main Branch,
Mumbai Samachar Marg,
Post Box No. 13, Fort,
Mumbai 400 023
Tel: +91 22 2265 1579
Fax: +91 22 2267 0745
Email: rajeev.kumar@sbi.co.in
Contact Person: Mr. Rajeev Kumar

ICICI Bank Limited
Capital Markets Division,
30, Mumbai Samachar Marg,
Mumbai 400 001,
Tel: +91 22 2265 5285
Fax: +91 22 2261 1138
Email: sidhartha.routray@icicibank.com
Contact person: Mr. Sidhartha Sankar Routray

Citibank N.A.
Global Transaction Services,
C-61, Bandra Kurla Complex,
6th Floor, Bandra (East),
Mumbai 400 051
Tel: +91 22 4001 5646
Fax: +91 22 4001 5824
Email: divyesh.dalal@citigroup.com
Contact Person: Mr. Divyesh Dalal

The Hongkong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road,
Mumbai 400 001,
Tel: +91 22 2268 1673
Fax: +91 22 2273 4388
Email: zersisirani@hsbc.co.in; dhirajrbajaj@hsbc.co.in
Contact Person: Mr. Zersis Irani; Mr. Dhiraj Bajaj

Kotak Mahindra Bank Limited
Fourth Floor, Dani Corporate Park
158 SCT Road, Kalina
Santacruz (E), Mumbai 400 098
Tel: +91 22 5559 4850
Fax: +91 22 5648 2710
Email: ibrahim.sharief@kotak.com
Contact Person: Mr. Ibrahim Sharief

Statement of Inter-se Allocation of Responsibilities for the Issue

No	Activities	Responsibility	Coordinator
1.	Advise on structuring the Issue with relative components and formalities etc., together with legal counsel and other advisors	SBI Caps	SBI Caps
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. (The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing)	SBI Caps	SBI Caps
3.	Drafting and approval of all publicity material, other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	SBI Caps	SBI Caps
4.	Appointment of other intermediaries viz., Registrar(s), Printers, Advertising Agency and Bankers to the Issue	SBI Caps	SBI Caps
5.	QIB marketing strategy including road show marketing presentation - finalise the list and division of international investors for one to one meetings; - finalise the list and division of domestic investors for one to one meetings	SBI Caps, Bajaj	SBI Caps

No	Activities	Responsibility	Coordinator
6.	Retail/ Non-Institutional marketing strategy - Finalise centers for holding conference for brokers etc. - Finalise media, marketing & PR Strategy - Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material - Finalise bidding centers	SBI Caps, Bajaj	SBI Caps
7	Pricing, managing the book and coordination with Stock-Exchanges	SBI Caps	SBI Caps
8.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional and institutional allocation, intimation of allocation and dispatch of refunds to bidders etc.	SBI Caps	SBI Caps
9.	The Post Issue activities for the Issue will involve essential follow up steps, which include the finalisation of basis of allotment, dispatch of refunds, demat of delivery of shares, finalisation of listing and trading of instruments with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue. (The BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company and the Selling Shareholder)	SBI Caps	SBI Caps

The selection of various agencies like Registrars to the Issue, Bankers to the Issue, Bank Collection Centres, Legal Advisors to the Issue, Underwriters to the Issue, Advertising Agencies, Public Relations Agencies, etc. will be or have been finalised by the Company in consultation with the BRLM.

IPO Grading

We have not opted for the grading of this Issue from credit rating agencies.

Credit Rating

As this is an issue of Equity Shares there is no credit rating for this Issue.

Trustees

As this is an issue of Equity Shares, the appointment of Trustees is not required.

Monitoring Agency

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by the Board of Directors will monitor the utilization of the Issue proceeds.

Project Appraisal

There is no project in the Objects of the Issue which needs to be appraised.

Book Building Process

Book Building Process, with reference to a public issue, refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid/ Issue Closing Date.

The principal parties involved in the Book Building Process are:

1. The Company;
2. The Selling Shareholder;
3. The Book Running Lead Manager;
4. The Co-Book Running Lead Manager
5. The Members of the Syndicate who are intermediaries registered with SEBI or registered as brokers with BSE/ NSE and eligible to act as underwriters.
6. The Registrar to the Issue.

The SEBI DIP Guidelines have permitted an issue of securities to the public through the 100% book building process, wherein upto 50% of Issue shall be available for allocation on a proportionate basis to QIBs. Of the QIB Portion, 5% would be available for allocation to Mutual Funds and the remaining QIB portion will be available for allocation to QIBs, including Mutual Funds. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

In accordance with SEBI DIP Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of the Bid cum Application Form during the Bidding/ Issue Period and allocation to QIBs will be on a proportionate basis. For further details please refer to section titled "Issue Structure" beginning on page 37 of this Red Herring Prospectus.

The Company and the Selling Shareholder shall comply with the SEBI DIP Guidelines and any other directions issued by SEBI for this Issue. In this regard, our Company and the Selling Shareholder have appointed SBI Capital Markets Limited as the BRLM and Bajaj Capital Limited as the Co-BRLM to manage the Issue and to procure the subscriptions to the Issue.

The process of book building under the SEBI DIP Guidelines is subject to change from time to time. Investors are advised to make their own judgment about investment through this process of Book Building prior to making a Bid.

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

Bidders can bid at any price within a price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding/ issue period and on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative book, as shown below, shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the company is able to issue the desired number of shares is the price at which the issue is subscribed, i.e., Rs. 22 in the above example. The company, in consultation with the book running lead managers, will finalize the issue price at or below such price, i.e., at or below Rs. 22. All bids at or above this issue price and bids at cut-off by retail individual bidders are valid bids and are considered for allocation in the respective categories.

Steps to be taken for Bidding:

- Check eligibility for making a Bid (please refer to paragraph titled "Issue Procedure - Who Can Bid" under section titled "Issue Procedure" beginning on page 219 of this Red Herring Prospectus);
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
- If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copy of your PAN card to the Bid cum Application Form (please refer to paragraph titled "Issue Procedure - 'PAN' or 'GIR' Number" under section titled "Issue Procedure" beginning on page 230 of this Red Herring Prospectus); and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

The Company in consultation with the BRLM reserves the right not to proceed with the Issue at anytime including after the Bid/ Issue Opening Date, without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Bid/Issue Programme

BID/ISSUE OPENS ON	**:**	**THURSDAY**	**SEPTEMBER 28,**	**2006**
BID/ISSUE CLOSES ON	**:**	**THURSDAY**	**OCTOBER 5,**	**2006**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/ Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid/ Issue Closing Date.

We reserve the right to revise the Price Band during the Bidding/ Issue Period in accordance with SEBI DIP Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20%.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release in an English national newspaper, a Hindi national newspaper and a Tamil newspaper, with wide circulation, and also by indicating the change on the web sites of the BRLM and Co-BRLM and at their terminals.

Declaration of Central Government and RBI

The Central Government and the Reserve Bank of India are not responsible for the financial soundness or correctness of statements mentioned in this Red Herring Prospectus.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, our Company and the Selling Shareholder, acting through their duly constituted attorneys or authorized representatives will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM and Co-BRLM shall be responsible for bringing in the amount devolved. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
SBI Capital Markets Limited 202, Maker Tower "E", Cuffe Parade, Mumbai 400005 Tel: +91 22 2218 9166 Fax: +91 22 2218 8332 E-mail: accel.ipo@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Subrat Panda	[●]	[●]
Bajaj Capital Limited 003, Ground Floor,Peninsula Towers, Peninsular Corporate Park, Lower Parel, Mumbai 400 013 Email: rajnishr@bajajcapital.com Website: www.bajajcapital.com Contact Person: Mr. Rajnish Rangari	[●]	[●]

The above mentioned amount is an indicative figure and would be finalised after pricing and actual allocation.

(The above table will be completed before filing of the Prospectus with RoC)

The above Underwriting Agreement is dated [●].

In the reasonable opinion of the Board of Directors of our Company(based solely on certificates given to them by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board of Directors of our Company at their meeting held on [●] and will be accepted by the Selling Shareholder as on the date of the final Prospectus

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/ subscribe to the extent of the defaulted amount.

As per the recent amendments to the SEBI DIP Guidelines, allocation to QIBs is on a proportionate basis as per the terms of this Red Herring Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB portion will also be eligible for allocation in the remaining QIB portion.

Disclaimer by the Selling Shareholder

Notwithstanding anything stated in this Red Herring Prospectus, the Selling Shareholder is acting severally and not jointly with our Company in the Issue and takes responsibility for only those statements made by the Selling Shareholder in this Red Herring Prospectus, with respect to the specific warranty on the Equity Shares of our Company held by it and being offered for sale in the Issue and the Selling Shareholder's responsibility under this Red Herring Prospectus is limited to the statements, made in its capacity as a Selling Shareholder, as aforesaid. The Selling Shareholder disclaims all responsibility for all other disclosures and statements made in this Red Herring Prospectus. Without prejudice to the foregoing, the Selling Shareholder neither expresses any opinion with respect to nor assumes any responsibility for the statements and the disclosures made by our Company or any other person, including without limitation all statements relating to our Company, its business, its affairs, its financial information, the Promoters, and any other disclosures. The Selling Shareholder has neither assumed any obligation to conduct, nor conducted, any inspection or independent verification of the statements and disclosures made by our Company.

CAPITAL STRUCTURE

Financial data presented in this section is derived from our restated consolidated financial statements prepared in accordance with Indian GAAP.

The share capital of our Company as of the date of filing of this Red Herring Prospectus with SEBI and after the Issue is set forth below:

			Aggregate nominal value	Aggregate Value at Issue Price
A.	**Authorized Capital**[1]			
	30,000,000	Equity Shares of Rs. 10 each	300,000,000	[●]
B.	**Issued, Subscribed and Paid-Up Capital before the Issue**[2]			
	17,333,333	Equity Shares of Rs. 10 each	173,333,330	[●]
C.	**Present Issue in terms of this Red Herring Prospectus**[3]			
	5,635,950	Equity Shares of Rs. 10 each of which:	56,359,500	[●]
	(i) Fresh Issue of: 5,175,667	Equity Shares of Rs. 10 each	51,756,670	[●]
	(ii) Offer for Sale of: [4]			
	460,283	Equity Shares of Rs. 10 each	4,602,830	[●]
F.	**Paid Up Equity Capital after the Issue**			
	22,509,000	Equity Shares of Rs. 10 each	225,090,000	
G.	**Share Premium Account**			
		Before the Issue	223,955,770	
		After the Issue[5]	[●]	

(1) The initial authorized share capital of Rs.10 million divided into 1 million Equity shares of Rs.10 each was increased to Rs. 50 million divided into 5 million Equity shares of Rs.10 each pursuant to a resolution of the shareholders at an EGM held on on January 24, 2000. The authorised share capital of our Company was again increased from Rs. 50 million to Rs. 65 million divided into 6.5 million Equity shares of Rs.10 each pursuant to a resolution of the shareholders at an EGM held on September 11, 2000. The authorised share capital was further increased from Rs. 65 million to Rs. 150 million divided into 15 million Equity shares of Rs.10 each pursuant to a resolution of the shareholders at an EGM held on September 21, 2001. On November 19, 2001, we issued bonus shares in the ratio of 1:1 to the existing equity shareholders as on the record date. The authorised share capital was increased from Rs. 150 million to Rs. 180 million divided into 18 million Equity shares of Rs.10 each pursuant to a resolution of the shareholders at an EGM held on January 16, 2004. The authorised share capital our Company was again increased from Rs. 180 million to Rs. 300 million divided into 30 million Equity shares of Rs.10 each pursuant to a resolution of the shareholders at an EGM held on February 11, 2006.

(2) For details, please refer to note (1) of the notes to capital structure below.

(3) The present Issue has been authorized by the Board of Directors in their meeting on January 18, 2006. The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on April 11, 2006. The Selling Shareholder has obtained all requisite corporate approval for the Offer for Sale as evidenced by its Secretary's Certificate dated April 11, 2006 and September 11, 2006.

(4) The Selling Shareholder has offered 460,283 Equity Shares as part of the Issue. This amounts to around 2.66 % of the pre-Issue equity capital of our Company. Equity Shares being offered by the Selling Shareholder as part of the Offer for Sale, have been held by them for a minimum period of one year at the time of filing this Red Herring Prospectus with SEBI.

(5) The addition to the share premium account will be determined after completion of the book building process

Notes to Capital Structure

1. Share capital history of our Company

Date of Allotment*	Number of Equity Shares	Face Value per Equity Share (Rs.)	Issue Price per Equity Share (Rs.)	Nature of payment of Consid-eration	Reasons for allotment	Cumulative Paid up Capital (Rs.)	Cumulative Share Premium (Rs.)
June 8, 1995	70	10	10	700	Allotment to the Subscribers to the Memorandum	700	Nil
March 30, 1996	74,930	10	10	749,300	Preferential allotment to various individuals	750,000	Nil
March 31, 1997	48,000	10	10	480,000	Preferential allotment to Accel Limited (previously Accel Automation Private Limited)	12,30,000	Nil
July 22, 1998	677,000	10	10	6,770,000	Preferential allotment to Accel Limited	8,000,000	Nil
March 27, 2000	3,450,000	10	10	34,500,000	Preferential allotment to Accel Limited	42,500,000	Nil
December 18, 2000	326,350	10	10	3,263,500	Preferential allotment to Mr. N R Panicker (250,000) and the Accel Employees Equity Trust (76,350)	45,763,500	Nil
December 18, 2000	21,750	10	200	4,350,000	Preferential allotment to NRIs/OCB	45,981,000	4,132,500
June 27, 2001	1,544,400	10	49	75,675,600	Preferential allotment to TCW (1,033,471), TCW AMP (437,386) and ICICI Trusteeship Services Limited Emerging Sectors Fund (earlier ICICI Equity Fund) (73,543)	61,425,000	64,364,100
June 28, 2001	357,500	10	200	71,500,000	Preferential allotment to ICICI Trusteeship Services Emerging Sectors Fund (earlier ICICI Limited Account ICICI Structured Products Fund) (32,500) and Intel (325,000)	65,000,000	132,289,100

Date of Allotment*	Number of Equity	Face Value Shares Equity Share (Rs.)	Issue Price per Equity Share (Rs.)	Nature of payment per Consid- eration	Reasons for allotment of	Cumulative Paid up Capital (Rs.)	Cumulative Share Premium (Rs.)
November 19, 2001	6,500,000	10	-	-	Bonus issue in the ratio of 1:1**	130,000,000	67,289,100
June 07, 2004	4,333,333	10	46.15	200,000,000	Preferential allotment to Frontline	173,333,330	223,955,770
Total	17,333,333			397,289,100			

* *All allotted Equity Shares have been fully paid up from the date of allotment, i.e the date of allotment and the date on which the Equity Shares were fully paid up are the same.*

** *The Company issued bonus shares in the ratio of one Equity Share for every one Equity Share held in our Company on the record date, being July 27, 2001 by capitalizing the share premium account (aggregating Rs. 65 million), after taking the requisite permissions of the Reserve Bank of India for allotment of bonus shares to non-resident shareholders of our Company. We allotted 6,500,000 Equity Shares by way of the bonus issue on November 19, 2001.*

The share capital history of the Promoters in our Company has been provided below:

Name of Promoter	Date on which fully paid up Equity Shares were acquired/ transferred	Nature of payment of consideration	Par Value (Rs.)	Number of Equity Shares of Rs. 10 each	Issue Price (Rs.)	Nominal Value of Equity Shares (Rs.)	% of Post-Issue Paid up capital
Mr. N.R.Panicker	March 30, 1996	Preferential Allotment	10	19,930	10	199,300	0.09
	December 18, 2000	Preferential allotment	10	250,000	10	2,500,000	1.11
	November 19, 2001	Bonus Issue (1:1)	10	249,000	-	-	1.10
Accel Limited	March 30, 1996	Preferential Allotment	10	16,000	10	160,000	0.07
	March 31, 1997	Preferential allotment	10	48,000	10	480,000	0.21
	March 1998	Transferred from other shareholders	10	58,930	10	589,300	0.26
	July 22, 1998	Preferential allotment	10	677,000	10	67,70,000	3.01
	March 27, 2000	Preferential allotment	10	3,450,000	10	3,45,00,000	15.33
	November 19, 2001	Bonus Issue (1:1)	10	3,980,600	-	-	17.68
Frontline	June 7, 2004	Preferential allotment	10	4,333,333	46.15	43,333,330	19.25

Name of Promoter	Date on which fully paid up Equity Shares were acquired/ transferred	Nature of payment of consideration	Par Value (Rs.)	Number of Equity Shares of Rs. 10 each	Issue Price (Rs.)	Nominal Value of Equity Shares (Rs.)	% of Post-Issue Paid up capital
	July 30, 2004	Transfer from Prior Investors	10	2,941,900	46.15	29,419,000	13.07
	February 25, 2006	Transfer from Intel and ICICI Investors	10	1,564,767	46.15	15,647,670	6.95
	April 4, 2006	Transfer from TCW and TCW AMP	10	612,678	87	6,126,780	2.72

Mr. N.R. Panicker does not hold equity shares equal to or more than 10% of the share capital in our Company or any body corporate forming part of the promoter group, except in Accel Transmatic Limited, where he holds 1,115,098 equity shares amounting to 10.10% of its shareholding as on March 31, 2006.

2. Promoters' Contribution and lock-In

In terms of Chapter IV of the SEBI DIP Guidelines, the shareholding of the Promoters, Mr. N.R.Panicker, Accel Limited and Frontline will be offered as the Promoters Contribution for this Issue. None of the Equity Shares held by the Promoters in our Company are ineligible for computation of Promoter's contribution in terms of Clause 4.6 of the SEBI DIP Guidelines.

(a) Details of Promoters Contribution locked in for three years:

Sl. No	Name of Promoter	Face Value (Rs.)	Issue Price (Rs.)	Number of Equity Shares subject to lock-in for 3 years	Date of allotment of shares subject to lock-in for 3 years#	Nature of allotment	Considerat-ion	Percent-age of pre paid up capital	Percent-age of post Issue paid up capital*
A.	Mr. N.R.Panicker	10	10	50,000	March 29, 2006	Transfer from Trust	500,000	0.29	0.22
		10	0	30,180	November 19, 2001	Bonus Issue	0	0.17	0.13
	Sub Total			80,180			500,000	0.46	0.36
B.	Accel Limited	10	0	1,785,285	November 19, 2001	Bonus Issue	0	10.30	7.93
C.	Frontline Technologies Limited	10	46.15	458,890	July 30, 2004	Transferred from Mr. N.R. Panicker and Intel [(1)]	21,177,774	2.66	2.04
		10	46.15	1,564,767	February 25, 2006	Transferred from Prior Investors [(1)]	72,213,997	9.03	6.95
		10	87.00	612,678	April 4, 2006	Transferred from TCW and TCW AMP [(1)]	53,302,986	3.52	2.72
	Sub Total			2,636,335			146,694,757	15.21	11.71
	Grand Total (A+B+C)			**4,501,800**			**147,194,757**	**25.97**	**20.00**

Date of allotment is also the date on which the Equity Shares were fully paid up.

* Assuming full subscription by investors in the Issue. The Promoters' contribution has been brought by the Promoters to the extent of 20% of the post Issue paid up share capital. The Equity Shares shall be locked in for a period of 3 years from the date of allotment of Equity Shares in this Issue.

(1) The details of the transfer of Equity Shares held by Frontline and which are locked in for 3 years are provided below:

No. of Equity Shares	Transferor	Date of transfer of Equity Shares	Transferee
(i) 260,000 (ii) 198,890 Totaling 458,890	(i) Mr. N.R.Panicker (ii) Intel	July 30, 2004	Frontline
(i) 644,717 (ii) 602,984 (iii) 2,55,195 (iv) 61,871 Totaling 1,564,767	(i) Intel (ii) TCW (iii) TCW AMP (iv) ICICI Emerging Fund	February 25, 2006	Frontline
(i) 430,487 (ii) 182,191 Totaling 612,678	(i) TCW (ii) TCW AMP	April 4, 2006	Frontline

(b) Details of the shares locked in for a period of one year:

The additional Equity Shares (in excess of the aforesaid 20%) held by the Promoters shall be locked in for a period of one year, as follows

Sl. No	Name of Promoter	Face Value (Rs.)	Issue Price (Rs.)	Number of Equity Shares	Date of allotment/ Acquisition#	Nature of allotment	Consideration	Percentage of pre - Issue paid up capital	Percentage of post Issue paid up capital*
A.	Mr. N.R.Panicker	10	10	207,320	November 19, 2001	Bonus	0	1.20	0.92
B.	Accel Limited	10	0	2,195,315	November 19, 2001	Bonus	0	12.66	9.75
		10	10	2,420,600	March 27, 2000	Preferential	24,206,000	13.96	10.75
	Sub Total			4,615,915			24,206,000	26.62	20.50
C.	Frontline Technologies Corporation Limited	10	46.15	2,483,010	July 30, 2004	Transferred from Prior Investors (1)	114,590,912	14.33	11.03
		10	46.15	4,333,333	June 7, 2004	Preferential	199,983,318	25.00	19.25
	Sub Total			6,816,343			314,574,229	39.33	30.28
	Grand Total (A+B+C)			11,639,578			338,780,229	67.14	51.70

* Assuming full subscription by investors in the Issue

[1)] The details of the transfer of Equity Shares held by Frontline and which are locked in for 1 year are provided below:

No. of Equity Shares	Transferor	Date of transfer of Equity Shares	Transferee
(i) 906,110 (ii) 1,033,471 (iii) 437,386 (iv) 106,043 Totaling 2,483,010	(i) Intel (ii) TCW (iii) TCW AMP (iv) ICICI Emerging Fund	July 30, 2004	Frontline

In terms of Clause 4.14.1 of the SEBI DIP Guidelines, other than the Equity Shares mentioned above which are locked in for three years, the entire remaining pre-Issue share capital shall be locked in for a period of one year from the date of allotment in this Issue. There are no Equity Shares which are specifically exempt from the provisions of lock-in in terms of Clause 4.14.2 of the SEBI DIP Guidelines.

As per Clause 4.15.1 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoter can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

Under Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeovers Regulations.

Further, in terms of clause 4.16.1(b) of the SEBI DIP Guidelines, Equity Shares held by the Promoter may be transferred to and amongst the Promoter/ Promoter Group or to a new promoter or persons in control of our Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable. All the aforesaid shares of the Promoters are held in demat form, except for 5,828 Equity Shares held by Mr. N.R.Panicker and 140 Equity Shares held by Accel Limited, which are in physical form.

In terms of clause 6.8.3.2 (d) of the SEBI DIP Guidelines, the Promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as promoters under the SEBI DIP Guidelines.

3. Shareholding pattern of our Company before and after the Issue is as follows:

Name of the shareholder	Pre-Issue (As on the date of filing of this Red Herring Prospectus)		Post-Issue*	
	Number of Equity Shares	Percentage Equity Share capital (%)	Number of Equity Shares	Percentage Equity Share capital (%)
Promoters				
(i) Mr. N.R.Panicker	287,500	1.66	287,500	1.28
(ii) Accel Limited	6,401,200	36.93	6,401,200	28.44
(iii) Frontline	9,452,678	54.53	9,452,678	42.00
Sub-total	16,141,378	93.12	16,141,378	71.71
Promoter Group/Directors of Promoters				
(i) Ms. Gangadevi	9,500	0.05	9,500	0.04
(ii) Mr. R. Ganesh	18,000	0.10	18,000	0.08
(iii) Mr. S.T.Prabhu	16,600	0.09	16,600	0.07
(iv) Mr. S. Mitra	10,000	0.07	10,000	0.04
Sub-total	54,100	0.31	54,100	0.24

Name of the shareholder	Pre-Issue (As on the date of filing of this Red Herring Prospectus)		Post-Issue*	
	Number of Equity Shares	Percentage Equity Share capital (%)	Number of Equity Shares	Percentage Equity Share capital (%)
Others				
(i) Intel	460,283	2.66	Nil	Nil
(ii) NRIs/OCB	43,500	0.25	43,500	0.19
(iii) Directors/ Employees of Company	634,072	3.66	634,072	2.82
Sub-total	1,137,855	6.57	677,572	3.01
Public	Nil	Nil	5,635,950	25.04
TOTAL	17,333,333	100.00	22,509,000 #	100.00

* This is based on the assumption that such Shareholders continue to hold the same number of Equity Shares after the Issue. This does not include any Equity Shares that such Shareholders may subscribe for and be allotted in the Issue.

\# Equity Shares arising pursuant to the Issue, assuming full subscription in the Issue.

4. The list of our top 10 shareholders and the number of Equity Shares held by them on the date of filing of this Red Herring Prospectus with SEBI is as under:

Sl. No.	Names of Shareholders	Number of Equity Shares held	% holding
1.	Frontline Technologies Corporation Limited	9,452,678	54.50
2.	Accel Limited	6,401,200	36.93
3.	Intel	460,283	2.66
4.	Mr. N.R.Panicker	287,500	1.66
5.	Mr. M.Ramesan and Mr. R.Lakshmipathi	45,000	0.26
6.	Mr. K.R.Chandrasekaran and Mr. Maqbool Hassan	45,000	0.26
7.	Mr. R.Ganesh and Mr. K.R.Chandrasekaran	39,847	0.23
8.	Mr. P.B.Nair	24,350	0.14
9.	Mr. Job Verghese	21,750	0.13
10.	Mr. K.R.Chandrasekaran	18,000	0.10
11.	Mr. Maqbool Hassan	18,000	0.10
12.	Mr. R.Ganesh	18,000	0.10

5. The list of our top 10 shareholders and the number of Equity Shares held by them 10 days prior to the date of filing of this Red Herring Prospectus with SEBI is as under:

Sl. No.	Names of Shareholders	Number of Equity Shares held	% holding
1.	Frontline Technologies Corporation	9,452,678	54.50
2.	Accel Limited	6,401,200	36.93
3.	Intel	460,283	2.66
4.	Mr. N.R.Panicker	287,500	1.66
5.	Mr. M.Ramesan and Mr. R.Lakshmipathi	45,000	0.26
6.	Mr. K.R.Chandrasekaran and Mr. Maqbool Hassan	45,000	0.26
7.	Mr. R.Ganesh and Mr. K.R.Chandrasekaran	39,847	0.23
8.	Mr. P.B.Nair	24,350	0.14
9.	Mr. Job Verghese	21,750	0.13
10.	Mr. K.R.Chandrasekaran	18,000	0.10
11.	Mr. Maqbool Hassan	18,000	0.10
12.	Mr. R.Ganesh	18,000	0.10

6. The list of our top 10 shareholders and the number of Equity Shares held by them two years prior to the date of filing of this Red Herring Prospectus with SEBI is as under:

Sl. No.	Names of Shareholders	Number of Equity Shares held	% holding
1.	Frontline	7,275,233	41.97
2.	Accel Limited	6,401,200	36.93
3.	Intel	1,105,000	6.38
4.	TCW	1,033,471	5.96
5.	Accel Employees Equity Trust	691,500	3.99
6.	TCW AMP	437,386	2.52
7.	Mr. N.R. Panicker	237,500	1.37
8.	ICICI Trusteeship Services (Emerging Sectors Fund)	106,043	0.61
9.	NRI/OCB	43,500	0.25
10.	Mr. Ranjeet Bhargava	2000	0.01

7. Neither we nor the Selling Shareholder, nor our Directors / Promoters / Promoter Group, nor their respective Directors and the BRLM/Co-BRLM have entered into any buy-back and/or standby or similar arrangements for purchase of Equity Shares of our Company from any person, save as described in the section entitled “Shareholders Agreement” on page 78 of this Red Herring Prospectus.

8. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares.

9. On July 21, 2000 our Company settled a trust known as the 'Accel Employees Equity Trust' ('Trust') and instituted an Accel Employees Equity Trust Scheme. The objective of the Trust is to benefit the existing and future employees and directors who are full time executives of Accel group companies, by giving them a direct financial interest in the future profits of our Company. After obtaining the approval of the Board of Directors at their meeting held on August 29, 2000, our Company made advances aggregating to Rs. 3,455,000 to the Trust for the purchase of its equity shares. The Company had allotted a total of 152,700 Equity Shares (including bonus shares) on December 18, 2000 and the Trust purchased 538,800 Equity Shares (including bonus shares) from one of the Promoters, being Accel Limited on April 19, 2001 and 44,172 shares from ICICI Emerging Sectors Fund on March 29, 2006. All the aforesaid Equity Shares have been distributed to certain employees and directors of Accel group companies on March 29, 2006 for a cash consideration. The Company has not granted any options or issued any Equity shares under any employee stock option plan or employee stock purchase scheme. Subsequently, the Trust has repaid the entire loan amount of Rs. 3,455,000 to our Company and the balance outstanding as at March 31, 2006, is Nil (Previous year was Rs. 1,857,000). The Accel Employees Equity Trust Scheme has been revoked by our Company vide the Board meeting held on April 11, 2006.

10. None of our Promoters, members of our Promoter Group or our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI, except as stated below:

Sr. No.	Date of Transfer	Transferor	Transferee	Number of Equity Shares	Price per Equity Shares (in Rs)
1.	April 4, 2006	TCW	Frontline	430,487	87.00
2.	April 4, 2006	TCW AMP	Frontline	182,191	87.00
3.	March 29, 2006	Accel Employees Equity Trust	N.R.Panicker	50,000	10
4.	March 29, 2006	Accel Employees Equity Trust	K.R.Chandrasekaran and Maqbool Hassan	45,000	10
5.	March 29, 2006	Accel Employees Equity Trust	K.R.Chandrasekaran	18,000	10
6.	March 29, 2006	Accel Employees Equity Trust	Ms. B. Gangadevi	9,500	10
7.	March 28, 2006	ICICI Emerging Sectors Fund	Accel Employees Equity Trust	44,172	87.00
8.	February 25 2006	Intel	Frontline	644,717	46.15
9.	February 25 2006	TCW	Frontline	602,984	46.15
10.	February 25 2006	TCW AMP	Frontline	255,195	46.15
11.	February 25 2006	ICICI Emerging Fund	Frontline	61,871	46.15

No directors of Frontline hold Equity Shares in our Company. The directors of our body corporate Promoter, Accel Limited who hold Equity Shares in our Company are provided below:

Sl. No.	Names of Shareholders	Number of Equity Shares held	% holding in Company
1.	Mr. N.R.Panicker	287,500	1.66
2.	Mr. R. Ganesh	18,000	0.10
3.	Mr. S.T. Prabhu	16,600	0.09
4.	Mr. S. Mitra	10,000	0.06

Ms. Gangadevi, belonging to the Promoter group (in relation to our individual Promoter, Mr. N.R.Panicker) holds 9,500 Equity Shares in our Company, amounting to 0.05% of the pre-Issue shareholding capital, acquired from Accel Employees Equity Trust on March 29, 2006.

It is not possible to obtain information regarding sales and purchase of securities by relatives of the promoters, except on the basis of the transfers recorded in our books.

11. There are no outstanding financial instruments or any other rights, which would entitle promoters or shareholders or any other person any option to acquire our Equity Shares after the IPO.
12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
13. There would be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares have been listed. The Selling Shareholder is offering 460,283 Equity Shares, being around 2.66 % of the pre-Issue holding in our Company as a part of this Issue. The Selling Shareholder has obtained all requisite corporate approvals for the Offer for Sale as evidenced by its Secretary's Certificate dated April 11, 2006 (and September 11, 2006). The aforesaid Equity Shares offered by the Selling Shareholder are eligible for the Offer for Sale in terms of the SEBI DIP Guidelines.
14. Investors may note that in case of an over-subscription in the Issue, allotment to Qualified Institutional Investors, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, please refer to the section titled "Basis of Allotment" on page 233 of this Red Herring Prospectus.
15. Under-subscription, if any, in any category in the Issue, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange. **However, if the aggregate demand by Mutual Funds is less than 140,899 Equity Shares (assuming QIB Portion is 50% of the Issue, i.e. 2,817,975 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.** In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange. In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.
16. Our Company has not allotted any of its Equity Shares to any persons during the preceding one year.
17. We have not issued any Equity Shares out of revaluation reserves, reserves without accrual of cash reserves or for consideration other than cash.
18. Except as disclosed in the section titled "Management" on page 83 of this Red Herring Prospectus, none of our Directors and key managerial personnel holds any Equity Shares.
19. Pursuant to the application dated April 10, 2006 made by our Company in relation to the 460,283 Equity Shares being offered by Intel as part of the Offer for Sale in this Issue, RBI vide its letter dated May 4, 2006 has advised that in terms of A.P.(Dir Series) Circular No. 16 dated October 4, 2004, our Company may approach the Authorized Dealer with necessary documents (including documentary proof for change of name) to put through the transaction, subject to complying with the reporting requirements of the Authorised Dealer. The Company and Intel have been advised by the Authorised Dealer that Form FC TRS be submitted at the time of remittance of the proceeds of the Equity Shares transferred, duly mentioning the name of the transferees and the value of shares, to enable the authorized dealer to permit the remittance. In view of this, we propose to file the duly filled Form FC TRS on behalf of Intel (as transferor) and the relevant transferees alongwith the basis of allotment.
20. Upto 50% of the Issue shall be available for allocation to QIBs on a proportionate basis. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 35% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price.
21. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue,

exercise of employee stock options or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares issued have been listed.

22. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except we may allot further Equity Shares to the companies proposed to be acquired in terms of the Objects of the Issue or, if we enter into acquisitions or joint ventures, or to fund accelerated growth or retain/ enhance credit rating, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

23. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

24. We have not raised any bridge loans against the proceeds of the Issue.

25. Except as disclosed in the section titled "Management" beginning on page 83 of this Red Herring Prospectus, none of our Directors and Key Managerial Personnel, hold any Equity Shares.

26. The Equity Shares locked in by the promoters are not pledged to any party. The Promoters may pledge their Equity Shares with Banks or financial institutions as additional security for loan whenever availed of from banks or financial institutions.

27. In this Issue, in case of over-subscription in all categories, upto 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers out of which 5% shall be allocated on a proportionate basis to Mutual Funds, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price.

28. An over-subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of 1 Equity Share while finalising the basis of allotment.

29. Equity Shares offered in this Issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in Clause 8.6.2 of the SEBI DIP Guidelines. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

30. As of September 7, 2006, the total number of members of our Company was 630.

OBJECTS OF THE ISSUE

The objectives of the fresh issue are primarily to raise capital for the following business and operational requirements of our Company:

1. To fund our global business expansion plans including development of our overseas marketing and sales infrastructure and to acquire or invest in strategic businesses;
2. To increase our ESS and BPO capacities, by expanding existing facilities ;
3. For working capital requirements and general corporate purposes ; and
4. For meeting Issue expenses

Also, the listing of our Equity Shares on the stock exchanges, we believe, would provide liquidity to our shareholders, enhance our visibility and better our brand name.

The Issue comprises the Fresh Issue and the Offer for Sale. We will not receive any of the proceeds from the Offer for Sale by the Selling Shareholder.

The main objects of our Memorandum of Association permits us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Fresh Issue. Further, the activities our Company has been carrying out until now are in accordance with the objects of our Memorandum of Association

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by the Board of Directors will monitor the utilization of the Issue proceeds.

Requirement and Sources of Funds

The fund requirements for each of the objectives mentioned above are given in the following table:

Sl. No.	Description	Estimated Fund Requirement (in Rs. Million)
1	To fund our global business expansion plans including development of our overseas marketing and sales infrastructure and to acquire or invest in strategic businesses	300.00
2	To increase our ESS and BPO capacities, by expanding existing facilities	90.00
3.	Working capital requirements and general corporate purposes	200.00
4	Issue expenses*	[●]
	TOTAL*	[●]

* Will be inserted at the time of filing the Prospectus with RoC

The utilisation of funds over the next two financial years is estimated as under

Description	Amount proposed to be spent in fiscal 2007	Amount proposed to be spent in fiscal 2008	Estimated Fund Requirement (in Rs. Million)
To fund our global business expansion plans including development of our overseas marketing and sales infrastructure and to acquire or invest in strategic businesses@	300@	-	300.00@
To increase our ESS and BPO capacities, by expanding existing facilities	35.08	30.00	90.00#
Working capital requirements and general corporate purposes	200.00	Nil	200.00
Issue expenses*	[●]	Nil	[●]
TOTAL*	**[●]**	**[●]**	**[●]**

Includes Rs. 41.62 million deployed by our Company as of August 31, 2006, towards the expansion and improvement of

our ESS and BPO units and issue expenses, which has been certified by M/s S.K.Ram Associates, Chartered Accountants vide their letter dated September 4, 2006.

@ The funds utilization is directly linked to the occurrence of proposed acquisitions/strategic investments and depends on market opportunities. We expect to utilize the funds in the course of 18 months.

* Will be inserted at the time of filing the Prospectus with RoC

Sources of Funds / Means of Finance

We expect our objects to be funded primarily out of the net proceeds of the Issue, short term loans aggregating Rs. 155 million from Citibank N.A. and State Bank of India and internal accruals amounting to Rs. 44 million. For more details on the loan facilities availed from certain banks, please refer to the section titled "Certain Financial Indebtedness" on page 197 of the Red Herring Prospectus.

We have firm arrangements in relation to 75% of the aforesaid means of finance, excluding the amount to be raised through this Issue, in the following manner:

1. Sanction letter dated September 9, 2006 from State Bank of India for Rs. 130 million
2. Sanction letter dated June 5, 2006 from Citibank N.A. for an incremental amount of Rs. 25 million
3. Internal accruals amounting to Rs. 44 million

The above mentioned requirement of funds of Rs. 590 million is proposed to be financed through Issue proceeds. Shortfall in the Issue proceeds, if any, will be met through internal accruals and existing financing arrangements. Excess from the Issue proceeds, if any, will be used for general corporate purposes.

Details of Funds Utilisation

1. **Funding our global business expansion plans including development of our overseas marketing and sales infrastructure and to acquire or invest in strategic businesses**

   Levaraging our capabilites in IT infrastructure management and software solutions, to build a global business, we propose to target IT companies in India and abroad, either by way of strategic acquisitions of specific businesses or through strategic investments. This strategy would help us in faster client acquisition in the international market, acquire domain knowledge in new industry sectors/verticals and increase our geographical reach.

   We believe that the market opportunities for our services offering are very high in the US, Far East, Middle East and Africa regions and we are actively pursuing to strengthen our presence in these regions. We have appointed business partners in countries like Saudi Arabia, Kuwait, Bahrain, and are presently identifying partners in South Africa and Kenya.We propose to appoint additional business partners in unrepresented areas and investing in business development (offices and setting up sales and marketing teams). We also intend to reinforce our US presence by utilizing the services of our USA based group company with additional sales and marketing personnel. We also intend to reinforce our Singapore and Dubai subsidiaries with additional sales and marketing personnel.

   We have provided the funds break up for this object of the Issue below:

   (i) Setting up business development infrasrtucture in overseas locations

   Based on our estimates, we believe that in order to suitably tap into the marketing opportunities in the US, Middle East and the Far East, we need to invest around Rs 50 million for business development activities. The break up of funds requirement being (i) Rs. 39.29 million for US operations; (ii) Rs. 2.97 million for Middle East operations and (iii) Rs. 7.78 million for Far East operations . The funds would primarily be used to pay monthly office rentals, salaries of the sales and marketing team and overhead expenses (including travel and other operational expenses) in the first 18 months.

   We have provided a cost wise breakup of funds, required for each of the jurisdictions. The estimated expenses provided in the relevant tables are based on our management estimates, prevailing market practice and prior business development experience.

US operations

We intend to set up our marketing operations through a branch office or a subsidiary company in the United States and this would include setting up of an office and employing a marketing and business development team comprising 1 General Manager, 3 business development / marketing executives and 1 support personnel. The funds earmarked for this objective will be utilized towards payment of establishment expenses and the salaries of the team for around eighteen months till the unit can generate enough revenues to sustain its operations. The proposed investment break up for the US operations is as tabulated below:

	Item	Estimated Expense (in US$ per month)	Expense converted to INR per month*
1	Office space rentals per month	2,500	112,500
2	General Manager salary	10,000	450,000
3	3 Business development / marketing executives	18,000	810,000
4	1 Support staff	3,000	135,000
5	Other overheads (including travel expenses and other operational expenses)	15,000	675,000
	TOTAL (per month)	**48,500**	**2,182,500**

* The conversion rate (into Indian Rupees) that we have assumed is 1 US$ = 45 INR.

For a period of 18 months, the total cost of our US operations is estimated at Rs. 39.29 million.

Expansion of our Middle East operations

We intend to reinforce our marketing efforts by supporting our Dubai based Subsidiary in the course of the next 18 months, by employing 2 business development executives. The funds earmarked for this objective will be utilized towards payment of salaries of the team and other overhead expenses. The proposed investment break up for the Middle East operations is as tabulated below:

	Item	Estimated Expense (in AED per month)	Expense converted to INR per month*
1	Business development executives	10,000	132,000
2	Other overheads (including travel expenses and other operational expenses)	5,000	33,000
	TOTAL (per month)	**15000**	**165,000**

* The conversion rate (into Indian Rupees) that we have assumed is 1 S$ = 27 INR.

For a period of 18 months, the total cost of enhancing our Middle East marketing operations is estimated at Rs. 2.97 million.

Expansion of our Far East operations

We intend to reinforce our marketing efforts by supporting our Singapore based Subsidiary in the course of the next 18 months, by employing 2 business development executives. We also propose to rely on the support of the Frontline group of companies to develop the business in this region. The funds earmarked for this objective will be utilized towards payment of salaries of the team and other overhead expenses. The proposed investment break up for the Far East operations is as tabulated below:

	Item	Estimated Expense (in S$ per month)	Expense converted to INR per month*
1	Business development executive	10,000	270,000
2	Other overheads (including travel expenses and other operational expenses)	6,000	162,000
	TOTAL (per month)	**16,000**	**432,000**

* The conversion rate (into Indian Rupees) that we have assumed is 1 AED = 12 INR.

For a period of 18 months, the total cost of enhancing our Far East marketing operations is estimated at Rs. 2.97 million.

(ii) To fund proposed acquisitions and/or strategic investments

The Company plans to spend upto Rs 250 million in the next 18 months for acquisition of companies operating in the areas of enterprise software solutions and / or BPO. Our acquisition strategy is to target companies which have synergies with our existing businesses, a good customer base (to enable us to acquire customers rapidly), high quality management experience, and ability to generate profits.

Based on our business strategy to grow by way of acquisition(s) / strategic investment(s), we have shortlisted certain potential target companies. As on the date of filing this Red Herring Prospectus, we have not entered into any definitive agreements (including letters of intent, memorandum of understanding and the like). We have provided details on the broad nature of business of two of the shortlisted companies, select financial information (being Total Income, EBIDTA and Networth of the shortlisted companies) and geographical location. We will proceed with the acquisition / strategic investment, subject to satisfactory completion of legal, financial and commercial due diligence and discussions. The details of the shortlisted companies are provided below:

- We are in discussions with a Mumbai based BPO company, which provides outbound voice based customer relationship management services in English speaking developed countries like USA, Canada, UK, Australia and New Zealand and is focused on service oriented industries like healthcare, telecom, finance, insurance, tourism and retail. On the basis of the audited reports for the year ended March 31, 2006 (previous year ended March 31, 2005), the Total Income, EBIDTA and networth of the company are Rs. 138.41 million (Rs. 90.08 million); Rs. 60.82 million (Rs. 40.21 million); and Rs. 91.37 million (Rs. 37.75 million), respectively.
- We are in discussions with a Chennai based software services company. This company provides core banking software implementation services to clients in India and MEA (Middle East and Africa) region. On the basis of the audited reports for the year ended March 31, 2006 (previous year ended March 31, 2005), the Total Income, EBIDTA and networth of the company are Rs. 201.56 million (Rs. 211.50 million); Rs. 26.57 million (Rs. 30.26 million); and Rs. 70.67 million (Rs. 66.99 million), respectively.

2. To increase our ESS and BPO capacities, by expanding existing facilities

In the software industry, one of the critical success factors is the availability of good infrastructure and work environment. In order to support the growth in our business, we need to constantly increase our capacities, both in terms of manpower as well as improved infrastructure. We intend to use the funds raised from this Issue to (i) increase the seating capacity of our ESS / BPO unit in Chennai and (ii) increasing the number of locations from which we operate our BPO business..

We have already initiated the expansion plans by increasing the capacity of the ESS division from 260 seats to 500 seats and we want to further increase it to 1000 seats (an addition of 500 seats) in the next 18 months to cater to the expected growth in our business. These facilities are to be based out of Chennai. In the BPO services division, we would be investing in creation of new facilities in more number of locations to improve the service footprint across the country (As on March 31, 2006 we had operations at 86 locations in India). We also propose to upgrade the infrastructure facilities of our BPO SBU which includes the development of a specialized web based CRM software to take care of the process of warranty management services business, establishment of a Virtual Private Network (VPN) across all offices of the company and replacement of the existing computers with latest computer systems, to improve our efficiency and response time of service delivery.

Ongoing Expansion Project

In the BPO division, we have established a technical helpdesk to cater to our existing customers, including two leading multinational printing solutions companies, an international airline company etc. The facility has a capacity of 100 seats and is equipped with latest equipments including an Avaya switch, Cisco networking equipments, IBM rack-mounted servers, customer relationship management software etc. This expansion was undertaken in our premises situated at 132, Greams Road, Chennai 600 006 during the fiscal 2006. We have also undertaken the modification of our existing 7,500 square feet facility located at 160, Greams Road, Chennai 600 006 to house additional facilities for warranty outsourcing services under the BPO SBU.

We have increased our ESS division seating capacity from 260 seats as on March 31, 2005 to 500 seats as on December 31, 2005. We have undertaken this expansion by hiring a bare building at 54-57, Greams Road, Chennai 600 006 and subsequently doing the necessary modifications and interior as per our requirements, to make it ready for use. We have utilized the services of M/s Impressions, architects based in Chennai. The building has a carpet area of 17,200 sq ft spread over four storeys (each with 4,300 sq. ft.), a cafeteria and recreation facility of 3,500 square feet has been constructed on the terrace of this building.

Break-up of cost incurred on various activities as of August 31, 2006

(Rupees Million)

Sl No	Activity	Cost incurred as on August 31, 2006
1	Interiors including (workstations)	16.28
2	Furniture	2.67
3	Office equipment	0.89
4	Computer hardware and equipments	5.08
	TOTAL	**24.92**

Proposed expansion plans

We plan to further increase our seating capacity for our ESS SBU by 500 seats in the coming 18 months. For this increase, we have plans for taking up a fully furnished office space in Chennai and are in the process of looking for suitable leased premises. However, we would be required to setup the necessary hardware and software and the other utilities. We have provided a break-up of the costs involved, based on a quotation dated April 18, 2006 received from Ms. Lekha Antony, architect in relation to the fit-outs for leased premises, our internal quotation dated April 18, 2006 in relation to the IT infrastructure, and certain management estimates.

S. No.	Head	Particulars	Estimated costs (in Rs. million)
1	Lease rentals and Security Deposit payable	40,000 sq. ft. area required (assuming a requirement of 80 sq. ft. per person for 500 persons) 40,000 sq. ft. @ Rs. 60 per sq. ft. per months (rent, including doing fit-outs, airconditioning facilities, electrical and flooring related expenses) and payment of 10 months rent as deposit	24.00
2	Utilities	(i) 3 units of 160 KVA generators for back-up power facilities	2.70

S. No.	Head	Particulars	Estimated costs (in Rs. million)
3	IT Infrastructure	(i) Workstations, desktops and other accessories.	15.00
		(ii) Servers, Peripherals, Networking Equipments, bandwidth, software licences, contingencies and other related costs	22.50
4	Contingency and miscellaneous expenses		3.80
	TOTAL		**69.20**

3. Working capital requirements and general corporate purposes

We propose to utilize around Rs. 175 million to meet our working capital requirements for the next fiscal year. These requirements are expected to primarily arise on account of costs related to (i) procurement of systems for our IIS business; (ii) meeting staff augmentation for specific projects; and (iii) procurement of stocks/spares for BPO business.

The projected working capital requirements for the years ended March 31, 2007 and 2008 are provided below:

(Rs. in million)

	Actuals		Projections	
	March 31, 2005	**March 31, 2006**	**March 31, 2007**	**March 31, 2008**
Inventories	159.08	197.60	197.60	197.60
Sundry debtors	739.19	894.00	936.41	1,275.51
Cash and bank balances	34.54	78.63	129.14	198.04
Loans and advances	197.12	159.89	157.87	140.65
Current assets, loans and advances	**1,129.93**	**1,330.12**	**1,421.02**	**1,811.80**
Current liabilities	245.08	328.06	308.72	436.26
Provisions	9.75	19.76	31.31	31.31
Current liabilities and provisions	**254.8**	**347.83**	**340.04**	**467.58**
Net current assets	**875.10**	**982.29**	**1,080.98**	**1,344.22**

The assumptions we have made in relation to the estimation of working capital requirements are provided below:

1. The debtor collection period has been assumed at 150 days and the creditors' payment period has been assumed to be 45 days. For the year ended March 31, 2006 our average debtors' collection period was 150 days.
2. Manpower costs are expected to grow at a rate of 15%

Apart from our working capital requirements, we also expect to utilize Rs. 25 million towards our general corporate purposes, which includes payment of security deposits in relation to leased premises, fees to technical, legal and financial consultants, recruitment and training costs, advertisement and publicity expenses and other corporate expenses.

4. Issue expenses

The expenses for the Issue include among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal expenses, statutory advertising expenses, registrar fees, and listing fee payable to the Stock exchanges. The estimated Issue expenses are as follows:

Expenses	Expense breakdown	
	% of total issue expenses	% of total issue size
Lead management fee and underwriting commissions	[●]	[●]
Advertising and Marketing expenses	[●]	[●]
Printing and stationery	[●]	[●]
Others (Registrars fee, legal fee, listing fee, insurance, etc.)	[●]	[●]
Total estimated Issue expenses	[●]	[●]

All expenses incurred in connection with the Issue, including without limitation listing fees, printers' and accounting fees, fees and disbursements of counsel for our Company (but excluding underwriters' discounts and commissions), shall be borne by our Company. The Selling Shareholder will bear its proportionate share (based on the number of shares sold by the Selling Shareholder over the total number of shares offered for subscription and sale by our Company and the Selling Shareholder in the Issue) of all discounts and commissions payable to underwriters or brokers in connection with such offering provided that the total amount payable by the Selling Shareholder shall not exceed 3.25% (not including the service tax payable on the same) of the total proceeds received by the Selling Shareholder from the shares sold in the Offer for Sale.

Funds deployed on the Objects of the Issue

As of August 31, 2006, we have deployed Rs. 41.62 million in relation to the proposed objects of the Issue in the following manner:

(Rs. in million)

Sl. No.	Description	Amount paid
1	Amount paid for expansion and improvement of the ESS and BPO infrastructure	24.92
2	Issue expenses	16.70
	TOTAL	**41.62**

The aforesaid details have been certified by M/s S.K.Ram Associates, Chartered Accountants vide their letter dated September 4, 2006.

Net Tangible assets to be created from Issue Proceeds

The net tangible assets in relation to the objects of the issue refers to the expansion and improvement of our ESS and BPO infrastructure. The percentage of net tangible assets to be created out of the Issue proceeds is expected to be less than 25% of the Issue size.

Monitoring of Utilisation of funds

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by the Board of Directors will monitor the utilisation of the issue proceeds. We will disclose the details of the utilisation of the Issue proceeds, including interim use, under a separate head in our financial statements for fiscal 2007 and fiscal 2008, specifying the purpose for which such proceeds have been utilized.

Interim use of Proceeds

Pending utilisation for the purposes described as above, we intend to temporarily invest the funds in high quality, interest/ dividend bearing liquid instruments including deposits with banks, money market mutual funds for the necessary duration. Such investments would be in accordance with investment policies approved by our Board or a duly authorised committee thereof, from time to time.

No part of the Issue proceeds will be paid by our Company as consideration to Promoters, Directors, key managerial personnel, subsidiaries, or group companies.

ISSUE STRUCTURE

Public Issue of 5,635,950 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million, comprising a Fresh Issue of 5,175,667 Equity Shares by our Company and an Offer for Sale of 460,283 Equity Shares by the Selling Shareholder. The Issue will constitute 25.04% of the fully diluted post issue paid-up capital of our Company.

The Issue is being made through the 100% book building process.

	QIB Bidders	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares[(1)]	Upto 2,817,975 Equity Shares	Not less than 845,393 Equity Shares	Not less than 1,972,582 Equity Shares
Percentage of Issue size available for allocation	Upto 50% to QIBs of which, 5% will be available for allocation to Mutual Funds and the remaining QIB portion shall be available for allocation to the QIB bidders including Mutual Funds	Not less than 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of Issue or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	70 Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue, subject to applicable limits	Such number of Equity Shares not exceeding the size of the Issue subject to applicable limits	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Bid Lot	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 70 Equity Share	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 70 Equity Share	70 Equity Shares and in multiples of 70 Equity Share
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply[(2)]	Public Financial Institutions, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations and insurance companies registered with the Insurance Regulatory and	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions, societies and trusts.	Resident Indian individuals, HUF (in the name of Karta) and Eligible NRIs.

	Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law		
Terms of Payment	Margin Amount of at least 10% at the time of submission of Bid cum Application Form to the members of the Syndicate	Full Bid Amount at the time of submission of Bid cum Application Form to the members of the Syndicate	Full Bid Amount at the time of submission of Bid cum Application Form to the members of the Syndicate

(1) Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category in the Issue, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange. **However, if the aggregate demand by Mutual Funds is less than 140,899 Equity Shares (assuming QIB Portion is 50% of the Issue, i.e. 2,817,975 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.** In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM, Co-BRLM and the Designated Stock Exchange. In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

(2) In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares Offered by way of Book Building.

Investors should read the following summary with the section titled "Risk Factors" beginning on page xii of this RHP and the details about our Company and its financial statements included in this RHP. The trading price of the Equity Shares of our Company could decline due to these risks and the investor may lose all or part of his/her/its investments.

Qualitative Factors

We believe that the following are our principal competitive strengths, which differentiate us from other IT solutions providers:

We are an end-to-end IT solutions provider with further scope of value addition.

Due to the fast changing IT environment, customers typically look forward to a single window provider for a range of products and services. We are well positioned through our four strategic business units, to provide a host of services to our clients. Our experience and expertise in handling large, mission critical, system integration projects (e.g., setting up the data centre for a leading Indian mobile telephony service provider) provides us a competitive edge. Since each of the four SBUs are independent profitable business units, we have a de-risked business model, while at the same time they are able to complement each other in the overall growth of our Company. Leveraging the cross selling synergies across the SBUs, we are able to provide value added /incremental services as required in relation to the customer's IT service needs.

We have a strong focus on customer service and satisfaction.

In line with our motto of '*Delivering value through service*' and our core value of 'customer care and delight', we have placed a significant emphasis on customer service and satisfaction. Our customers value us for our effective advice and service, timely responsiveness, quality consistency and integrity. We have received positive feedback from several clients in relation to the work we have undertaken for them. This has also been reflected in the volume of repeat customer business and customer references. Nearly 79.81% of our business is through repeat customer business and customer referrals.

We have a strong pan India customer service network.

We have a pan-India presence with 92 offices (and support centres) in 86 locations. This helps us address client needs, especially in relation to warranty outsourcing and IT infrastructure management, who have multi-locational service requirements and to service them in a time efficient manner. We can effectively use this wide network to help scale up our business operations with marginal increase in costs.

We are a multi-vendor service provider and enjoy good and long term relationships with our principals.

We have strong relationships with certain vendors and technology partners like Sun, IBM, Oracle and Microsoft. We are able to leverage these relationships to provide our IT infrastructure solutions and IT infrastructure management customers an optimal and cost efficient solution. Given our relationship with these vendors and technology partners, we are not dependent on a particular technology solution or a particular vendor, thus improving our efficiency as a service provider. Further, we are able to leverage the relationship with our strategic partner, Frontline to increase our footprint in certain regions outside India, like South East Asia.

We have a stable management setup.

The Accel group of companies commenced business operations in 1991. Majority of our management, including our individual Promoter, whole time executive directors and key managerial personnel have been employed with the Accel group in the 1990s and have been employed with our Company since its inception in 1995. With a relatively flat organisational structure, appraisal based remuneration package, multi-cultural workforce and a dynamic and challenging work environment, we are able to keep up the employee satisfaction and motivation levels. On an average, our key managerial personnel have a work experience of around 10 years in our Company, which reflects our Company's, stable top management resources. We were ranked as one of the top 10 IT employers in India two times in a row (in 2004 and 2005) by Dataquest magazine in their national employee satisfaction survey conducted for the Indian IT Industry.

Quantitative Factors

Information presented in this section is derived from our Company's restated consolidated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors which may form the basis for computing the Issue Price are given below:

Earning per share (EPS)

Year	EPS (Rs.)	Weight
Fiscal 2003	2.11	1
Fiscal 2004	(2.29)	2
Fiscal 2005	2.54	3
Fiscal 2006	5.56	4
Weighted Average	**2.74**	

(i) EPS has been calculated as per the following formula:

(Net Profit/(Loss) after tax) / (Weighted average number of Equity Shares)

(ii) EPS calculations have been done in accordance with AS 20 – "Earnings per Share" issued by the ICAI

Price to Earning Ratio (P/ E) in relation to Issue Price of Rs. [●]

a. Based on the Fiscal 2006, adjusted EPS of Rs. 5.56 is[●].

b. P/E based on the weighted average EPS is [●].

c. Industry peer P/ E.

(i) Highest : 121.9

(ii) Lowest : 1.1

(iii) Industry composite : 39.2

(Source: Capital Market Volume XXI/13, dated August 28 – September 10, 2006, Category "Computers – Hardware combined with Computers – Software – Medium/Small")

The peer group includes CMC, HCL Infosystems, Tata Elxsi and 3i Infotech

Return on Net Worth (RONW)

Year	RONW	Weight
Fiscal 2003	8.35	1
Fiscal 2004	(10.00)	2
Fiscal 2005	7.94	3
Fiscal 2006	15.86	4
Weighted Average	**7.56**	

RONW has been calculated as per the following formula:

(Net Profit/(loss) after tax) / (Equity shareholder's funds outstanding at the end of the year)

Minimum Return on the increased Net Worth after the Issue required to maintain the pre-Issue EPS of Rs. 2.54 is [●]%

Net Asset Value (NAV) per Equity Share

As of fiscal 2006: Rs. 15.86;

After the Issue: Rs. [●]

The face value of the Equity Shares is Rs. 10 and the Issue Price is 7.5 times the face value at the lower end of the Price Band and 9.0 times the face value at the higher end of the Price Band.

NAV has been calculated as per the following formula:

(Shareholders' equity less miscellaneous expenses)/ (Total number of Equity Shares outstanding at the end of the period)

Comparison with Industry Peers

Based on the nature of services we provide, the comparison of accounting ratios for the closest comparable listed competitor in India is given below:

Particulars	Price Per Share(1)	NAV (Rs.)(2)	EPS (Rs.)(3)	P/E (times)	RONW%	Price/ Book Value
Accel Frontline Limited	N A	35.04	5.56	N A	15.86	N A
Peer group						
(i) CMC Limited	517.00	139.10	16.00	22.70	13.10	3.72
(ii) HCL Infosystems Limited	156.00	25.60	6.60	23.70	32.10	6.09
(iii) Tata Elxsi Limited	216.00	21.20	10.10	17.70	56.90	10.19
(iv) 3i Infotech Limited	167.00	51.20	5.30	19.90	18.30	3.26
Peer group average	264.00	59.28	9.50	21.00	30.10	5.82

(Source: Capital Market Volume XXI/13, dated August 28 – September 10, 2006, Category "Computers – Hardware combined with Computers – Software – Medium/Small"")

(1) Price per share has been taken as the closing price on August 21, 2006

(2) NAV (book value per share) has been calculated as per latest Fiscal which is year ended March 31, 2006.

(3) EPS is for the fiscal 2006.

The Issue Price of Rs. [●] has been determined by our Company, in consultation with the BRLM, on the basis of the demand from investors for the Equity Shares through the Book-Building Process and is justified based on the above factors.

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO OUR COMPANY AND ITS SHAREHOLDERS

To

The Board of Directors
Accel Frontline Limited
75 Nelson Manickam Road
Aminjikarai
Chennai 600 029

Dear Sirs,

We hereby report that the enclosed statement states the possible tax benefits available to the Company and to the shareholders of the Company under the Income Tax Act, 1961, Wealth Tax Act, 1957 and the Gift Tax Act, 1958 presently in force in India. Several of these benefits are dependent on the Company or it shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

1) the Company or its shareholders will continue to obtain these benefits in future; or

2) the conditions prescribed for availing the benefits have been/would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

For K S Aiyar & Co.,
Chartered Accountants

Sd/-
S Narayanan
Managing Partner
Membership No.29724

Place : Chennai
Date : August 23, 2006

STATEMENT OF TAX BENEFITS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

The following tax benefits shall be available to the Company and the prospective shareholders under Direct Tax.

1. To the Company - Under the Income-tax Act, 1961 (the Act)

1.1 Under section 10A of the Act, 90% Profits derived from the undertakings, registered with Software Technology Park of India or Electronic Hardware Technology Park In India, from export of article, thing or computer software are exempt from tax up to assessment year 2009-2010 subject to the other conditions mentioned therein.

1.2 Under Section 32 of the Act, the Company can claim depreciation allowance at the prescribed rates on tangible assets such as building, plant and machinery, furniture and fixtures, etc. and intangible assets such as patent, trademark, copyright, know-how, licenses, etc. if acquired after March 31, 1998. In terms of Clause (ii a) of sub-section (1) of section 32 of the Act, the Company is entitled to further deduction of 20% as additional depreciation on new plant & machinery acquired and installed after 31st March 2005, subject to conditions specified therein.

1.3 Under Section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure incurred of the nature specified in the said section, including expenditure incurred on present issue, such as under writing commission, brokerage and other charges, by way of amortization over a period of 5 successive years, subject to the stipulated limits. However, the registration fees paid for increase of authorized capital of the company shall not be regarded as revenue expenditure and hence not an allowable expenditure as per the Act.

1.4 In terms of Section 115 JAA (1A) of the Act tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act for any Assessment Year commencing on or after April 01, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose. The set off period has since been increased to seven years in the finance bill 2006.

2. To the Members of the Company – Under the Income Tax Act

2.1 Resident Members

a) Under Section 10(34) of the Act, income earned by way of dividend from domestic Company referred to in Section 115-O of the Act is exempt from income-tax in the hands of the shareholders.

b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the Company or unit of an equity oriented mutual fund (i.e. capital asset held for the period of twelve months or more) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.

c) In terms of Section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions provided the amount of deduction under this sub section shall not exceed the amount of income tax on such income computed in the manner specified in the sub section.

d) As per the provisions of Section 10(23D) of the Act and subject to the provisions of Chapter XII-E, all mutual funds set up by public sector banks, public financial institutions or mutual funds registered under the Securities and Exchange Board of India (SEBI) or authorized by the Reserve Bank of India and subject to such conditions as the Central Government may by notification specify in this behalf, are eligible for exemption from income-tax, subject to the conditions specified therein, on their entire income including income from investment in the shares of the Company.

(e) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets other than those exempt u/s 10(38) shall be exempt from tax, if the whole or any part of capital gains is invested in the long term specified asset as stated in the section and subject to the conditions laid down in the section Thus, exemption is not available under section 54EC of the Act in respect of short term capital gain.

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the long-term investment in specified assets are transferred or converted into money within three years from the date of their acquisition.

f) Under Section 54F of the Act, where in the case of an individual or HUF, capital gain arise from transfer of long term assets other than a residential house and those exempt u/s 10(38) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

g) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a Company or unit of an equity oriented mutual fund, which is subject to securities transaction tax and the transaction of sale of such equity share or unit is entered into on or after the date on which chapter VII of the Finance (No.2) Act, 2004 comes into force will be taxable under the Act @ 10% (plus applicable surcharge and educational cess).

Provided that in the case of an individual or a HUF, being a resident, where the total income as reduced by such short term capital gains is below the maximum amount which is not chargeable to Income Tax, then, such short term capital gains shall be reduced by the amount by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to tax and the tax on the balance of such short term capital gains shall be computed at the rate of 10%.

h) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains not covered under Section 10(38) of the Act arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

2.2 Non Resident Indians/Members other than Foreign Institutional Investors and Foreign Venture Capital Investors

a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from a domestic Company referred to in Section 115-O of the Act, is exempt from tax in the hands of the recipients.

b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the Company or unit of an equity oriented mutual fund (i.e. capital asset held for the period more than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.

c) **Taxation of Income from investment and Long Term Capital Gains other than those exempt u/s 10(38).**

(i) A Non-resident Indian, i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the special provisions contained in Chapter XIIA of the Act, i.e. "Special Provisions Relating to certain incomes of Non-Residents".

(ii) Under Section 115E of the Act, where shares in the Company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident Indian on transfer of shares held for a period exceeding 12 months shall, in cases not covered under Section 10(38) of the Act be concessionally taxed at a flat rate of 10% (plus applicable surcharge and educational cess on Income-tax) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to Section 48 of the Act.

(iii) Under provisions of section 115F of the Act, long term capital gains not covered under section 10(38) of the Act arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

(iv) Members other than Foreign Institutional Investors and Foreign Venture Capital Investors – Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company held for a period exceeding 12 months, shall be taxed at applicable rates.

2.2.1 Return of Income not to be filed in certain cases

Under provisions of Section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

2.2.2 Other Provisions of the Act

a) Under Section 115-H of the Act, a non resident Indian, who becomes assessable as resident in India in any previous year, may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of this Chapter shall continue to apply to him in relation to such income for that assessment year and every subsequent assessment year until the transfer (other wise than by transfer) into money of such assets.

b) Under section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of this chapter for any assessment year by furnishing a declaration in his return of income for that assessment year under section 139 that the provision of this chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him for that assessment year and his total income for that assessment year shall be computed and tax on such total income shall be charged in accordance with the provisions of this Act.

c) Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

d) In terms of Section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.

e) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets other than those exempt u/s 10(38)] shall be exempt from tax, if the whole or any part of capital gains is invested in the long term specified asset as stated in the section and subject to the conditions laid down in the section.

If only part of the capital gain is so reinvested, the exemption shall be exempted to the extent of the cost of the acquisition of the long term specified assets. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

f) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets, other than a residential house and those exempt u/s 10(38), then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

g) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a Company or unit of an equity oriented mutual fund, which is subject to securities transaction tax and the transaction of sale of such equity share or unit is entered into on or after the date on which chapter VII of the Finance (No.2) Act, 2004 comes into force will be taxable under the Act @ 10% (plus applicable surcharge and educational cess).

Provided that in the case of an individual or a Hindu undivided Family, being a resident, where the total income as reduced by such short term capital gains is below the maximum amount which is not chargeable to Income Tax, then, such short term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to tax and the tax on the balance of such short term capital gains shall be computed at the rate of 10%.

Where the gross total income of an assessee includes any short term capital gain referred to in section (1), the deduction under Chapter VI A shall be allowed from the gross total income as reduced by such capital gains.

Where the total income of an assessee includes any short-term capital gains referred to in sub section (1) the rebate under section 88 shall be allowed from the income tax on the total income as reduced by such capital gains

2.3 **Foreign Institutional Investors (FIIs)**

a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from another domestic Company referred to in Section 115-O of the Act, are exempt from tax in the hands of the institutional investor.

b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the Company or unit of an equity oriented mutual fund (i.e. capital asset held for the period of twelve months or more) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.

c) In terms of Section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.

d) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a Company or unit of an equity oriented mutual fund, which is subject to securities transaction tax will be taxable under the Act at the rate of 10% (plus applicable surcharge and educational cess).

e) Under section 115AD capital gain arising on transfer of short capital assets, being shares and debentures in a Company, are taxed as follows:

   (i) Short term capital gain on transfer of shares/debentures entered in a recognized stock exchange which is subject to securities transaction tax shall be taxed @ 10% (plus applicable surcharge and educational cess); and

   (ii) Short term capital gains on transfer of shares/debentures other than those mentioned above would be taxable @ 30% (plus applicable surcharge and educational cess).

f) Under section 115AD capital gain arising on transfer of long term capital assets, being shares and debentures in a Company, are taxed @ 10% (plus applicable surcharge and educational cess). Such capital gains would be computed without giving effect to the first and second proviso to section 48. In other words, the benefit of indexation, direct or indirect, as mentioned under the two provisos would not be allowed while computing the capital gains.

g) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets other than those exempt u/s 10(38) shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

   (i) National Highways Authority of India constituted under Section National Bank for Agriculture and Rural Development established under 3 of National Highways Authority of India Act, 1988;

   (ii) Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;

   If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

2.4 Venture Capital Companies / Funds

As per the provisions of section 10(23FB) of the Act, income of

- Venture Capital Company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and
- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette set up for raising funds for investment in a Venture Capital Undertaking is exempt from income tax.

3. Wealth Tax Act, 1957

4. The Gift Tax Act, 1957

Shares in a Company held by a shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth-tax Act, 1957; hence, wealth tax is not leviable on shares held in a Company.

Gift of shares of the Company made on or after October 1, 1998 are not liable to tax.

Notes

a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.

b) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.

In view of the individual nature of tax consequence, each investor is advised to consult his/ her own tax adviser with respect to specific tax consequences of his/ her participation in the scheme.

SECTION IV: ABOUT THE ISSUER COMPANY

INDUSTRY

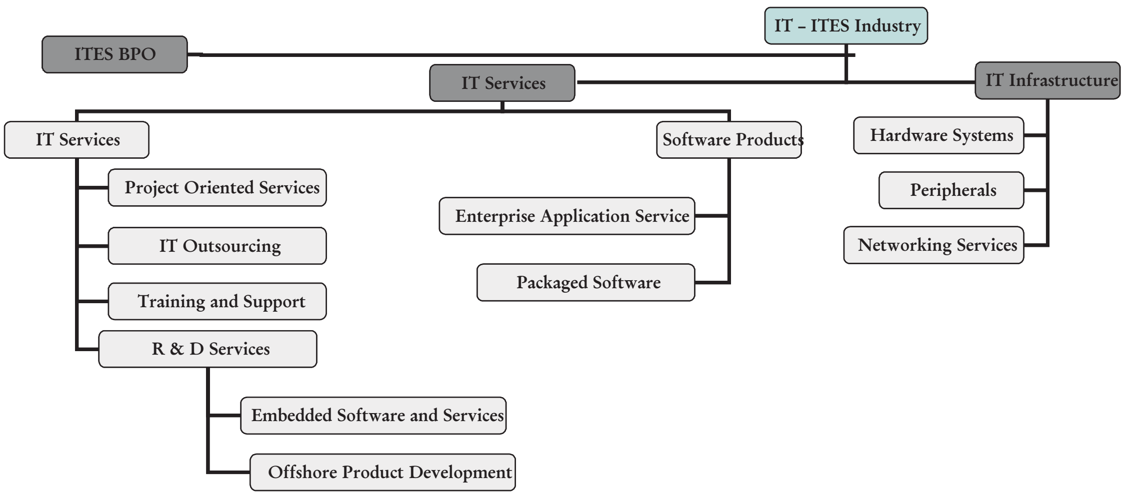
For the purpose of this section, we have relied on information available in the NASSCOM-McKinsey Report 2005, NASSCOM Strategic Review 2006 – The IT Industry in India, Gartner/Dataquest reviews and other publicly available data sources. All figures/graphs mentioned in this chapter are from the NASSCOM Strategic Review 2006 – The IT Industry in India.

Introduction

Information technology is becoming a harbinger of change across various walks of life. Corporations, governments, and individuals are adapting to the various technological products and services in order to derive more value from the existing systems and solutions. Ever-changing and exacting customer demands, globalization, rapidly changing economic and business scenarios, along with the proliferation of Internet technologies and the steep 'S-curve' of technological innovation are responsible for fuelling the corporations' needs for technological solutions towards their business needs. To adequately address these needs, corporations are focusing on their core competencies and are using outsourced technology service providers to help improve productivity, develop new products, conduct research and development activities, reduce business risk, and manage operations more effectively. Time-to-market considerations and the requirement of low cost solutions are making technology decisions a critical element in a corporation's overall business strategy.

Today the demand for such IT consulting, services and products can be mapped on a continuum varying from IT Infrastructure / Application outsourcing to customized techno-business solutions. Again, these solutions will be on an array of technological platforms such as Microsoft, Oracle, Linux, legacy (AS/400) systems, J2EE etc. This complexity of requirements versus technological platforms makes it all the more important for technology firms to have horizontal expertise across technologies as well as vertical expertise in terms of business and process understanding. Apart from services, the growth in this field has also accentuated the need for IT Infrastructure support services, such as managing the desktops, printers, networks, communications and other related infrastructure along with the setup and maintenance of security protocols, disaster recovery and business continuity infrastructure.

The IT-ITES Industry structure can be pictorially represented as: *(Source: NASSCOM McKinsey Report 2005)*



Salient business concepts in Information technology management

IT-ITES Industry structure showcases the entire spectrum of the information technology business space. Some of the salient business concepts and models which form the essential elements in a technology firm's offering are briefed upon in the following paragraphs.

Application Management Outsourcing

Today's enterprises typically run on at least three different technologies, and to add to this, there are different generations of the same technology. This makes it all the more challenging to maintain the entire system both in terms of cost as well as resources. Application Management Outsourcing is the solution offered by technology companies to streamline, realign, manage and maintain the application packages (software or platform) in particular or the holistic technology and infrastructure setup. Some of the key elements of strategic outsourcing service would include consulting (performance audits, gap analysis. process optimization, solution implementation template, and compatibility checks), implementation (product integration, 3rd party Commercial-Off-the-Shelf implementation, product migration services), support services and maintenance services (troubleshooting, corrective maintenance, service enhancements).

IT Infrastructure Outsourcing

The fast changing IT landscapes continuously challenge businesses to keep up the pace. Building such complex solutions, that involve such a variety of technologies, platforms and standards, typically cannot be handled by the in-house IT Infrastructure group of most enterprises. In order to facilitate such enterprises, technology firms offer custom application development services and end-to-end IT sourcing. Custom application development services typically include solution architecture and design (project management, solution architecture and system requirement templates), development and implementation (programming, testing and deployment), migration and upgradations (functionality and version upgrades) and testing and maintenance services. End-to-end outsourcing includes consulting services (business assessment & solution impact consulting and IT migration strategy) along with the custom application development, testing, and support functions.

Outsourced Product Development

Enterprises can outsource their IT programming requirements after deciding on their product idea/requirements to skilled 3rd party specialists in software product engineering. This would result in lowering production costs, accelerating time-to-market and effectively managing the product lifecycle. Such a service would include customized product development (prototype development, product development, migration, and reengineering), testing and quality assurance (performance, functional, compatibility, stress, white box, regression and other testing tools) and maintenance services.

Enterprise Application Services

Enterprise Application Services or Enterprise Resource Planning (ERP) or Commercial-Off-the-Shelf (COTS) systems are management information systems that integrate and automate many of the business practices with the operational activities of the enterprise. Typically, an ERP solution is (or uses) a relational databse system and includes multiple functions such as production, logistics, sales & marketing, finance & accounting, information technology and human resources. Back office enterprise application services typically are non-customer facing applications whereas, front office enterprise application systems interact with non-enterprise entities such as customers, suppliers etc. The focus in the coming days is shifting towards more of front offices enterprise solutions such as Customer relationship management applications, eGovernment, eCommerce, eSchool etc. which are more service-centric solutions. The deployment of Enterprise application services can involve considerable business process analysis and reengineering, employee retraining, and new work flows.

Enterprise Application Integration

Enterprise Application Integration (EAI) is the use of software and technology systems' architectural principles to integrate a set of enterprise computer applications. In many enterprises there are multiple stand-alone applications systems (different technologies and different platforms) servicing different requirements. However, when the need arises to achieve synchronization across these systems it becomes a challenging task to let one system speak to the other. EAI solutions work towards consolidating and leveraging existing IT systems to create a "mix-and-match" approach. There are two approaches towards such applications:

(i) Traditional approach

A middleware software approach focused on providing connectivity (involves a set of enabling technologies or programming that allow multiple processes running on one or more systems to interact across to each other) across a network so as to exchange information between systems. Some of the off-the-shelf integration platforms available today are WebMethods, Tuxedo, Vitria, TIBCO, SeeBeyond, etc. Technology firms having capabilities in the above mentioned platforms offer their skills for designing and customizing the EAI solution.

(ii) Service Oriented Architecture/Web-based approach

A Service-Oriented Architecture (SOA) leverages open standards to represent virtually all software assets as services, including legacy applications, Commercial-Off-The-Shelf (COTS) systems, Custom development applications, J2EE/ .NET components, CORBA objects, EDI and Web Services, to name a few. Such an approach provides a user with a standard way for representing and interacting with software assets without spending time working with unique interfaces and low-level APIs. SOA provides a single, simple architectural framework based on Web Services, in which application functionalities can be built, deployed and managed. This paradigm is considered to reduce complexity, cost and risk of integration of varied multiple applications in an IT environment.

Application Development & Maintenance

Application development services encompass outsourced custom software development at an offshore (non-client) location. Some of the important decision points for outsourcing application development and maintenance can be enumerated as: (a) ready pool of experienced people, (b) mature quality and offshore development processes, (c) robust internet-based communication platform and (d) financial stability of the vendor, (e) Client interaction and relationship management. Such assignments generally follow a project based approach and hinge on reduced fixed and variable costs without any compromise on the quality considerations to the business enterprise outsourcing its application development.

Security, Disaster Recovery and Business Continuity Services

The IT department of a modern enterprise is now concerned about protecting data or making sure that critical business processes that depend on IT applications and resources remain accessible and effective, and to ensure that the applications and information that drive critical business processes are available as soon as they are needed, whenever they are needed. As the dependence of IT applications and information is becoming so critical in the recent times, the cost of failure is high. Security services include logical and physical data control and protection, e.g., demilitarised zones, IP mapping, factor authentication, user hierarchy control etc. Disaster Recovery and Business continuity services include contingent IT infrastructure planning, data storage, replication and retrieval solutions, re-set up of the critical business applications etc.

Engineering and R&D Services and Software Products

R&D Services and software products include in-house development of a software application based on internal research and in-depth knowledge and experience of a particular business industry / idea. Such software products are usually targeted to a specific industry or business process, e.g., Enterprise Resource Planning application for the automotive spare parts manufacturing industry. Engineering services augment processes associated with product development and includes design elements of the product, its infrastructure requirements and processes required in manufacturing the product.

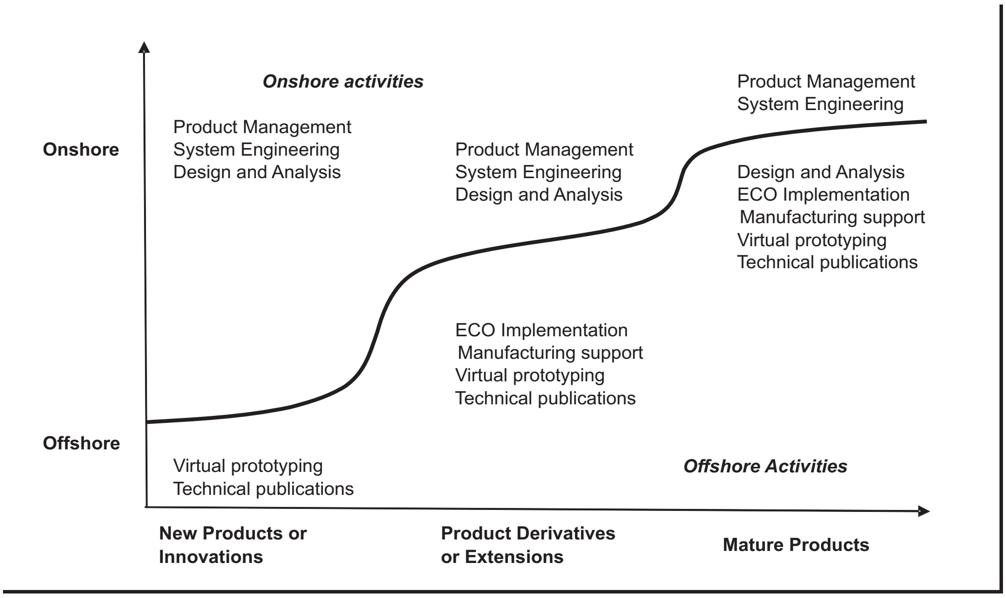


Figure 1. Assessing portability by product lifecycle

Global and Indian IT industry scenario

The global IT-ITES industry witnessed a growth rate of nearly 7% in the fiscal 2005 with healthier IT spending in the US and Western Europe and a strong growth in emerging economies.This growth story was fuelled primarily by the Business Process Outsourcing (BPO) services. Services, comprising IT services, product engineering and BPO account for 58% of the worldwide aggregate spend and thus form the fastest growing segment of the industry. Hardware (28%) and software (14%) spending grew by 6.5% and 5.1%, respectively (Diagrammatic representation as in Figure 1 – Worldwide IT sector growth and Figure 2 – APAC IT sector growth).

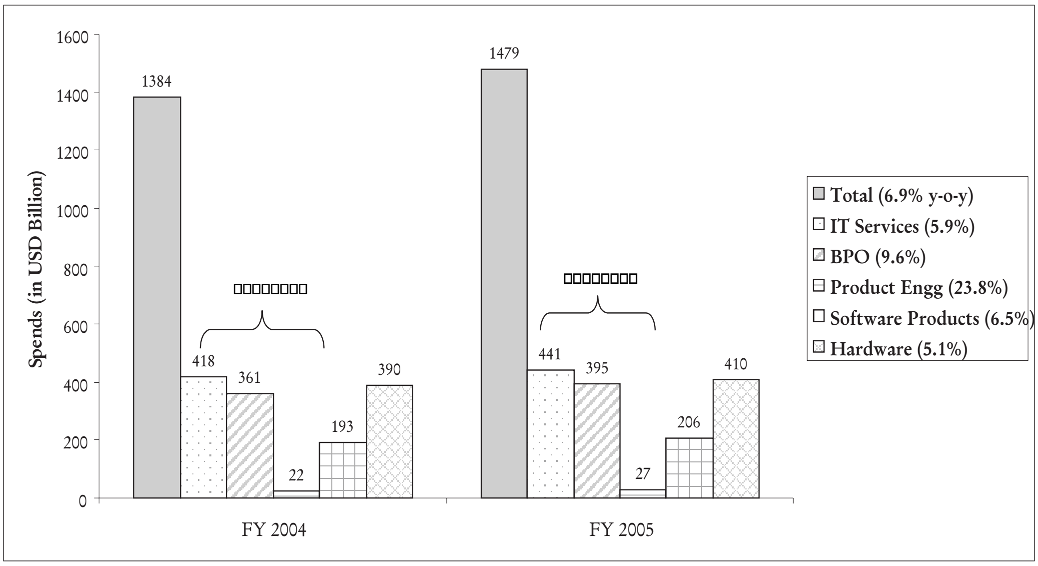


Figure 2. Growth in worldwide IT (including hardware, software, and services) and related business services spends in 2005 (USD Billion)

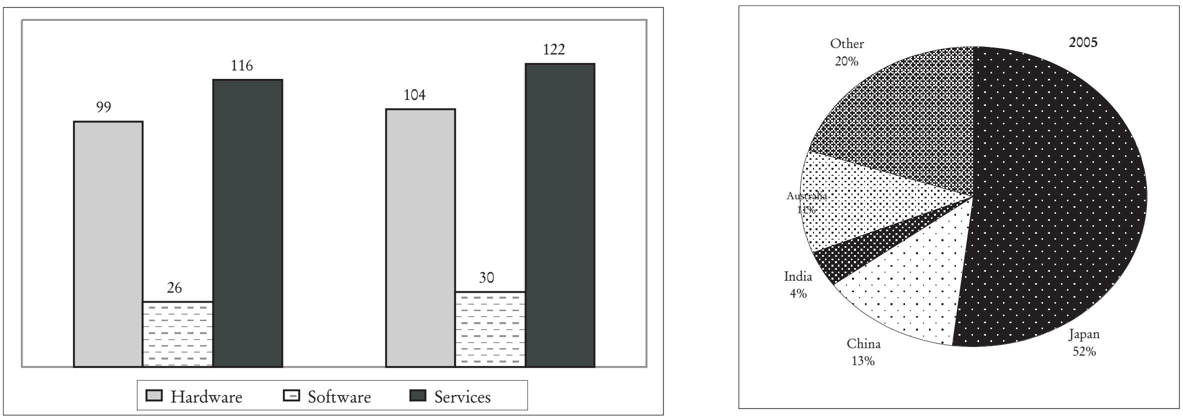


Figure 3. Asia-Pacific: Growth and share of key markets in IT (including hardware, software, and services) and related business services spends in 2005 (USD Billion)

During this fiscal, the prominence of India as one of the preferred offshore delivery locations was established with the Indian IT players making their presence felt in the world radar with their effective and low-cost delivery capabilities[1] and also with the global IT majors ramping up their offshore delivery units in India. Also, the nature of the projects has shifted from being module-based assignments to more mature, more complex and high-value assignments. The Indian IT-ITES industry has grown at a CAGR of over 28% since fiscal 2000. IT services and software contributed over 47% of the total industry revenue in fiscal 2005,

1 Top performing publicly listed IT companies have shown a top line y-o-y growth of 34% in the fiscal 2005.

the hardware, ITES-BPO and engineering and R&D Services segments accounted for 21%, 18% and 14% respectively. A diagrammatic representation of the Indian IT and related business services – total revenues (Figure 3), Exports (Figure 4) and domestic market revenue (Figure 5) are provided below.

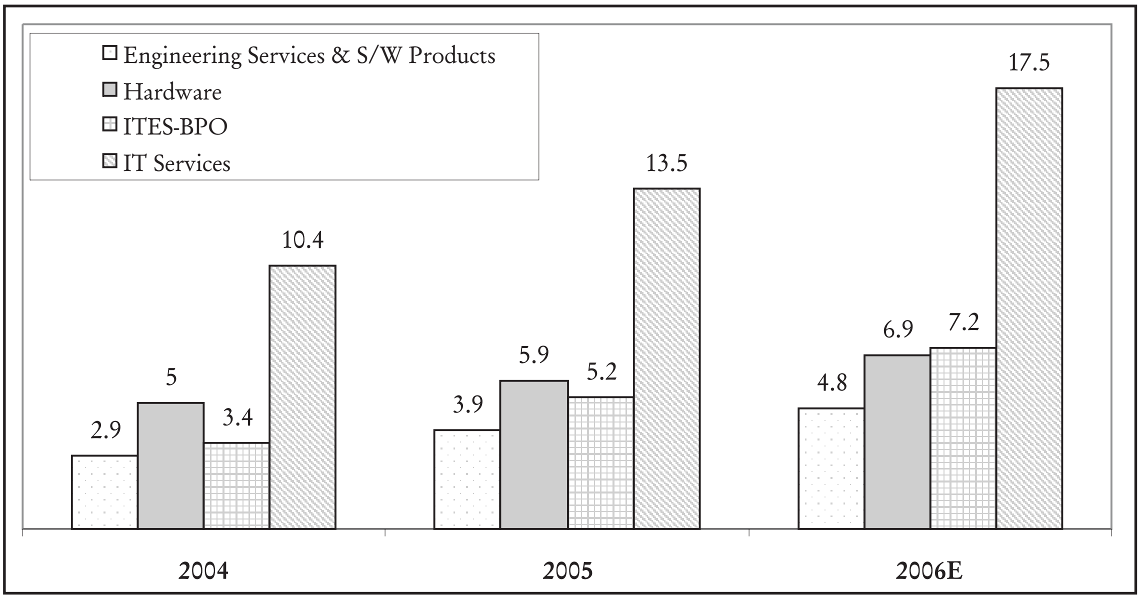
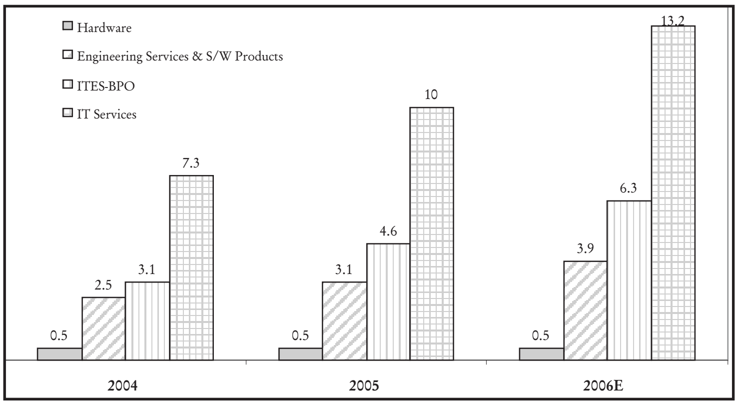


Figure 4. Indian IT (including hardware, software, and services) and related business services Total Revenue: Growth trends and share of key segments (USD Billion)



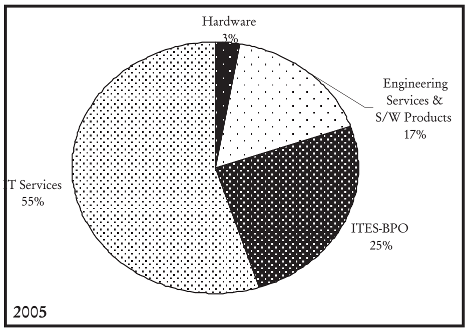
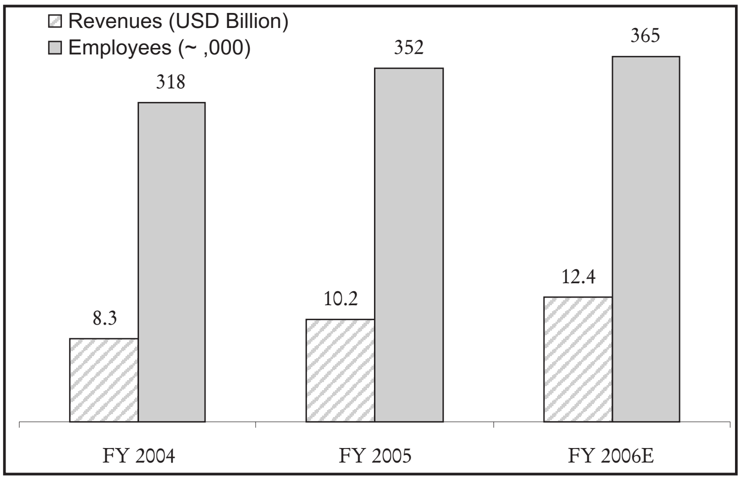


Figure 5. Indian IT (including hardware, software, and services) and related business services Exports: Growth trends and share of key segments (USD Billion)



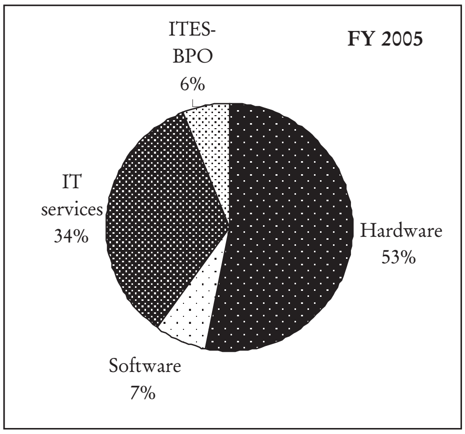


Figure 6. Asia-Pacific: Growth and share of key markets in IT (including hardware, software, and services) and related business services spends in 2005 (USD Billion)

Business Segment Forecasts

IT Infrastructure (Hardware)

IT Infrastructure captures the biggest pie of the IT spending in India (53% in FY 2005). Pricing pressures apart, the domestic hardware revenues have grown by 22% in the fiscal 2005 and this growth rate is expected to sustain in the coming years as well. Telecom, BPO, Banking, Manufacturing and Education are the key sectors driving the growth in the hardware industry (including Workstations, Desktops, Servers, Peripherals, networking equipments and other hardware infrastructure). The growth trends across the key categories in the Indian market are tabulated below.

IT Infrastructure Domestic: Growth trends in key categories (in USD Million)

	FY 2003-04		FY 2004-05		Y-O-Y Growth (%)	
	Units	Value	Units	Value	Units	Value
Hardware Systems		2,373.6		2,731.6		15.1
Non-PC Servers	3,939	200.0	5,853	231.0	48.6	15.1
High End	44	49.0	38	35.0	-13.6	-27.7
Mid-range	1,666	128.0	1,958	156.0	17.5	21.4
Low-End	2,229	24.0	3,857	40.0	73.0	69.0
PC Servers	52,193	191.0	67,093	230.0	28.5	19.9
Workstations	21,536	62.0	32,388	83.0	50.4	33.6
Personal	19,541	47.0	30,158	67.0	54.3	43.4
Itanium-based	46	0.2	79	0.4	71.7	100.9
Traditional	1,949	15.0	2,151	15.0	10.4	1.9
Single-User Systems	2,782,503	1,920.0	3,600,838	2,189.0	29.4	14.0
Desktops	2,691,823	1,772.0	3,382,767	1,883.0	25.7	6.2

	FY 2003-04		FY 2004-05		Y-O-Y Growth (%)	
	Units	Value	Units	Value	Units	Value
Notebooks	90,680	147.0	218,071	306.0	140.5	107.2
Peripherals	**980.0**	**1,622,443**	**1,162.0**		**18.5**	
Printers	1,382,993	329.0	432,063	385.0	17.3	17.1
DMP	397,474	122.0	258,512	128.0	8.7	5.3
Laser	155,902	64.0	689,391	94.0	65.8	45.3
Ink-jet	690,000	49.0	242,477	48.0	-0.1	-0.9
MFD	139,617	94.0		115.0	73.7	22.4
Other Peripherals		651.0		777.0		19.3
Networking Equipment		**655.0**		**873.0**		**33.4**
Others	**434.0**		**589.0**		**35.9**	
GRAND TOTAL		**4,442.0**		**5,356.0**		**20.6**

Table 1. Growth trends in key categories of IT Infrastructure in India (in USD million)

Hardware systems demand has been strong with servers as well as single-user systems showing around 30% growth and is expected to remain so. Leveraging open source technology and with technology supporting Linux as well as Windows applications and with lower prices, Sun servers are expected to register good growth. IBM also has shown a y-o-y growth of 25%. Also, the PC market has seen an increased price competition amongst the multiple MNC brands, Indian brands and assemblers. However, the PC penetration in India is low with about 9 computers per thousand persons as compared to a global average of 27 computers per thousand people and thus the growth potential in this segment is high. This growth is also shared by the Notebooks segment which has seen a growth of 140% in the previous fiscal. Peripherals have also followed the growth trajectory of the other segments with printers, multi-function devices and other such devices gaining more visibility and attention and also increased usage. Networking equipments show a positive growth curve owing to multiple projects especially in the banking, manufacturing, telecom sectors and in e-governance projects and an overall boost in IT infrastructure.

IT Services

IT Services exports are projected to grow by about 33% in the current fiscal and constitute a major portion of the Indian IT industry revenues. Traditional areas include custom application development and application management which have a steady demand and newer areas such as software testing, IT consulting and remote IT infrastructure management have been on a rising growth trajectory.

Indian IT Services Exports: Growth Trends in Key Services Categories (USD Billion)			
Service Categories	**FY 2004**	**FY 2005**	**FY2006E**
Project Oriented Engagements	**4.04**	**5.58**	**7.39**
Custom Application Development	**3.71**	**4.98**	**6.60**
IT Consulting	0.13	0.25	0.33
Systems Integration	0.15	0.20	0.26
Network Consulting and integration	0.05	0.15	0.20
Outsourcing Engagements	**2.57**	**3.29**	**4.36**
Application management	2.27	2.69	3.56
IS Outsourcing*	0.30	0.60	0.79
Support and training	**0.64**	**1.10**	**1.45**
TOTAL	**7.25**	**9.96**	**13.20**

* Includes network & desktop outsourcing, hosting infrastructure services, IT infrastructure management services

Table **2. Growth trends in key services categories of Indian IT Services Exports (in USD billion)**

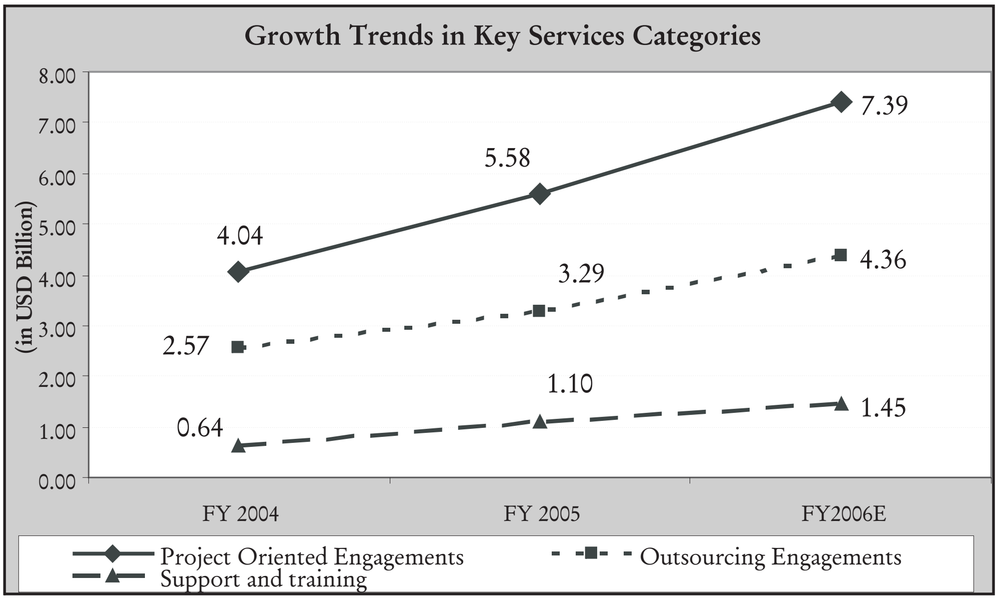


Figure 7. Graphical representation of the growth in key services categories

With the Indian share in the software offshoring services increasing, primarily due to the demand for Custom Application Development & Maintenance (CADM), revenues earned from project based services have gone up to 56% of the total IT services exports. It is also expected that the CADM services would grow at a CAGR of 3 – 4% and that sourced from offshore to grow at about 8% CAGR over 2005-2009. Application management, IS outsourcing/infrastructure, network and desktop management services combined together constitute 28% of the exports revenue pie.

System Integration and IT consulting has been a stronghold of onshore IT firms because of the 'high-touch' nature of services, and Indian firms have limited penetration in this sector. However, there is a shift of such services to low-cost centres (through partial offshoring) and also Indian companies are actively engaged in building capabilities in this segment. Revenues from this segment is expected to grow at a rate of around 12-13% over the coming years mostly through demand for process consulting and reengineering services.

Indian IT services industry has been traditionally strong in the IT outsourcing engagements led by the application management services. With the increasing confidence of customers in the offshoring model and with the concept of remote application management, this sector has seen a growth of about 20% in the previous years and is estimated to maintain a CAGR of 12% in the coming five years. Relatively newer for the Indian offshore players, the IS outsourcing & infrastructure management services have been a challenge. One of the key reasons being the capital intensive business model of this service which required the IT firms to have reached a significant scale and market capitalization to undertake the required investments. Estimates indicate that about 70% of the overall IMS market to be efficiently delivered through a global delivery model and the Indian IT firms surely would be eyeing at a lion's share of this market. On the other hand, worldwide spends on IS outsourcing are projected at a 5.6% CAGR over the next five years and with the "business risks" of the Indian IT firms reducing, the Indian players are expected to have a deeper penetration in this category of services through onshore / near-shore presence.

Within the support and training services segment of Indian IT services exports, application implementation, software/hardware deployment and support services form the largest category. This market is projected to reach USD 1.3 billion in fiscal 2006. Key trends driving the positive forecasts in this segment include customers seeking cost effective means of transferring the responsibility of managing the software required to run the growing number of devices – without losing full control over their IT infrastructure.

In the domestic market, noticeable growth from the IT services sector has been seen due to a deeper penetration and with an increased variety of services offered. In the current fiscal, a growth of 21% is expected in this segment. System Integration requirements and custom application development along with the increased adoption of managed services and total outsourcing solutions by domestic firms have been the primary reasons for the strong growth in this segment. The various segments' growth trends in the domestic market have been tabulated below.

Indian IT Services Domestic: Growth trends in key categories (in USD Million)			
SERVICE CATEGORIES	**FY 2004**	**FY 2005**	**FY 2006E**
Project Oriented Engagements	**1.04**	**1.17**	**1.49**
IT Consulting	0.09	0.11	0.13
Systems Integration	0.68	0.75	0.97
Custom Application Development	0.27	0.31	0.39
Outsourcing engagements	**0.50**	**0.51**	**0.66**
Application management	NA	0.37	0.48
IS Outsourcing*	NA	0.14	0.19
Support & Training	**0.69**	**0.91**	**1.13**
In-house / Captive IT	**0.88**	**0.92**	**0.96**
TOTAL	**3.11**	**3.51**	**4.25**

* Includes network & desktop outsourcing, hosting infrastructure services, infrastructure management services

Table 3. Growth trends in key categories of Indian IT services in the Domestic market (in USD million)

Emerging IT services

Some of the emerging IT services offerings include: software testing, Service-Oriented Architecture and Web services.

Independent software testing is a rapidly growing business opportunity for Indian service providers. As companies realize that the outsourcing of the testing services as a cost-effective method and also an effective tool for elimination of risks associated with developers testing their own products, they are increasingly interested in outsourcing such activities. Remote application testing also provides companies with a lower risk approach to engaging with an offshore outsourcing service provider.

With the increasing IT convergence technologies and products, Service Oriented Architecture (SOA) is witnessing more and more interest. A technologically more advanced and more project-specific, SOA could be considered as an extension to the middle-ware based technology solutions. SOA is a style of design, deployment, and management of software infrastructure and applications to create a more flexible digital embodiment of a business. SOA has evolved as a solution for complex and inflexible application infrastructure; by managing standards, protocols, information delivery, and application integration, IT organizations found that they could save money and increase flexibility through reducing architecture complexity and duplication. Especially with companies running multiple technologies (multiple versions, as well) for multiple business requirements, it is more cost-effective and more optimal to use SOA services. Web services are an application of SOA on enterprise applications, using languages, protocols and network facilities based on universally accepted standards that make business functions available over other internet to function more intelligently. Again, as web services are based on open standards they are easier to learn and effectively have lower cost implications to organizations. Therefore, more and more businesses are looking positively towards the SOA and web based technologies as a step ahead of the traditional Enterprise application integration solutions and it is expected that these services will contribute strongly to the revenue flows in the coming years, especially for IT firms which specialize in end-to-end system integration and total IT outsourcing services.

Engineering and R&D Services, and Software Products

Engineering and R&D Services poses a significant opportunity to the Indian IT industry. Many global players are sourcing their engineering and R&D services from Indian third-party providers and through their captive units in India. Revenues from this segment are expected to grow ten-fold (to about USD 4 billion) by the financial year 2005-2006 and the market itself is expected to grow over USD 27 billion over the next five years.

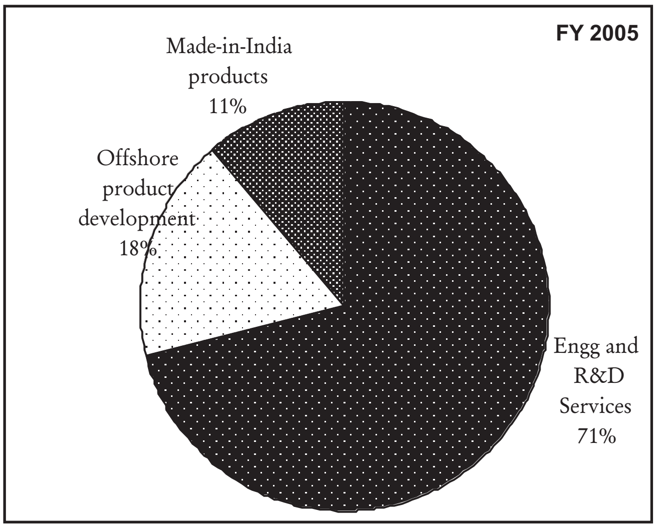


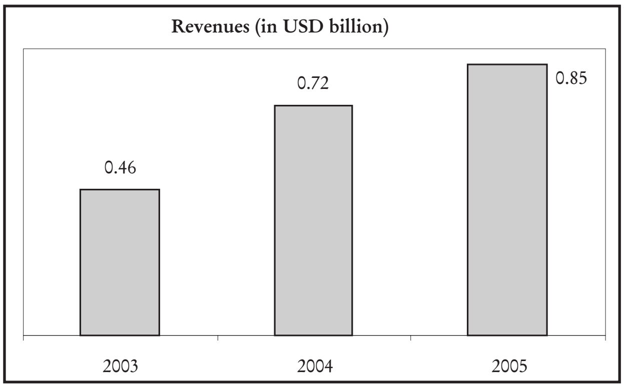
Figure 8. Engineering and R&D Services, and Software Product Exports: Growth Trends and share of key segments

Cost savings, quality improvement, flexibility and scale and scope advantages are the few factors which have played a major role in the concept of offshoring engineering and product development services in the recent years. India's strengths in the IT domain, effective delivery credentials and clients realizing the value in outsourced engineering and R&D, India is slated to grab a lion's share of this market.

Offshore product development is now recognized as a core element of most product-centric companies. India has grown from strength to strength in the IT product development. From lower-end activities at one point of time to delivering quality and technologically superior products at a cost advantage today, India has attracted more interest in the offshoring of product development. Value of offshore product development undertaken in India in FY 2004-05 was estimated at USD 570 million (up 21% over last year) and revenues earned from the export sale/resale/licensing of own/branded software products/IP from India have grown to reach USD 340 million in the fiscal 2004-05 and is estimated to cross USD 400 million in the FY 2005-06.

Growth of domestic IT adoption happened through the increase in IT spends of the large and medium enterprises. Enterprise application products were the key drivers of growth in this segment. Enterprise resource planning (ERP), customer relationship management (CRM) and supply change management (SCM) were the key priorities for enterprise application software spends and the demand is getting stronger for Business Information solutions, Data warehousing, mining and analytics. Application software accounted for approximately 43% of domestic spends on software in 2004. Total revenues in this segment were estimated at USD 310 million in FY 2004-05 and projected to reach USD 370 million in the current fiscal (growth rate ~ 18%).

Moreover, the Indian ERP applications market is estimated to have grown from USD 60 million in FY 2003-04 to USD 80 million in FY 2004-05 and is set to exceed USD 100 million by FY 2005-06.



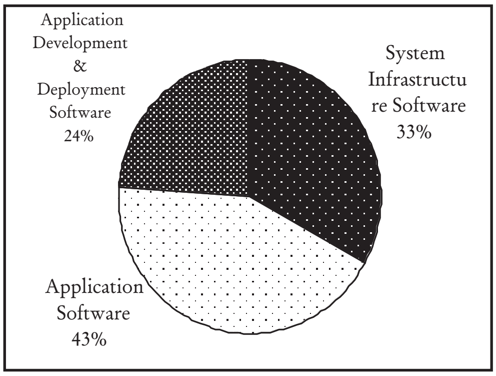


Figure 9. Domestic Software Products (including packaged software) Market: Growth trends and share of Key segments

Road ahead for the Indian IT-ITES Industry

The global economy seems to be on a steady recovery path, and the worldwide enterprises understanding the importance of Information Technology in their business and accordingly increasing the budgets towards IT spending will positively affect the future of the It-ITES industry. With the maturing of global delivery practices, emerging locations will emerge to tap the potential and grow, and India shall remain one of the leading destinations owing to its strong reputation as a quality and technologically superior solutions provider. Indian companies now figure amongst the leading IT companies and service providers and there is still headroom for growth in the global IT arena. Again, with the integration of the Indian economy with the global markets has forced organizations to improve their profitability by leveraging technology solutions. The Indian domestic market is thus being targeted by the Indian as well as MNC IT service providers and this would lead to the maturing of these markets and increased IT adoption.

Forecasts for Worldwide IT (including hardware, software and services) and related Business Services Spends (in USD Billion)

	2004	2005	2006	2007	2008	2009	2004-09 CAGR
Worldwide Aggregate	1,384.20	1,479.30	1,585.90	1,696.80	1,822.30	1,963.70	7.20%
Services Total	**800.60**	**863.20**	**935.60**	**1,013.10**	**1,099.50**	**1,197.90**	**8.40%**
IT Services	418.10	440.70	466.90	495.30	525.50	556.60	5.90%
Product Engineering	22.10	27.30	32.80	38.80	45.40	53.00	19.20%
ITES-BPO	360.40	395.20	435.90	479.10	528.60	588.20	10.30%
Software Total	**193.20**	**205.70**	**219.80**	**234.80**	**250.20**	**266.00**	**6.60%**
Hardware Total	**390.40**	**410.40**	**430.50**	**448.80**	**472.60**	**499.80**	**5.10%**

Table 4. Forecasts for Worldwide IT and related Business Services spends (in USD Billion)

Global IT-ITES spending is projected to grow at a CAGR of more than 7% over 2005-09. Aggregate IT spends, comprising amounts spent on hardware, software and IT services are forecast to grow at a CAGR of 6% over the same period. Spending on ITES-BPO is expected to grow significantly faster, at a CAGR of more than 10%, over the same period. Overall, the Indian IT industry is expected to export USD 60 billion by FY 2010 and will contribute to the export earnings, employment creation and in doubling its share in the national GDP.

BUSINESS

Unless stated otherwise, the financial data in this section is as per our consolidated financial statements prepared in accordance with Indian GAAP set forth elsewhere in this RHP. In this section only, any reference to “we”, “us” or “our” refers to Accel Frontline Limited on a consolidated basis.

OVERVIEW:

We are an Information Technology (“IT”) Services provider specialising in consulting, infrastructure, applications, outsourcing and support services. We offer a spectrum of information technology solutions that helps organisations gain a competitive edge in their business. The Accel group commenced operations as Accel Automation Private Limited in 1991. The group commenced operations by providing multi-vendor services for computers systems and repair services. Our Company was incorporated as Accel Computers Limited in 1995. In 2000, we acquired the systems and engineering services division of Fujitsu ICIM Limited and our name was changed to Accel ICIM Systems and Services Limited. In 2004, our Company entered into a strategic alliance with Singapore based Frontline Technologies Corporation Limited and changed its name to Accel ICIM Frontline Limited on August 27, 2004. Since we proposed to align our business model with that of Frontline, we decided to change our name to Accel Frontline Limited on November 3, 2005. Our business model has evolved over the years from being a computer maintenance services provider to a total IT solutions Company. We have structured our business by carving out four strategic business units (“SBUs”): 1. IT Infrastructure Solutions; 2. IT Infrastructure Management Services; 3. Enterprise Software Solutions; and 4. Business Process Outsourcing Services

Our IT Infrastructure Solution portfolio help customers to assess, build, deploy and optimise IT Infrastructure for mission critical applications. The solutions include system integration of data centres, networks, storage management, disaster recovery and security. These solutions are offered in association with leading technology providers, including Sun MicroSystems (“Sun”) and IBM. This SBU has been accredited with an ISO 9001:2000 quality certification. Our IT Infrastructure Solution SBU contributes about 54.72% of the total service turnover of our Company as of March 31, 2006.

Our IT Infrastructure Management Services SBU provides IT infrastructure maintenance, facilities management services, application management services and IT outsourcing. This SBU has been accredited with an ISO 9001:2000 quality certification. Our IT infrastructure management services SBU contributes about 30.31% of the total service turnover of our Company as of March 31, 2006.

We offer Enterprise Software Solutions services since 2001, which provide ERP consulting, application management, outsourced product development and industry specific solutions. We are focused on certain business verticals in the domestic and overseas markets, including manufacturing, education, healthcare, government, banking and finance and software practice groups. We have partnered with global software leaders such as Oracle, IBM and Microsoft to offer our services around their products like J.D. Edwards ERP solutions and Lotus Notes along with certain proprietary software products. Our Company has a software development and competency centre in Chennai with a capacity to house 500 software professionals. . The ESS division was formed as a SBU in fiscal 2005 and has been successfully assessed to meet SEI CMMi Level 5 in March 2005. Our Enterprise Software Solutions SBU contributes about 6.95% of the total service turnover of our Company as of March 31, 2006.

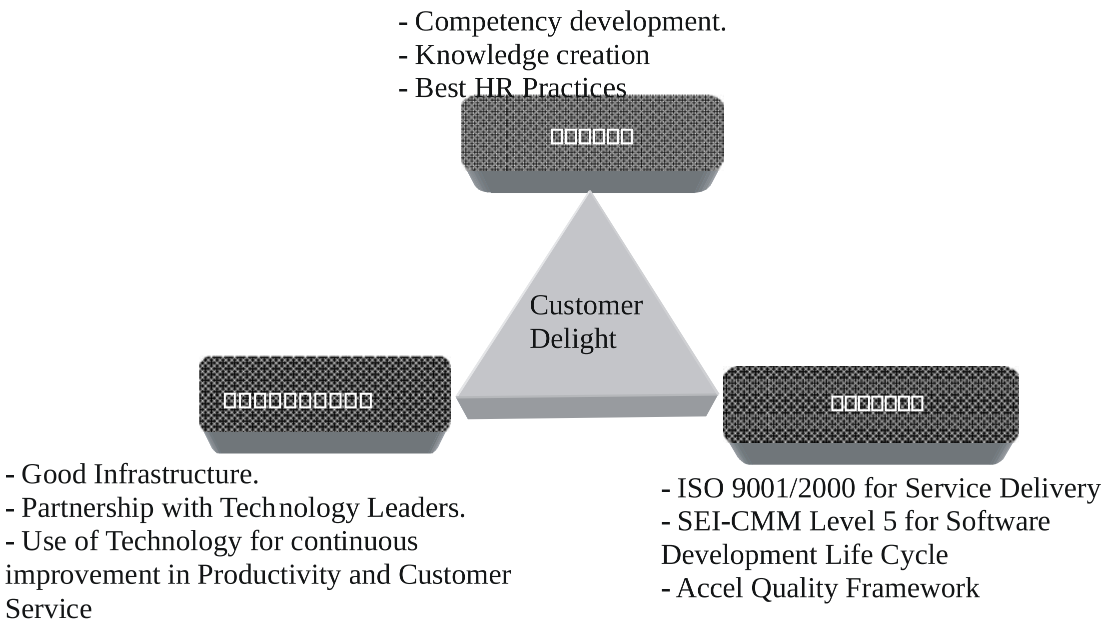
Our Business Process Outsourcing (“BPO”) services division provides warranty outsourcing, logistics management, repair depot and technical helpdesk services to major IT and telecom product companies in India. Our BPO SBU contributes about 8.01% of the total service turnover of our Company as of March 31, 2006.

We have established a network of support centres in the country spanning over 100 locations. Having established this multi-location presence in India, we propose to expand our operations in the Asia Pacific region with the help of our wholly owned subsidiaries in Singapore and Dubai and by leveraging our strategic partner, Frontline’s presence in seven countries in the Far East region including China, Malaysia, Thailand, Hong Kong, Taiwan, Phillipines and Singapore. As of March 31, 2006, we service over 2,270 customers in more than eight countries. Data Quest (in its July 15, 2006 edition) has indicated that our Company is a leading tier II IT Solution Provider with a focus on IT Infrastructure managment services.

Our total income on a consolidated basis was Rs. 1,408.18 million in fiscal 2004, Rs. 1,368.19 million in fiscal 2005 and Rs. 1,704.29 million in fiscal 2006. EBITDA was Rs. 67.95 million in fiscal 2004, Rs. 133.67 million in fiscal 2005 and Rs. 207.95 in fiscal 2006. Profit after tax was Rs. (30.02) million in fiscal 2004, Rs. 42.17 million in fiscal 2005 and Rs. 97.12 million in fiscal 2006.

BUSINESS PHILOSOPHY

A diagrammatic representation of our business philosophy is provided below:



Our motto is "*Delivering value through service*", which we aim to achieve by providing high quality solutions to our clients by efficient use of IT resources to meet their requirements at a lower cost of ownership. We are able to provide better customized services through a combination of techno-managerial expertise and in-depth industry knowledge.

Our vision is 'to become one of India's most respected IT services company'. Our mission is 'to offer products and solutions that meet international quality standards backed by full lifecycle support to bring substantial benefit to customers through lower cost of ownership'. The core values of our Company are 'customer care and delight', 'pursuit of excellence through quality', 'highest level of integrity', 'respect for the individual' and 'optimum value proposition'.

BUSINESS MODEL

Our business model has evolved over the years from being a computer maintenance services provider to a total IT solutions Company. We have structured our business by carving out four strategic business units:

- IT Infrastructure Solutions ("IIS")
- IT Infrastructure Management Services ("IMS")
- Enterprise Software Solutions ("ESS")
- Business process Outsourcing Services ("BPO")

Each of the SBUs are equipped to provide our customers with a bouquet of services to choose from in the relevant practice domains.

1. IT Infrastructure Solutions (IIS):

The IIS SBU provides solutions to meet the IT infrastructure and integration needs of our clients, by offering a range of high end IT infrastructure solutions backed by consulting, deployment and implementation support in association with Sun, IBM, Cisco, Oracle, Microsoft and a host of other international product vendors. We have a dedicated team of around 150 employees to service the client requirements. The solutions offered are in the following areas :

(i) Technology products and solutions:

As an IT systems integrator, we have partnered with certain technology companies like Sun, IBM, Cisco, Oracle, Microsoft to meet the customers' specific IT solution requirements and to provide sales and marketing support for the relevant IT products and solutions. Based on our long standing partnership with Sun, we are able to architect, design, plan and implement Enterprise based solutions related to data centers, back up and recovery, disaster recovery platforms, storage management and server consolidation.

(ii) Enterprise Network Deployment :

In order to meet certain clients requirements relating to Local Area and Wide Area Networking, Switching and Routing Solutions, Intranet / Extranet,Virtual Private Networks, Messaging Solutions, VOIP Solutions, Security Solutions and Wireless Solutions, we provide enterprise network deployment services.

(iii) Disaster Recovery/Business Continuity Platform:

We are able to offer certain services to ensure the continuity of IT processes by protecting, recovering and making available business critical information in the event of a disaster. Our consultants work with the client to understand the criticality of their information needs and to design and implement suitable disaster recovery processes and procedures.. We leverage our alliance with leading storage solution companies, including IBM, Sun, Symantec and Computer Associates for disaster management solutions. We are able to provide managed disaster recovery services using our own data centre located in Chennai and access Frontline data centres in Singapore to provide cost effective solutions to our clients.

(iv) IT Security Consulting and Implementation :

We provide security consulting, managed security services, and security products and user training.

Our security consulting range of services are provided in association with Frontline, where we are able to undertake risk management, penetration testing, vulnerabilityassessment, security policy and process design, network and operation systems protection.

As a separate service, we provide managed security services, including vulnerability assessment, firewall service, intrusion detection service, advisory service, and security policy compliance service and security defence management/ monitoring.

Our security product offering addresses the security needs of enterprises - ranging from Public Key Infrastructure (PKI), digital certificates, Virtual Private Networks (VPN) and Smart cards, firewalls, anti-virus software, content screening, URL filtering, intrusion detection systems, scanners, sniffers, to single sign-on, web access management, access control, policy compliance and audit.

2. IT Infrastructure Management Services (IMS):

We are able to provide clients with onsite and offsite service delivery methodologies to meet the service level agreements entered into with us, ranging from reporting of availability of technology infrastructure to advanced system administration activities. The objective of this service is to manage enterprise infrastructures from an availability (e.g. low down-times), manageability (e.g. remote managements) and performance (e.g. speed of operational responses) perspective. Our IT infrastructure management services help customers plan, integrate, modify, implement, transition, and ensure better performance of their IT infrastructure environment (including complete hardware, software, networks, security infrastructure and applications for the enterprise and web space). We have a dedicated team of around 1,200 IT infrastructure management professionals to service the client requirements.

We have internally adopted the internationally recognized IT Infrastructure Library (ITIL) framework to provide such services.

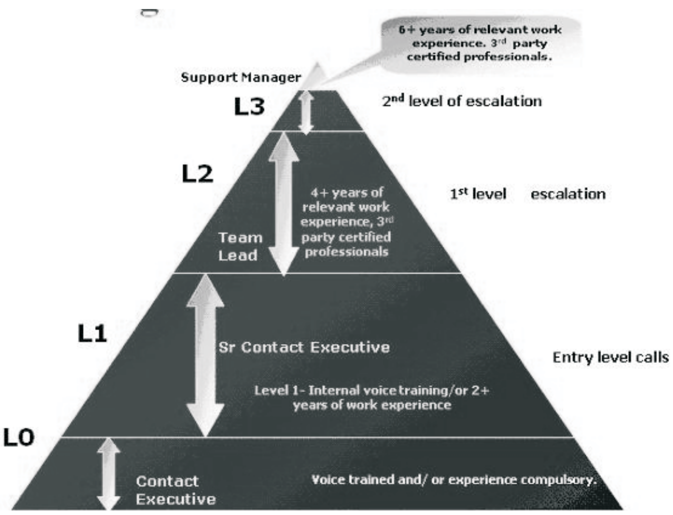
Using our extensive network of service centers in around 86 locations in India, we currently provide support to over 2100 customers. Some of the onsite services that we offer are:

- Maintenance, repairs, rectification, upgrade, downgrade, patches, drivers for servers and related IT equipment.
- Multi-vendor services for de-installation, movement, re-installation and preventive maintenance and corrective maintenance.

(i) Technical Help Desks

In order to better service our clients, we provide a comprehensive range of voice / web based helpdesk services manned by experienced supervisors and suitable infrastructure. For detail on the technical support centre structure for our help desks, please refer to the diagram below:

(ii) Facility Management



To manage the technology infrastructure of certain clients, we provide onsite facility management services, based on service level agreements for availability (e.g. low down-time), performance and security compliance.

We also provide customised solutions for facility management of IT Infrastructure for organizations. The services in facility management include help desk services (24x7), operating systems support - desktop/ network, applications software support, anti virus support, data centre support services, email application support, asset management, vendor management, software implementation and license tracking, IT infrastructure auditing services and IT outsourcing.

(iii) Web Hosting Services

We provide web hosting services, including options for fail-over mechanisms, load balancing, and other related services, to our clients from our data centre in Chennai and co-located servers in Atlanta, USA.

3. Enterprise Software Solutions (ESS) :

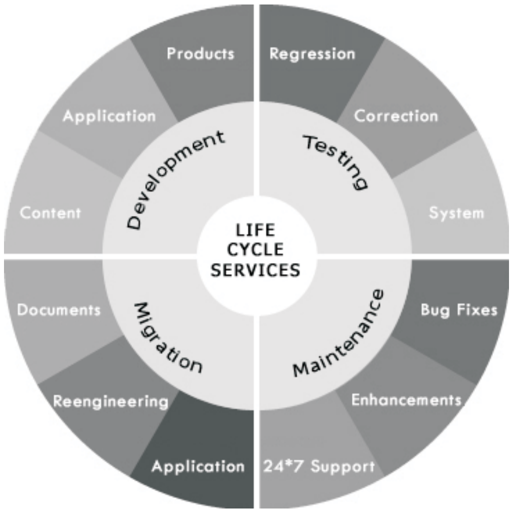
We have been providing software solutions to our clients as a division of our Company since fiscal 2001. We created a specific SBU in fiscal 2005 to address client requirements. Some of the services provided include enterprise application integration, product realization services and package implementation. Our ESS SBU was appraised at CMMi Level 5 in fiscal 2005. We have a dedicated team of 300 software professionals who service the client requirements for this SBU.

As a result of our experience in delivering products and services, we have developed domain knowledge on specific industry verticals, such as manufacturing, education, healthcare, government, banking and finance. This domain knowledge has helped us to develop specific products, solution frameworks and other re-usable components for customers.

Using our past experience, industry best practices and technology infrastructure, we have developed strong competencies across many technologies, including J2EE, .NET, SOA, AS/400, application servers, enterprise application integration platforms, business intelligence and data warehousing etc. Our focus on delivering the "Accel Customer Experience (ACE)" for every engagement ensures long term customers, repeat business and client references

Our typical software delivery framework is shown in the diagram below:

Some of our capabilities in the aforesaid industry verticals, include:



(i) Manufacturing

- JD Edwards Licensing and Implementation Partner
- Offshore and onsite project rollout and implementation experience
- Customization/Development/Integration of enterprise applications

(ii) Education and Research

- Accel's proprietary solution for campus management
- Accel UMS - Comprehensive, Web-enabled University Management System
- Accel Prodigy - Web-enabled School Administration Management System

(iii) Healthcare

- Accel Healthspace - Comprehensive Hospital Management System

(iv) Government

- e-Government Solutions for administrative functions
- Financial management systems
- Citizen service solutions
- Multi function information kiosks

(v) Banking & Finance

- Branch Automation Solutions
- Business Intelligence Solutions

The details of the revenues generated for the last three years on the basis of the industry verticals are provided below:

(Rs. in million)

Focus industries	**For the year ended March 31,**		
	2006	**2005**	**2004**
(i) Manufacturing	295.01	228.30	204.40
(ii) Education and research	91.05	163.07	41.01
(iii) Healthcare	13.34	16.36	-
(iv) Government	87.14	146.72	186.88
(v) Banking and finance	608.06	407.67	495.24

Apart from our industry focus, we also have software practice groups which focus on technologies, processes and methodologies in relation to certain software applications and professional services. Our software practice groups include:

(i) ERP Practice Group: Since April 2001, we have been providing solutions in India and overseas based on the JD Edwards/Oracle suite of enterprise software solutions, wherein we undertake business consulting, licensing, implementation, customer training, help desk support and professional services. Currently, the practice group has over 100 software professionals.

(ii) Microsoft Competency Group: Since 2001, we have been providing products and solutions based on Microsoft technologies as a certified partner, such as VisualBasic, .NET, SQL Server, MS Exchange and MS Content Server. We have developed in-house capabilities to provide custom development, application integration, data migration, productised solutions (like Accel Prodigy and Accel BestB) on these platforms and offshore product development services.

(iii) Java / Open Source Competency Centre: We have developed capabilities on open source platforms such as Java, J2EE, J2ME, J2SC, Linux, Apache and MySQL and offer customised solutions and product development on these platforms, apart from services such as migration of applications to open source and offshore product development.

(iv) Legacy Practice Group: The legacy practice group focuses on technology platforms such as the AS/400 and IBM Mainframes and offer application maintenance and platform migration services.

(v) Product Realisation Services Group: We provide specialized software development services for customers from product ideation to product realization and testing.

Based on the industry verticals and software practice groups mentioned above, we offer a range of services to clients, such as enterprise application development, integration, maintenance, testing; new product development; third party application support and implementation services; offshore application, development and maintenance.

Our Software Products

In addition to the above software practice groups, we have also developed certain proprietary software for specific industry verticals. These software products include 'Accel EMS' for the manufacturing domain, 'Prodigy' and 'Accel UMS' for the education domain, 'Accel HealthSPACE' for the healthcare domain and 'Best B' for the banking domain. Some details of these software products have been provided below:

(i) ***Accel EMS:*** Accel EMS is an enterprise management solution. It is a fully integrated ERP package for improving the effectiveness of an organization through flexible processes and information processing, including modules for sales, purchase, inventory, production, human resources and finance. It is scaleable and customizable to meet the entire requirement of Small and Medium Enterprises (SME). For the year ended March 31, 2006, our total revenues arising from the sale and services of Accel EMS was Rs. 3.91 million.

(ii) ***Prodigy:*** Prodigy enables online operations of all administrative and academic functions of an educational institution. The teachers, students and school administrators can work online in a collaborative IT environment for effective

campus management. For the year ended March 31, 2006, our total revenues arising from the sale and services of Prodigy was Rs. 16.98 million.

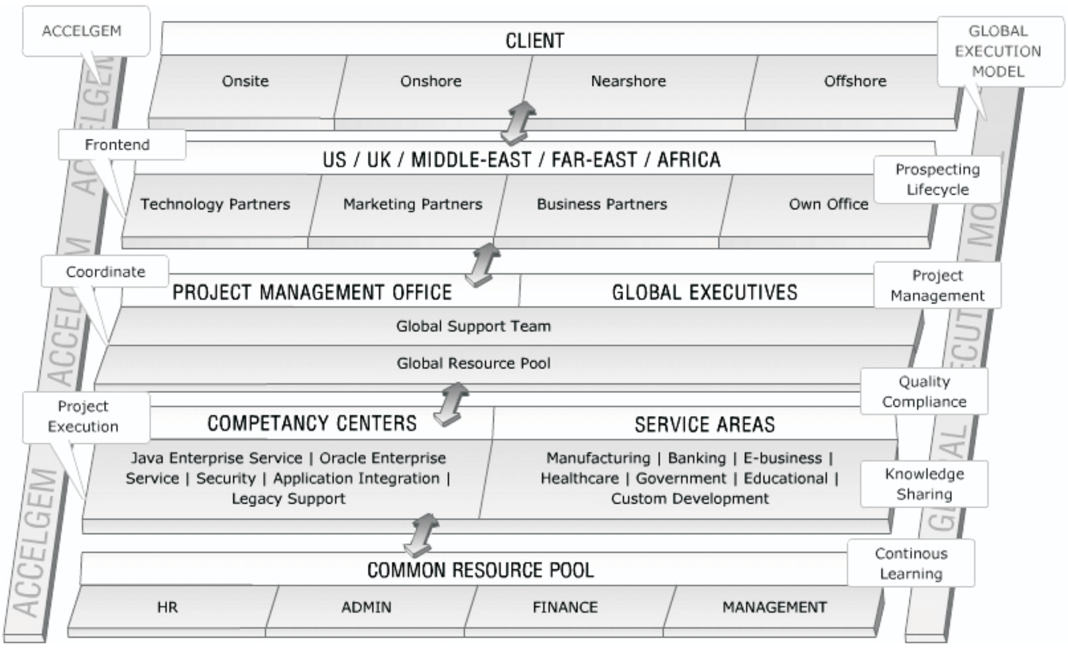
(iii) ***Accel UMS:*** Accel UMS is a web enabled university information management system, designed to automate the entire operations, serving the multi-divisional and multi-departmental requirements, including activities such as admissions, curriculum management, library management, examinations, purchase, finance and accounts and budgeting. For the year ended March 31, 2006, our total revenues arising from the sale and services of Accel UMS was Rs. 0.30 million.

(iv) ***Accel HealthSPACE:*** Accel HealthSPACE enables integrated hospital management with different modules to handle all outpatient and inpatient functions of a multi-speciality hospital such as logistics of patient care, clinical data management, diagnostic and theraupeutic support services and administration and resource management. For the year ended March 31, 2006, our total revenues arising from the sale and services of Accel HealthSPACE was nil.

(v) ***Accel Best B:*** Accel Best B is a business intelligence solution for banks operating in a heterogeneous environment, which is able to capture data from computerized and non-computerized branch offices to create a data warehouse and can prepare reports on various statutory and information requirements. For the year ended March 31, 2006, our total revenues arising from the sale and services of Accel Best B was Rs. 39.11.

Global Execution Model

We offer offshore development services for customized solutions and new product development using software technologies like Microsoft .NET, J2EE and SOA and optimizing cost through its flexi billing options (depending on the onshore-nearshore-offshore client requirements). To better understand our global execution model, please see the diagram below:



4. Business Process Outsourcing Services:

The Accel group has been offering warranty and post warranty fulfilment services since 1991 for technology products of international Original Equipment Manufacturers ("OEMs"), in the nature of IT products and peripherals and mobile devices. We created a SBU in April 2004 to service these customers. The SBU is head quartered in Chennai and has a pan-India presence with 36 offices.

The following are the different activities carried out by the BPO SBU:

(i) ***Warranty Fulfilment Services:*** We offer end-to-end solutions in warranty outsourcing services. The responsibilities include warranty support help desk, warranty tracking, defect analysis, testing, replacement, refurbishing, inventory management and logistics management on behalf of the OEMs. These services are carried out through multiple delivery channels. The centralised call centre in Chennai and the web-hosted warranty tracking software ensures strict compliance with service level agreements stipulated by the OEMs.

(ii) ***Technical help-desk / Call Centres***: We have set up a 100 seat call centre facility in Chennai to offer technical help desk service to OEMs, including online support.

(iii) ***Test and Repair Depot Services:*** We provide test and repair services for third party products across various brands of computer parts and peripherals at our technical repair centres in multiple locations..

Our core competency for the BPO operations is the technical expertise on various products, customer service management processes, and experience in managing logistics operations. We also rely on our wide network of offices in India, infrastructure and experience, in-house call centre and our customised software developed for this purpose, to help us cope with the growing volumes and to scale up our operations.

RESEARCH AND DEVELOPMENT

Our research and development team was set up in 2001 with the primary aim of evaluating new technologies, including mobile technology – J2ME, web services technology – XML, WSDL, BPEL, J2EE, .NET etc. and discovering new ways to leverage existing strengths, in order to, "deliver value through service" for customers. Key focus areas for the team are business verticals such as the banking and financial services, healthcare, education, and manufacturing sectors. As a result of our research and development efforts several product lines, technology centres of excellence and focus vertical groups have been setup within our Company.

COMPETITIVE STRENGTHS

We believe that the following are our principal competitive strengths:

We are an end-to-end IT solutions provider with further scope of value addition.

Due to the fast changing IT environment, customers typically look forward to a single window provider for a range of products and services. We are well positioned through our four strategic business units, to provide a host of services to our clients. Our experience and expertise in handling large, mission critical, system integration projects (e.g., setting up the data centre for a leading Indian mobile telephony service provider) provides us a competitive edge. Since each of the four SBUs are independent profitable business units, we have a de-risked business model, while at the same time they are able to complement each other in the overall growth of our Company. Leveraging the cross selling synergies across the SBUs, we are able to provide value added /incremental services as required in relation to the customer's IT service needs.

We have a strong focus on customer service and satisfaction.

In line with our motto of '*Delivering value through service*' and our core value of 'customer care and delight', we have placed a significant emphasis on customer service and satisfaction. Our customers value us for our effective advice and service, timely responsiveness, quality consistency and integrity. We have received positive feedback from several clients in relation to the work we have undertaken for them. This has also been reflected in the volume of repeat customer business and customer references. Nearly 79.81% of our business is through repeat customer business and customer referrals.

We have a strong pan India customer service network.

We have a pan-India presence with 92 premises (and support centres) in 86 locations. This helps us address client needs, especially in relation to warranty outsourcing and IT infrastructure management, who have multi-locational service requirements and to service them in a time efficient manner. We can effectively use this wide network to help scale up our business operations with marginal increase in costs.

We are a multi-vendor service provider and enjoy good and long term relationships with our principals.

We have strong relationships with certain vendors and technology partners like Sun, IBM, Oracle and Microsoft. We are able to leverage these relationships to provide our IT infrastructure solutions and IT infrastructure management customers an optimal and cost efficient solution. Given our relationship with these vendors and technology partners, we are not dependent on a particular technology solution or a particular vendor, thus improving our efficiency as a service provider. Further, we are able to leverage the relationship with our strategic partner, Frontline to increase our footprint in certain regions outside India, like South East Asia.

We have a stable management setup.

The Accel group of companies commenced business operations in 1991. Majority of our management, including our individual Promoter, whole time executive directors and key managerial personnel have been employed with the Accel group in the 1990s and have been employed with our Company since its inception in 1995. With a relatively flat organisational structure, appraisal based remuneration package, multi-cultural workforce and a dynamic and challenging work environment, we are able to keep up the employee satisfaction and motivation levels. On an average, our key managerial personnel have a work experience of around 10 years in our Company, which reflects our Company's, stable top management resources. We were ranked as one of the top 10 IT employers in India two times in a row (in 2004 and 2005) by Dataquest magazine in their national employee satisfaction survey conducted for the Indian IT Industry.

KEY BUSINESS STRATEGY

We seek to further enhance our position as a leading provider of integrated IT services. We intend to accomplish this through:

Leveraging the Pan-Asia presence of Frontline, to grow the enterprise software and outsourcing business.

Frontline has presence in seven countries in Asia, namely China, Malaysia, Thailand, Hong Kong, Taiwan, Philippines and Singapore. This presence and the large client base, provides us the opportunities to expand our software business in these pan-Asian markets. We are in the process of setting up dedicated offshore development centre exclusively for Frontline's clients.

Leveraging on the various IPRs, Process and Methodologies from Frontline

Frontline possesses number of IPRs, process and methodologies that we would like to leverage upon, to further enhance our capabilities and successfully deliver large scale projects for our key customers in the telecom, banking and financial services sector. For more details on the IPRs, process and methodologies of Frontline, please refer to the section titled "Business – Intellectual Property" on page 72 of the Red Herring Prospectus. Frontline's IT Infrastructure Library (ITIL) framework includes methodologies such as business continuity planning, IT infrastructure management, disaster recovery management and security framework for enterprise and application security. In the areas of service delivery management, we can leverage upon the strong processes in project management and service delivery.

To leverage the strength in IT Infrastructure management in the global business

Our 1200 strong professional team in the IT infrastructure management SBU can be utilized for high-yielding international IT Infrastructure management projects. We propose to jointly bid for IT Infrastructure management projects with Frontline in the Far-East region and to use our subsidiary operations in Dubai to strengthen the IT services business in the Middle-East region.

Increasing the global market reach by appointing business partners at various locations, not covered by Frontline or our Company at present.

Market opportunities for our service offerings are very high in the Far East, Middle East and Africa regions. We intend to leverage this opportunity through an indirect business model. We have started a business partner development initiative in various unrepresented areas and have appointed business partners in countries like Saudi Arabia, Kuwait, Bahrain, and are presently identifying partners in South Africa and Kenya. We also intend to reinforce our Singapore and Dubai subsidiaries with additional sales and marketing personnel.

We are finalising a roadmap to tap into the US market.

Since a substantial portion of the IT services market is outsourced from USA, we have appointed three business partners in strategic locations in the USA. We believe that an increased market penetration with more strategic approach is required to obtain large value projects in the software domain from the US markets. We propose to appoint additional business partners in unrepresented areas and propose to grow our ESS and BPO SBUs by way of acquisition(s) / strategic investment(s). We also intend to reinforce our US presence by utilizing the services of USA based group company with additional sales and marketing personnel.

We plan to move up the value chain in IT Infrastructure management.

IT Infrastructure management division offers tremendous scope for high value added activities such as managed services and total IT Outsourcing. As the company is already providing services in facilities management, application management and BPO, it becomes a logical extension for these activities to offer total IT outsourcing services, which the company intends to undertake in the near future.

The following table presents the percentage contribution of our product and service offerings to our total revenues for the periods indicated:

Services	**Percentage of total revenues for the year ended March 31,**		
	2006	**2005**	**2004**
IT Infrastructure Solutions	54.72	56.55	69.97
IT Infrastructure Management Services	30.31	31.99	22.54
Business Process Outsourcing Services	8.01	5.63	5.30
Enterprise Software Solutions	6.95	5.82	2.18

Our Client Relationships

Over the last 15 years, the Accel group has been successful in creating a vast clientele comprising of leading names from multiple industry segments. In line with our motto of '*Delivering value through service*' and our core value of 'customer care and delight', our Company has placed a significant emphasis on customer service and satisfaction. Our customers value us for our effective advice and service, timely responsiveness, quality consistency and integrity. We run customer delight programmes wherein feedbacks are collected from customers periodically to monitor the service delivery levels. We have received positive feedback from several clients in relation to the work we have undertaken for them. This has also been reflected in the volume of repeat customer business and customer references. Nearly 79.81% of our business is through repeat customer business and customer referrals.

Our Technology Partners

We have long standing business relationships with several technology leaders in the IT industry, such as Sun, IBM, Microsoft, Oracle, Computer Associates, and Citrix. We are a certified partner for Sun, Microsoft and Oracle to deliver applications on their platforms and provide support for such applications.

Sales and Marketing

We have a team of 120 sales and marketing professional operating out of our regional and area offices, located at 15 cities. Our sales team is organized in a matrix structure wherein the account management and product management is handled by separate teams. The marketing team is headed by a national marketing manager who is focused on creating sales leads through seminars, direct mailers, advertisements and other means. . Business managers and Account managers are responsible for client acquisitions and generating business based on their value additions and profitability to our organization. The focus verticals are manufacturing, education and research, healthcare, government and banking and finance..

Our 120 member sales team structure across various SBUs is as under:

IIS	8 Regional managers, 40 Sales Account Managers, 12 Product Managers and 9 Executives
ITS	5 Business Managers, 25 Executives
ESS	4 Business Managers, 4 Executives
BPO	8 Managers, 5 Executives

We regularly update the professional skills of our sale and marketing professionals by training them in new technologies and getting them certified by our principals. Competency building is an ongoing process wherein there are both internal (in-house) and external (organised by the technology providers) training sessions conducted periodically.

Competition

Our competitors include large consulting firms, large multinational technology firms, IT outsourcing firms, Indian IT services firms, software firms and inhouse IT departments of large corporations. In our sphere of activities, our primary competition is from Wipro, HCL Infosystems, CMC Limited, IBM Global Services and Tata Consultancy Services. We also face competition from localized players in some of the geographies. Due to the fast changing IT environment, customers typically look forward to a single window provider for a range of products and services. We are ideally positioned to cater to all spectrums of markets because of our geographical reach and multiple technology associations and skill sets. We believe that our competitive edge is the fact that we are well positioned through our four SBUs, to provide value added /incremental services as required in relation to the customer's IT service needs.

Quality Accreditations; Certifications and Awards

In line with our motto of 'Delivering value through service', We have well defined stringent quality standards with a customer focus, management commitment and involvement across the hierarchies. We work towards the quality objectives to enhance customer delight, and a constant improvement in our processes, infrastructure and human knowledge and skills. We implemented a Quality Policy from May 2003, which commits our Company to provide quality services to enhance customer satisfaction through continual improvement of skills, processes and technologies. The primary quality objectives are:

1. Delivery of services as committed to our customers;
2. Optimal utilization of manpower resources through effective call management system;
3. Monitoring of customer satisfaction and take remedial measures, wherever needed;
4. Continual improvement of skills and infrastructure to meet the expectations of customers;
5. Provide quality services at competitive costs to the customers so as to become the most preferred service provider.

The Company has been appraised at CMMI Level 5 as of March 2005 for software development and maintenance projects at its development centres in Chennai. We have been certified as conforming to the ISO 9001:2000 quality management system standard in January 2000, for our IT infrastructure services, which certificate is valid until January 2009. We have also been certified as conforming to the ISO 9001:2000 quality management system standard in August 2003, for our IT infrastructure management services, which certificate is valid until September 2006. We are currently working towards achieving ISO 9001:2000 compliance for our BPO SBU.

Some of the quality programs that we have initiated include:

1. Quality circle set-ups in our various strategic business units to inculcate the quality concerns and to involve our employees in the process of bettering our services.
2. Employee portal for knowledge management and sharing amongst our employees and Company. 'Accel Quality System' is a quality-oriented portal within this portal to track the best practices across various projects and service blueprints.
3. Regular knowledge and skill upgradation training programs. These programs are conducted by internal as well as external knowledge experts.

We have received the following awards and certifications in relation to our software, services and other offerings:

1. We received the Super Partner of the Year award in August 2006 from Sun;
2. We received the Regional System Builder (FY05 – South) award at the Annual Microsoft Partner Summit 2005, held at Kuala Lumpur, Malaysia in September 2005;
3. We have been recognized by Sun as its Premier System Provider in February 2005.

FACILITIES AND INFRASTRUCTURE

We believe that being closer to the customer improves our customer support capability. In order to better serve our customers, we have created a large network of service centres for our IT Infrastructure Management, IT Infrastructure Solutions and BPO SBUs.

Our registered and corporate office is located at No. 75 (Old No. 124), Nelson Manickam Road, Chennai 600 029. Our Company occupies about 89,700 square feet for various offices in Chennai and we have leased nearly 205,900 square feet for our various other offices across the country. All our major offices and software development centres are well equiped with air conditioning, uninterrupted power supply, connectivity, security and work stations. We have a 8,000 square feet call centre in Chennai is equipped with servers, switches, CRM software and other infrastructure required for the operations. We have a 2000 square feet data centre facility in Chennai for providing application hosting services to our clients.

We operate out of 1 head office, 8 regional offices, 22 area/branch offices and 80 service locations. We have software development centres in Chennai and Kochi. Our BPO operates at 39 locations with head offices in Chennai and major centres in all the metropolitan cities. We also have two subsidiary offices in Singapore and Dubai.

A breakup of our offices and service locations is provided below:

	IT Infrastructure Solutions SBU	IT Infrastructure Management SBU	Business process Outsourcing SBU	Enterprise Software Solutions SBU	TOTAL
No. of offices	12	41*	36	3	92
No. of locations (city wise)	12	38*	34	2	86

*In addition to the said 41 offices, certain resident engineers are deputed at an additional 46 client premises.

HUMAN CAPITAL

We are in a knowledge-driven industry and we believe that our employees are key contributors to our business success. To achieve this, we focus on attracting and retaining talent. We believe that a combination of our brand name, our working environment and competitive compensation programs allow us to attract and retain these talented people. We were adjudged as one of the top 10 IT employers in India for two years in a row by Dataquest magazine, in their national employee satisfaction survey conducted for the Indian IT Industry. All the employees for our operations are directly hired on the rolls of the company. Multi stage induction and skill enhancement training programmes are conducted to prepare our employees for the desired performance levels. We have a performance appraisal system, which plays a key role in identifying and encouraging employees with required skill sets and by rewarding exemplary performance. Employees are offered cross-functional responsibilities to enhance the skills and an entrepreneurial culture has ensured that the job content is deeply enriching for our employees.

The following table sets out the number of our employees as of the end of the last three fiscals:

	For the year ended March 31,		
	2006	2005	2004
Number of Employees	2012	1774	1499

Employee Profile

The average age of our employees is approximately 29 years. Our IT professionals have diverse educational backgrounds and as ofMarch 31, 2006, graduates and engineers comprised 35%, post-graduate engineers and management graduates comprised 12%, and diploma holders in engineering discipline comprised 46% of our IT professionals base. Other administrative and finance professionals constitute the balance 7%. We believe that we have a balanced mix of experience with approximately 39%, 23% and 38% of our IT professionals with work experience of under 3 years, 3 to 6 years and over 6 years, respectively, as of March 31, 2006.

Recruitment

Our HR department has developed certain processes to evaluate and recruit large numbers of employees. Our hiring is driven by annual manpower plans, which are adjusted based on business visibility on a periodic basis. We recruit both freshers and laterals through advertisements, universities, colleges and institutes in India and referrals. Our rigorous selection and qualification process involves a series of activities including case and group interviews, and technical and psychometric tests. We also undertake reference checks and third party background checks on the recruits. All new hires are inducted into our organisation through a structured program, which involves extensive training as well as mentoring.

The following chart presents our recruitment in the indicated periods:

Employee Recruitment	**2006**	**2005**	**2004**
New Hires	334	300	250
Lateral Hires	580	526	334
Total	**914**	**826**	**584**

Training

We place special emphasis on the training of our employees to enable them to develop their skills and to meet our changing requirements. We provide an induction programme for all new recruits as well as continuous learning programmes for all our employees. Freshers are provided extensive training before they are inducted into the live work environment.

For the purpose of training our employees, we have set up a training facility at each of our major offices, with a facility to train atleast 20 people at a time. Each training facility has modern IT facilities and infrastructure. In addition to permanent faculty members we invite visiting faculty that includes our senior management, senior employees of our clients and recognized academics. We also encourage our employees to get certified on latest technologies, which may be incentivised for some employees.

All employees who have joined us with less than one year of industry experience are required to attend an intensive six-week, full-time training programme, which helps us develop skilled professionals with a global mindset. The training programme covers technology training, software engineering training as well as soft skills training.

We conduct continuous learning programmes that address project specific, technology and soft skills learning needs of our employees, including executive education programs for senior managers at leading management institutes. We plan for ten days of continual learning every year for our experienced professionals.

Employee Retention

We strive to foster a feeling of well being in our employees through care and respect. We have several structured processes including employee mentoring, grievance management and corporate ethics programmes which are intended to facilitate a friendly and cohesive organisational culture. We have established a mentoring program that enables us to facilitate and associate ourselves closely with our employees' interests and aspirations. We periodically conduct employee satisfaction surveys. We have created an internal network that is used to promote an open community culture among our employees.

The attrition rate of employees for fiscal 2004, 2005, and 2006 was 21.8 %, 24% and 26%, respectively, primarily among employees with three to four years experience. The increase in attrition is due, in part, to increased competition for IT employees. We have implemented certain measures to limit our attrition, including an increase in wages of our employees during fiscal 2004 and 2005, awarding performance related bonuses. We have also introduced a rationalization program where we periodically benchmark the employee salaray with industry standard, and the SBU heads are empowered to increase the salary limits for deserving candidates.

Employee Insurance

We provide our employees with accidental death insurance, group life insurance and medical insurance coverage in line with good business practice and in accordance with industry standards.

Intellectual Property Rights

The Company has filed an application for registering the trademark 'Mastermind' in class 9 under the Trade and Merchandise Marks Act, 1958.

The Company has also entered into a licence agreement with Frontline for use of its logo. Further, Accel Transmatic Limited has transferred to our Company, its employees and the intellectual property in relation to Prodigy, software for School Management Solutions.

Key IPRs, process and methodologies of Frontline

Frontline pursues intellectual property development in their core competencies through an on-going effort to better their delivery methodologies and practices. This includes the streamlining of Frontline's ITIL framework to allow them to better understand, design, implement and manage clients IT infrastructure needs, aligning them to business objectives. Other IP efforts include the enhancement of the IDEA (Inquire, Develop, Execute, Appraise) methodology for accessing and defining an enterprise customer IT security requirements from a multi-dimensional perspective that includes services, process and infrastructure. The RAPID (Re-defining Advanced Processes in Redevelopment) Framework is a suite of building blocks for enterprise application that can be reused from project to project for different clients. Frontline's service oriented architecture (SOa™), paragidm owned by an associate company, Equaria Technologies Pte Ltd, is a business process platform that delivers a secure, scalable and reliable process-driven infrastructure for all enterprise applications. The joint venture-associate company, MDCL - Frontline has launched Mocha software products in fiscal 2006, which is a suite of business improvement process software targeted specifically at the telecommunications and financial sectors. The Mocha product offerings include Mocha BPM (Business Process Management), Mocha BSM (Business Service Management) and Mocha Mobile Office Automation.

Insurance

We have taken various insurance policies in relation to our business across various locations in India. The policies cover various risks to our assets, stocks, property and employees.

Our Company has insured certain of our premises and the stocks stored therein against burglary, fire and special perils. Our Company has also taken group mediclaim, group personal accident and overseas corporate travel policies for the benefit of our employees. Further, we have taken marine open policy to cover inland transit of computer hardware, and vehicle insurance policies for Company owned vehicles.

Restrictive Covenants under our Loan Agreements

Please refer to the risk factor titled "We are subject to certain restrictive covenants in our loan documents, which may restrict our operations and ability to grow and may adversely affect our business" and the section titled "Certain Financial Indebtedness" beginning on page 197 of this Red Herring Prospectus.

HISTORY AND CERTAIN CORPORATE MATTERS

The Accel group commenced operations with Accel Limited, which was incorporated in 1991. Accel Limited became a public limited company and changed its name to Accel Automation Limited in July 1997. Accel Limited was involved in the business of third party maintenance services for IT products. In December 1993, Accel Limited acquired the PC manufacturing facilities of Kothari Information Systems Limited, Bangalore and shifted operations in 1996 to Pondicherry. Accel Limited acquired Atreya Technologies and Industrial Development Private Limited, Delhi and the services business of Network Limited, Delhi in June 1996 and April 1997, respectively, to benefit from their service networks in relation to telecom/IT equipment. In 1997, we tied up with a leading international mobile phone manufacturer to be its exclusive national service partner in India.

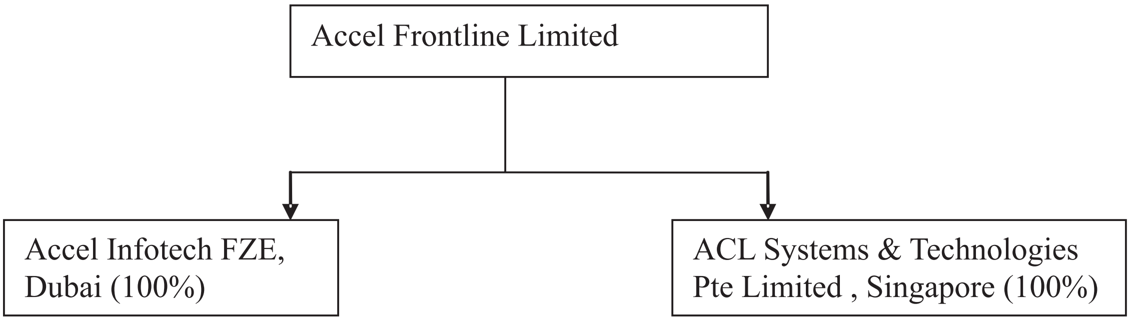
Our Company was incorporated in the State of Tamil Nadu on June 08, 1995 in the name of Accel Computers Limited as a public limited company. The Registration No. U30006TN1995PLC031736 was assigned to our Company. We obtained our Certificate of Commencement of Business on June 22, 1995. The name of our Company was changed to Accel ICIM Systems & Services Limited pursuant to the acquisition of the systems and engineering services (SES) business of Fujitsu ICIM Limited and we received a fresh Certificate of Incorporation dated October 21, 1999. Subsequently, the name of our Company was changed to Accel ICIM Frontline Limited, as part of the strategic equity investment made by Frontline in order to leverage Frontline's name in its business operations in India and abroad and we obtained a fresh certificate of incorporation dated August 27, 2004. The name of our Company was again changed to Accel Frontline Limited, as under the name license agreement dated October 11, 1999 between Fujitsu ICIM Limited, Accel Limited and our Company, the name 'ICIM' could be used solely for the SES business and not in relation to other IT businesses undertaken by our Company. We obtained a fresh certificate of incorporation dated November 3, 2005. The registered office of our Company was shifted from SFI Complex, No.179 Valluvarkottam High Road, Nungambakkam, Chennai 600 034 to III Floor, No. 124, Nelson Manickam Road, Aminjikarai, Chennai 600 029 on April 3, 2000.

We commenced operations in 1995 and in 1996 established a manufacturing facility for computer systems, in our factory at Pondicherry. In 1997, we diversified our operations by starting a software development unit in Chennai to offer software solutions for domestic enterprises. In order to expand its operations nationally, our Company acquired the systems and engineering services business of Fijitsu ICIM Limited with effect from January 1, 1999. As part of an internal consolidation exercise in fiscal 2000, we acquired the computer services operations from our holding company, Accel Limited to create a system integration company with operations in hardware, software and services. In June 2001 in order to meet our business expansion plan, our Company received strategic venture capital funding from ICICI Venture Fund Managment Company Limited through certain funds managed by them and from Intel. In July 2003, we acquired the banking software solutions business from TVS E Technology Limited, Chennai. In 2003, we started a separate business processing unit to provide warranty outsourced services and acquired the mobile phone warranty services buniness of Accel Limited. In October 2003, our Company took over the software development unit of Trinity Infosys India Private Limited which was specializing in SMS services and other wireless applications. We also expanded our software business in the Asia Pacific regions by incorporating two wholly owned subsidiaries in Singapore and Dubai. With the growth in the IT services industry and infrastructure services, the sector has seen an influx of many players. We face competition from the large MNC players as well as regional / local players in various geographies, including the unorganized sector players. In order to further strengthen our technology and business operations in the Asia Pacific region, our Company entered into a strategic partnership with Singapore based Frontline Technologies Corporation Limited (Frontline). Frontline is a public limited company listed on the Singapore Stock Exchange and having operations in seven countries in the Far East region including China, Malaysia, Thailand, Hong Kong, Taiwan, Phillipines and Singapore. As on the date of filing this Red Herring Prospectus, Frontline Technologies Corporation Limited, is the single largest shareholder in our Company. For more details on Frontline Technologies Corporation Limited, please refer to the section titled "Promoters" beginning on page 98 of this Red Herring Prospectus.

For a brief overview on our financial statements for the last five years, please refer to the section titled "Selected Financial Information" beginning on page 7 of this Red Herring Prospectus.

Our Corporate Structure

Our existing corporate structure is as under:



History and Major Events

The chronology of events since our Company was incorporated in 1995 is as follows:

Year	Key Events, Milestones and Achievements
March 1991	Accel group commenced operations
January 1999	Acquired the systems and engineering services division of Fujitsu ICIM Limited
April 1999	Acquired the systems and services division of Accel Limited
January 2000	Certified ISO 9001:2000 for its manufacturing facility in Pondicherry
April 2000	Wholly owned subsidiary set up in Singapore
May 2001	Commenced operations in Sharjah
June 2001	ICICI Venture and Intel invested in our Company
April 2001	Enterprise Software Solutions formed as a strategic business unit
November 2001	Bonus issue to shareholders on record date on a 1:1 basis
October 2002	Wholly owned subsidiary set up in Dubai
July 2003	Acquired the banking software solutions division of TVS E Technologies Limited
August 2003	Certified ISO 9001:2000 for IT infrastructure management services
October 2003	Acquired the mobile phone warranty outsourced service business from Accel Limited
February 2004	Acquired SMS and wireless application software services business of Trinity Infosys India Private Limited
June 2004	Frontline became a strategic partner with equity investment
March 2005	Certified CMMI Maturity Level 5 (optimising) for software engineering

Main Objects of our Company

The main objects of our Company as contained in our Memorandum of Association are:

1. To manufacture, assemble, market, distribute, buy, sell, export, import, rent, hire, lease, in whole or in part computers of all types viz., micro, mini, mainframe, note books, computer peripherals, accounting machines, power electronic systems, batteries, and power-pack, industrial, scientific, medical monitoring systems, control systems, instrumentation test and measuring equipments.
2. To act as specialized engineers and consultants and undertake installation, repair, maintenance of the above products, offering turnkey information technology solutions and specialised facilities management services to users, provide

specialised technical knowledge and know-how on computer site development and conduct training courses, seminars, work shops and the like, software application and technology, including high-end training in application programming, fourth generation and other languages, can tools, client / server technology, data communication, multimedia and animation, undertake research and development in hardware, software forming study groups, and also in data communication including modems and interfaces, digital transmission, RFID, embedded system , chip designs, channels and systems network and develop system development methodology for wide area networking.

3. To set up software technology parks and to develop software in all fields Including application software, multimedia, software packages, object oriented methodology, Design and development systems, Management Information Systems (MIS), tool for interactive Data base Oriented applications, framework for development and to execute projects for all types of Industries in India and abroad and undertake onshore and offshore software development to deliver business solutions on various IT platforms including client/server technology.
4. To carry on the business of purchase, sale assembly, export, import, distribute, repair, hire and rent all types of telecom infrastructure equipments, Mobile Phones, CDMA Phones, fixed line phones, internet phones, satellite phones, and accessories like sim card, batteries, chargers, hands free kit etc., Digital audio receivers, broadcasting equipments, digital cameras, all types of consumer, medical, industrial and entertainment electronic devices, and all types of office automation products.
5. To set up and run electronic data processing centres to carry on the business of data processing, word processing, voice processing, business process outsourcing, knowledge process outsourcing and such other value added services on the electronic, World Wide Web or through Internet based media.
6. To carry on the business of purchase, sale, lease, assemble, export, import, distribute, repair, hire, and rent all types of equipments, instruments, peripherals, etc in the field of Entertainment Electronics.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Shareholder Approval	Changes to our Memorandum of Association
October 15, 1999	Change of name of our Company to Accel ICIM Systems and Services Limited
January 24, 2000	Increase in Authorised Share Capital from Rs. 10 million to Rs. 50 million
September 11, 2000	Increase in Authorised Share Capital from Rs. 50 million to Rs. 65 million
March 30, 2001	Insertion of sub-clause 28 under the main clause III B pertaining to the Objects incidental or ancillary to the attainment of Main Objects of the Memorandum of Association, permitting our Company to carry on the borrowing of money from banks, public financial institutions and private financial institutions, obtaining lease finance facility from the lease finance institutions and banks, issue of debentures or debenture stock, perpetual or otherwise, whether convertible or not, or partly convertible into shares of our Company with or without voting rights as the case may be, and to secure repayment of money so borrowed, in such manner as our Company may deem fit, and in particular by way of mortage of immovable properties or hypothecation of movable properties including a charge on the uncalled share capital of our Company and with a power to repurchase or redeem the debentures so issued and pay off such securities.
September 21, 2001	Increase in Authorised Share Capital from Rs. 65 million to Rs. 150 million.
January 16, 2004	Inclusion of Clause 4 to the main objects of our Company permitting our Company to carry on the business of purchase, sale, assembly, export, import, distribute, repair, hire and rent all types of Mobile Phones, CDMA phones, fixed line phones, internet phones, satellite phones, sim card, digital audio receivers, all types of consumer and industrial electronic devices and accessories like batteries, chargers, hands free kit and any other related accessories.
January 16, 2004	Increase in Authorised Share Capital from Rs. 150 million to Rs. 180 million

Date of Shareholder Approval	Changes to our Memorandum of Association
July 7, 2004	(i) Amendment of Clauses 2 and 4 to the main objects of our Company Clause 2 permits our Company to act as specialized engineers and consultants and undertake installation,repairs and maintenance of the above products, offering turnkey information technology solutions and specialized facilities management services to users, provide specialized technical knowledge and know how on computer site development and conduct training courses, seminars, workshops and the like, software application and technology, including high-end training in application programming, fourth generation and other languages, can tools, client/server technology, data communication, multimedia and animation, undertake research and development in hardware, software forming study groups, and also in data communication including modems and interfaces, digital transmission, RFID embedded system, chip designs, Channels and systems network and develop system development methodology for wide area networking.Clause 4 permits our Company to carry on the business of purchase, sale, assembly, export, import, distribute, repair, hire and rent all types of telecom infrastructure equipments, mobile phones, CDMA phones, fixed line phones, internet phones, satellite phones and accessories like SIM cards, batteries, chargers, handsfree kit, etc, digital audio receivers, broadcasting equipments, digital cameras, all types of consumer, medical, industrial and entertainment electronic devices and all types of office automation products. (ii) Change of name of our Company to Accel ICIM Frontline Limited.
Septmenber 27, 2005	Change of name of our Company to Accel Frontline Limited.
February 11, 2006	Increase in Authorised Share Capital from Rs. 180 million to Rs. 300 million
February 11, 2006	Inclusion of Clauses 5 and 6 to the main objects of our Company. Clause 5 permits our Company to set up and run electronic data processing centres to carry on the business of data processing, word processing, voice processing, business process outsourcing, knowledge process outsourcingand such other value added services on the electronic, World Wide Web or through Internet based media. Clause 6 permits our Company to carry on the business of purchase, sale, lease, assemble, export, import, distribute, repair, hire and rent all types of equipments, instruments, peripherals, etc. in the field of Entertainment Electronics.

Details of Subsidiaries

The Company currently has two Subsidiaries, being ACL Systems & Technologies Pte Limited, Singapore and Accel Infotech FZE, Dubai. In this section financial data for the Subsidiaries has been derived from their financial statements prepared in accordance with the relevant GAAP

1. ACL Systems & Technologies Pte Limited ("ACL Singapore")

ACL Singapore is a wholly-owned Subsidiary of Accel Frontline and was originally incorporated as ACL Software Systems Pte Limited on April 15, 2000. Subsequently, pursuant to a special resolution its name was changed to the ACL Systems & Technologies Pte Limited with effect from January 15, 2001. Its registered office is situated at Blk 750, Chai Chee Road, 302-01/02/03, The Oasis, Technopark@chaichee, Singapore 469 000. ACL Singapore is engaged in the business of application software for corporates and is a marketing arm for the Indian software operations.

Board of Directors

The directors on the board of ACL Singapore as on March 31, 2006 are:

1. Mr. N.R. Panicker
2. Mr. Chiam Heng Huat

Financial Performance

The operating results of ACL Singapore for the last three years is set forth below:

(Singapore Dollars in millions, except for share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	0.32	0.38	0.11
Profit/Loss after tax	0.10	0.03	(0.05)
Equity capital (par value Sing$1 per share)	0.28	0.28	0.28
Reserves and Surplus (excluding revaluation reserve)	(0.19)	(0.28)	(0.32)
Profit/Loss per equity share (Singapore Dollar)	0.35	0.12	(0.20)
Book value per equity share (Singapore Dollar)	0.32	(0.03)	(0.15)

We have converted the Singapore Dollar amounts mentioned above into Rupees and presented the same for your convenience below.

(Rs. in million, except per share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income*	8.48	10.12	3.0
Profit/Loss after tax*	2.28	0.82	(1.27)
Equity capital **	7.58	7.21	7.21
Reserves and Surplus (excluding revaluation reserve) **	(5.16)	(7.44)	(8.27)
Profit/Loss per equity share (Rs.) *	8.31	3.00	(4.64)
Book value per equity share (Rs.) **	8.79	(0.86)	(3.85)

* Conversion done at the average exchange rate during the period

** Conversion done at exchange rate at the end of the period.

2. Accel Infotech FZE, Dubai ("Accel Dubai")

Accel Dubai is currently a wholly-owned Subsidiary of our Company and was given the license to operate with effect from October 5, 2002 as Accel Infotech ME. Its registered office is situated at LOB-15, P.O. Box No. 16857, Jebel Ali Free Zone, Dubai, UAE and it is also licenced under JAFZA (Jebel Ali Free Zone Authority). Pursuant to an agreement dated October 3, 2002, Accel Infotech ME acquired the business of Accel Infotech FZE (Sharjah) as a going concern with effect from October 5, 2002 along with fixed assets, current assets and term and current liabilities. The name of the enterprise was changed from Accel Infotech ME to Accel Infotech FZE on October 10, 2005. Accel Dubai is engaged in the business of promoting its software projects with main focus on its product, Prodigy. It is also engaged in the business of undertaking IT Infrastructure management and networking services.

Board of Directors

The directors on the board of Accel Dubai as on March 31, 2006 are:

1. Mr. N.R. Panicker
2. Mr. K.R. Chandrasekaran

Financial Performance

The operating results of Accel Dubai for the last three years is set forth below:

(AED in million, except for share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	2.84	2.61	0.64
Profit/Loss after tax	1.40	0.29	(0.21)
Equity capital (par value AED 1 million per share)	1.00	Nil	Nil
Reserves and Surplus (excluding revaluation reserve)	1.35	(0.05)	(0.34)
Profit/Loss per equity share (AED)	1.35	Nil	Nil
Book value per equity share (AED)	2.35	Nil	Nil

We have converted the AED amounts mentioned above into Rupees and presented the same for your convenience below.

(Rs. in million, except per share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income*	34.41	31.83	8.43
Profit/Loss after tax*	17.45	3.98	(1.74)
Equity capital **	12.15	Nil	Nil
Reserves and Surplus (excluding revaluation reserve) **	15.94	(1.52)	(5.50)
Profit/Loss per equity share (Rs.) *	17.45	Nil	Nil
Book value per equity share (Rs.) **	28.09	Nil	Nil

* Conversion done at the average exchange rate during the period

** Conversion done at exchange rate at the end of the period.

Details of Shareholder Agreements

The Company has entered into a Shareholders Agreement dated January 27, 2004 (“**Shareholders Agreement**”) with Frontline Technologies Corporation Limited (**“FTC” or “Investor**”), Accel Limited (“**Accel**”) Mr. N.R. Panicker (“**NRP**”), Intel Pacific, Inc (“**Intel**”), TCW/ICICI India Private Equity Fund, LLC (“**TCW**”), TCW/ICICI India Private Equity AMP Fund, LLC (“**TCW AMP**”) and ICICI Emerging Sectors Fund (“**ICICI Emerging Fund**”). This agreement was pursuant to the execution of an Investment Agreement dated January 27, 2004 amongst the Investor, Accel, NRP, Intel, TCW, TCW AMP, ICICI Emerging Fund relating to the sale and purchase of 2,941,900 Equity Shares and the subscription for 4,333,333 Equity Shares by the Investor.

Details of the Sale and purchase of 2,941,900 Equity Shares

Frontline Technologies Corporation Limited, Singapore ("**FTC**") purchased 2,941,900 Equity Shares pursuant to the said shareholders agreement as provided below:

Sl. No.	Seller	Acquirer	No. of Shares	Transaction Cost per equity share (in Rs.)
1	Intel Pacific, Inc. , USA	FTC	1,105,000	46.15
2	TCW/ICICI India Private Equity Fund, LLC	FTC	1,033,471	46.15
3	TCW/ICICI India Private Equity AMP Fund, LLC	FTC	437,386	46.15
4	ICICI Emerging Sectors Fund	FTC	106,043	46.15
5	Mr.N.R.Panicker	FTC	260,000	46.15
	TOTAL		**2,941,900**	

Since the ICICI Investors have sold all the Equity Shares of our Company in accordance with the provisions of the Shareholders Agreement and with the Articles of Association, in relation to the ICICI Investors, the Shareholders Agreement shall be terminated and the ICICI Investors are released from all obligations under the Shareholders Agreement. There are no restrictive covenants which affect the other shareholders interest, apart from the continuing obligations of the Shareholders Agreement as described in the section titled "History and Certain Corporate Matters – Details of Shareholder Agreements" on page 78 of the Red Herring Prospectus.

Details of the subscription of 4,333,333 Equity Shares

Accel Frontline Limited issued 4,333,333 Equity Shares to FTC by way of a preferential issue of shares, which was fully subscribed to by FTC. This issuance of equity shares was at a transaction cost of Rs. 46.15 per equity share. There are no restrictive covenants in the Shareholder Agreement which affects the shareholders interest.

For the purpose of the remaining portion of this section, TCW, TCW AMP and ICICI Emerging Fund are collectively referred to as "**ICICI Investors**". Intel and ICICI Investors are collectively referred to as "**Prior Investors**". NRP and Accel shall collectively be known as the "**Promoters**".

The main terms of the Shareholders Agreement are as follows:

Constitution of the Board: The Board Of Directors ("**Board**") shall have a maximum of 5 directors (unless mutually agreed otherwise), wherein the Investor shall be entitled to appoint upto two nominees, Accel shall be entitled to appointed one nominee and the ICICI Investors shall be entitled to appoint one nominee on the Board. The Company and the Promoters shall execute an indemnity deed for the indemnification of the Investor Directors and ICICI Investor Directors so appointed. Intel shall have the right to appoint an observer on the Board. The quorum for the meeting shall be fixed at 3 directors (being a Director nominated by the Investor, ICICI Investors and the Promoters, respectively). The chairman shall not have a casting vote. Till the Promoters and Prior Investors hold an aggregate of 26%, NRP shall remain the executive chairman of the Board. The Investor and ICICI Investors shall be entitled to nominate one director to board of each subsidiary of our Company.

Action requiring prior consent: Prior written consent of the Investor and the Prior Investors shall be required in certain instances, including for (i) the amendment of articles and memorandum of association (ii) taking any corporate actions having any impact on any shareholders right (iii) selling or disposing the whole or substantial part of the undertaking in excess of USD 200,000 (iv) purchase or acquire any issued shares of our Company (v) incurring any capital expenditure in excess of Rs. 50 million, unless approved by the Board (vi) embarking on an approved IPO or sale in relation to a Genuine Offer (vii) authorize or issue any share options or warrants (ix) make any change or increase in the authorised number of directors. Prior written consent of the Investor Director and ICICI Investor Director shall also be required in certain cases.

Control Premium and Appointment on the board of the Investor: Upon the Investor attaining the Majority Threshold (i.e. Investor holds not less than 51% of our Company's total equity) whether by way of its exercise of the Option Agreement or by subscription for acquisition of new shares in our Company, the Investor shall pay to Accel, a one-time premium calculated as per a specified formula. On attaining the Majority Threshold, the Investor shall subject to the consent of NRP appoint him as the director on the board of the Investor. As on February 25, 2006, the Investor has acquired 51% of the shareholding of our Company.

Listing of shares: The Promoters, the Investor and the Prior Investor agree that they shall not unreasonably impede an Approved IPO of our Company.

Transfer of Shares: No shares of our Company shall be transferred except as provided for in the Shareholders Agreement and no Shareholder shall have a right to create a charge, mortgage or any interest in the shares except with the prior consent of the other Shareholders. The parties to the Shareholders Agreement acknowledge that as on the date of the Shareholders Agreement Accel has pledged 1,300,000 shares to ICICI Venture Funds Management Company Limited.

In the event that any Shareholder proposes to sell any shares belonging to him, the right of first offer shall be given to the other Shareholders as specified in the Transfer Notice. If none of the other Shareholders accept the offer, the shares may be sold to a third party on terms no more favorable than that specified in the Transfer Notice.

Tag Along Rights: The Promoters and the Investor undertake that in the event that they intend to transfer any shares, each of the Prior Investors shall have a tag along right.

Put Option of the Prior Investors and Promoters: If the Promoter's collective shareholding in our Company falls below 26% of the total issued equity of our Company, directly resulting from the Investor having subscribed for new shares or purchased shares from the Prior Investors or Promoters, then the Prior Investors and Promoters shall have the option to require the Investor to purchase all shares held by such Prior Investors and Promoters at fair market value.

Permitted Transfers: Certain transfers are permitted, including between Affiliates of the Investor, ICICI Investors and Intel and by Investor and the Prior Investors pursuant to exercise of any option under the Option Agreement (described below). A moratorium on transfer by Promoters of their shares (except in certain circumstances, including an Approved IPO) has been specified. The Investor is not permitted to transfer its shares for two years from the date of the Shareholders Agreement.

Inter Company Debt: Accel confirms its indebtedness to our Company as on the date of the Shareholders Agreement. Accel shall pay all proceeds from the sale or transfer of the building (of which, Accel is the beneficial owner) located at 'New No. 75 (Old No. 124) Nelson Manickam Road, Aminjikarai, Chennai 600 029' to repay the debt owed by Accel to our Company.

Adjustment Values: The Investor shall pay the Promoters and the Prior Investors a specified sum (including a special incentive) as per the formula stated in the Shareholders Agreement based on the Determined NPAT of our Company (for the two financial years 2004-05 and 2005-06), either by way of cash or by issuing shares in its own capital or a combination of both. If the Determined NPAT is less than Rs. 87.5 million our Company shall pay by way of compensation to the Investor the difference between Rs. 87.5 million and the Determined NPAT.

Option Agreement: The Investor ("Grantee") and the Prior Investors ("Grantors") have entered into a separate Call Option agreement dated January 27, 2004 wherein the Grantee has the right to require the Grantors to sell certain shares in the case of a Majority Call Option (during the period from April 1, 2004 to September 30, 2006), Grantors Put Option, Grantee Call Options and Put Option and the Grantee may at its sole option make payment by way in cash or by issuing shares in its own capital.

Events of Default and Transfer Notice: Upon the occurrence of an event of defaults (as specified in the Shareholders Agreement), the Terminated Shareholder shall offer to sell his shares to the other Shareholders (who may choose to accept all or any such shares within 21 days) at a determined value, in proportion to their respective shareholdings.

Termination: If any Shareholder sells all of his shares in accordance with the provisions of the Shareholders Agreement and with the Articles of Association, unless otherwise expressly provided in the Sharheolders Agreement, he shall be released from all of his obligations under the Shareholders Agreement and in relation to that Shareholder, the Shareholders Agreement shall be terminated. The Shareholders Agreement, shall also cease and terminate on the happening of the (i) the listing of our Company; or (ii) sale pursuant to a Genuine Offer.

Governing laws: The Shareholders Agreement shall be governed by the laws of Singapore and the courts of Singapore will have the exclusive jurisdiction.

Other Material Agreements

In terms of Clause 6.9.4.5, material contracts not being (i) contracts entered into in the ordinary course of business carried on or intended to be carried on by our Company or (ii) contracts entered into more than two years before the date of this Red Herring Prospectus, are mentioned below, and have been included in the list of material contracts on page 265 of this Red Herring Prospectus:

Sl. No.	Contracting Party	Effective Date	Nature of contract
1.	Accel Transmatic Limited	March 15, 2006	Transfer of employees and intellectual property connected with Prodigy, a school management solutions software
2.	Frontline Technologies Corporation Limited	March 29, 2006	Use of Frontline Logo

1. Agreement with Accel Transmatic Limited

   The Company entered into an agreement with Accel Transmatic Limited (“**Transferor**”) on March 15, 2006 (“**Transfer Agreement**”) wherein the Transferor assigned and transferred, for a specified consideration as set out in the Transfer Agreement, its employees, pending and unexecuted contracts, and all the right, title and interest in the intellectual property in the School Management Solutions (“**SMS**”) software under the name of Prodigy developed and owned by the Transferor. The main terms of the Transfer Agreement are as follows:

   All the intellectual property relating to the said software shall be vested in our Company including the benefits of registration, if any, thereof under the Copyright Act, 1957.

   The Transferor has not made any representations or warranty, express or implied as to the function, working, use, merchantability and exploitation of the said software or that it is suitable for any particular purpose or usage.

   All employees, including consultants, engaged in the SMS development presently of the Transferor, as listed in the Trasfer Agreement shall be appointed by our Company and become employees/consultants of our Company with effect from March 15, 2006 on terms and conditions not less favourable to them than their present terms and conditions of employment/ engagement with the Transferor.

   All pending and unexecuted contracts as on March 15, 2006, will be transferred to our Company and it will be the responsibility of our Company to execute and implement such contracts.

   The Company agrees and undertakes not to use the trademarks, tradenames and logos of the Transferor, registered or otherwise, in whatsoever manner with respect to the SMS software.

2. Use of Frontline Logo Agreement:

   The Company has entered into an agreement with Frontline vide letter dated March 29, 2006 (“**Letter**”) wherein Frontline has granted a non-exclusive licence to our Company to use the logo as described in the agreement (“**Logo**”) and a customized derivation thereof as a part of Company’s present corporate logo (“**Approved Derivation**”). The main terms of the Letter are as follows:

   Frontline agrees that our Company may use the Logo and the Approved Derivation in any medium whatsoever on fee-free basis, subject to the terms and conditions of the Letter.

   The Company shall not without the written approval of Frontline, approve of or consent to the use of the Logo, the Approved Derivation or any derivation thereof by any third party. However, Frontline expressly grants its approval to our Company to agree to the use of the Logo or any derivation thereof by subsidiaries in which our Company holds a majority stake.

   The Company shall not use the Logo or the Approved Derivation thereof that disparages Frontline or its products or services, infringes on Frontline’s intellectual property or other rights or violates any law. The Company shall not use the Logo or the Approved Derivation to imply any relationship with, or endorsement or sponsorship by Frontline that is not true.

Frontline disclaims any warranties that may be express or implied by law regarding the Logo and the Approved Derivation, including warranties against infringement.

Frontline reserves the right in its sole discretion to modify or terminate permission to use the Logo and the Approved Derivation at any time and to take action against any use that doesa not conform with the terms of this Letter, infringes any Frontline intellectual property or other right, or violates other applicable law.

Notwithstanding anything in this Letter, unless otherwise agreed by Frontline, our Company shall automatically cease to use the Logo or the Approved Derivation if our Company ceases to be a subsidiary of Frontline.

Strategic Partners

As on the date of filing this Red Herring Prospectus, except for Frontline Technologies Corporation Limited, Singapore, we do not have any other strategic partners. For more details on FTC, please refer to the sections titled "Promoters", "Management" and "Business" beginning on pages 98 , 83 and 59 of this Red Herring Prospectus, respectively,

Financial partners

As on the date of filing this Red Herring Prospectus and except for our Promoters, equity shareholders and lenders, as disclosed in the sections titled "Capital Structure" and "Certain Financial Indebtedness" beginning on pages 18 and 197 of the Red Herring Prospectus, respectively, we do not have any other financial partners.

MANAGEMENT

Board of Directors

The general supervision, direction and management of the operations and business of our Company is vested in our Board which exercises all powers and does all acts and things which may be done by us under our Memorandum and Articles. As per our Articles, our Board shall consist of not less than three and not more than twelve directors of which not less than one-thirds of the total number of directors of our Company shall be persons who are liable to retire by rotation. The remaining Directors shall be appointed in accordance with the provisions of our Articles of Association. We currently have 8 Directors.

The following table sets forth details regarding our Board of Directors as at the date of this Red Herring Prospectus:

Name, Designation, Father's Name, Address, Occupation, Term and DIN	National of	Age (years)	Other Directorships
Mr. N.R.Panicker Chairman & Managing Director (Son of Mr. C.N. Narayana Pillai) AI 109, 08th Main Road, Anna Nagar, Chennai 600 040 Business Not liable to retire by rotation DIN: 00236198	India	52	Accel Limited Accel Transmatic Limited Accel Tele.Net Limited Accel Systems Group Inc, USA Accel Technologies Private Limited ACL Systems and Technologies Pte Limited, Singapore Accel Infotech FZE, Dubai Kerala Venture Capital Funds Private Limited
Mr. K.R. Chandrasekaran Chief Financial Officer Executive Director (Son of (Late) Mr. K.A. Ramakrishnan) 985/1,Lakshmanaswamy Salai, K.K. Nagar, Chennai 600 078 Service Liable to retire by rotation DIN: 00212855	India	54	Accel Technologies Private Limited Array Solutions (India) Limited Accel Infotech FZE, Dubai
Mr. Steve Ting Tuan Toon Non-Executive Director (Son of Mr. Ting Hock Teng) 9, Ardmore Park # 08-02 Singapore 259955 Business Liable to retire by rotation DIN: 00114004	Singapore	49	Frontline Technologies Pte Limited, Singapore Frontline Solutions Pte Limited, Singapore Frontline Systems Design Pte Limited, Singapore Green House Group Pte Limited, Singapore FTI Ventures Pte Limited, Singapore Stor.H Pte Limited, Singapore I.Aspire.Net Pte Limited Singpaore Frontline Technologies (PRC) Pte Limited, Singapore. Frontline Innovations Pte Limited, Singapore. FTI Inc, Mauritius Ecquaria Limited, British Virgin Islands. MDCL-Frontline (China) Limited, British Virgin Islands. Modern Devices (China) Limited, Hongkong

Name, Designation, Father's Name, Address, Occupation, Term and DIN	National of	Age (years)	Other Directorships
			SAR G- Able Co Limited, Thailand. IT Holdings Inc, Philippines. Frontline Technologies Corporation (M) Sdn Bhd, Malaysia. Frontline Technologies (M) Sdn Bhd, Malaysia. Bizfront Sdn Bhd, Malaysia.
Mr. Lim Chin Hu Non-Executive Director (Son of Mr. Lim Swee Keng) 98, Dunbar Walk Singapore 459411 Service Liable to retire by rotation DIN: 00095033 Singpaore	Singapore	48	Frontline Technologies Pte Limited, Singapore Frontline Solutions Pte Limited, Singapore Green House Group Pte Limited, Singapore FTI Ventures Pte Limited, Singapore Frontline Practice Pte Limited, Singapore. Green House Design & Communications Pte Limited., Singapore. Green House Learning Pte Limited, Singapore Green House Exhibits Pte Limited, I.Aspire.Net Pte Limited, Singapore Stor.H Pte Limited, Singapore Ecquaria Limited, British Virgin Islands. MDCL-Frontline (China) Limited, British Virgin Islands. FTI Inc, Mauritius Modern Devices (China) Limited, Hongkong SAR G- Able Co Limited, Thailand. IT Holdings Inc, Philippines. Leading Skyline Sdn Bhd, Malaysia. Frontline Technologies Corporation (M) Sdn Bhd, Malaysia.
Dr. Harrison Wang Hong She Independent Director (Son of Mr. Chen Fang Wang) 31, Pinewood Grove Singapore 738263 Private Equity Investor Liable to retire by rotation DIN: 00095109	United States of America	48	Frontline Technologies Corporation Limited, Singapore Modern Devices (China) Limited, Hongkong SAR MDCL-Frontline (China) Limited, British Virgin Islands EM Partner Pte Limited, Singapore Adelphi Capital Partners Pte Limited, Singapore KKCIV ABS Company, Korea CSH ABS Company, Korea KCH ABS Company, Korea TradeOneAsia Pte Limited, Singapore

Name, Designation, Father's Name, Address, Occupation, Term and DIN	National of	Age (years)	Other Directorships
Mrs. Lakshmi G Menon Independent Director (Wife of Mr. T.M.Gopinath Menon) 118, Kottur Manor, 4th Main Road Extension, Kotturpuram, Chennai 600 085 Telecom Consultant Liable to retire by rotation DIN: 00180765	India	63	None
Mr. R.Sinnakaruppan Independent Director (Son of Mr. C.Ramasamy) 69, Jalan Lokam Singapore 537894 Corporate Advisor Liable to retire by rotation DIN: 00095154	Singapore	47	Vimarks Holding Pte Limited Vimarks Consultancy Pte Limited Educare Cooperative Limited Educare Enrichment Services Pte Limited
Mr. Suresh K. Sharma Independent Director (Son of Mr. Mahadeo Parshad Sharma) 1720, Paramore Place NE Marietta GA 30062 Business Consultant Liable to retire by rotation DIN: 00183845	United States of America	52	None

Brief Biography of our Directors

Mr. N.R.Panicker, Founder, Chairman & Managing Director, 52 years, has been a Director since inception. Mr. Panicker is a technocrat with over 28 years of experience in the IT industry. He is the founder of the Accel group of companies, head quartered at Chennai. He graduated in Electronics and Communication Engineering from the University of Kerala in 1976. He held various positions in HCL Limited (now known as HCL Infosystems Limited), from 1977 to 1990. Mr. Panicker has been ranked among the Top 10 Key Influencers in the Indian IT industry by Dataquest in 2002. He is an active participant in The Indus Entrepreneurs and Computer Society of India. His entrepreneurial and mentoring skills helped in getting associated with the Kerala Venture Capital Fund Private Limited as a director on its board. His annual remuneration for the year ended March 31, 2006 was Rs. 4.38 million. For details on his present remuneration, please refer to the section titled "Compensation of our Directors" on page 88 of this Red Herring Prospectus.

Mr. K.R. Chandrasekaran, 54 years, Executive Director and Chief Financial Officer, joined us on November 1, 1999 as CFO. He is a chartered accountant with over 26 years of experience. He was initially appointed for a three-year contract, which was further renewed for another three year period. He was subsequently placed on our rolls and appointed as a Director on April 28,

2004. Mr. Chandrasekaran completed his Bachelors in Science from The Madura College, Madurai in 1974 and his Chartered Accountancy in 1979. He was previously employed as an Assistant General Manager of Harita Finance Limited from 1990 to 1997, as Manager Finance with HCL Infosystems Limited from 1985 to 1990 and as a Management Accountant of ACC Babcock Limited from 1980 to 1985. His annual remuneration for the year ended March 31, 2006 was Rs. 1.62 million. For details on his present remuneration, please refer to the section titled "Compensation of our Directors" on page [] of this Red Herring Prospectus.

Mr. Steve Ting Tuan Toon, 49 years, Non Executive Director, has been a Director from March 12, 2004. He is the founder and chairman of the Frontline group of companies. He Graduated from National University of Singapore in 1982. He has held several management positions in Hewlett Packard Singapore and Mentor Graphics Corporation Pte Limited. He started his first company, Mentor Graphics Associates Pte Limited, in 1993 and subsequently Frontline Technologies Pte Limited 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. He does not receive any sitting fees, commissions or other payments from our Company as a Director on our Board.

Mr. Lim Chin Hu, Non Executive Director, 48 years, has been a Director from March 12, 2004. He is the CEO of the Frontline group of companies. He graduated as Bachelor of Computer Science from the La Trobe University, Melbourne, Australia in 1984 and completed a diploma in Electrical and Electronics Engineering Ngee Ann Polytechnic, Singapore in 1979. He began his career with Sun Microsystems, Singapore where he held several managerial positions. Before he joined Sun Microsystems, he held several managerial roles at Hewlett-Packard Singapore Pte Limited. He does not receive any sitting fees, commissions or other payments from our Company as a Director on our Board.

Dr. Harrison Wang Hong She, 48 years, Independent Director and joined our Board on April 11, 2006. He has over 16 years of experience in industrial automation and venture capital investments in the Silicon Valley. 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 Ph.D 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 the Managing Director for Deutsche Bank and CEO of the e-millenium 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. For details on his remuneration as a Director, please refer to the section titled "Compensation of our Directors" on page [Ÿ] of this Red Herring Prospectus.

Mrs Lakshmi G Menon, Independent Director, 63 years and joined our Board on April 11, 2006. She 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. No sitting fees is payable as on March 31, 2006.

Mr. R. Sinnakaruppan, Independent Director, 47 years and joined our Board on April 11, 2006. He graduated with a Bachelor's Degree in Mechanical and Production Engineering from Nanyang Technological University 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. Presently, he is a major shareholder and Managing Partner of IndusAge (Asia Pacific) Pte Limited, a corporate advisory firm. No sitting fees is payable as on March 31, 2006.

Mr. Suresh K. Sharma, Independent Director, 52 years and joined our Board on April 11, 2006. He completed his Bachelors in Mechanical Engineering from Birla Institute of Technology, Pilani in 1975, Masters in Aeronautics Engineering from Bangalore University, Masters in Marine Engineering from Naval College of Engineering, Lonavala, 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

Aerospace, 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. No sitting fees is payable as on March 31, 2006.

Borrowing Powers of our Board of Directors

Pursuant to a resolution passed by our shareholders at the annual general meeting held on September 30, 2002 in accordance with Section 293(1)(a) and Section 293(1)(d) of the Companies Act, our Board is authorised to borrow monies for the business of our Company, not exceeding Rs. 1,000 million.

Appointment of our Directors

Name of Director	Terms of Appointment/ Reappointment
Mr. N.R.Panicker	Resolved by the Board of Directors at their Meeting held on August 24, 2004 that Mr. N.R.Panicker be re-appointed as Chairman and Managing Director effective November 01, 2004 for a period of three years.
Mr. K.R.Chandrasekaran	Resolved by the Shareholders at the Annual General Meeting held on September 30, 2004 that Mr. K.R.Chandrasekaran, who was appointed by the Board of Directors as additional Director effective April 28, 2004, be appointed as Director for a period of three years, liable to be determined by retirement of Directors by rotation.
Mr. Steve Ting Tuan Toon	Resolved by the Shareholders at the Annual General Meeting held on September 30, 2004 that Mr. Steve Ting Tuan Toon, who was appointed by the Board of Directors as additional Director effective March 12, 2004, be appointed as Director liable to be determined by retirement of Directors by rotation.
Mr. Lim Chin Hu	Resolved by the Shareholders at the Annual General Meeting held on September 30, 2004 that Mr. Lim Chin Hu, who was appointed by the Board of Directors as additional Director effective March 12, 2004, be appointed as additional Director effective March 12, 2004 liable to be determined by retirement of Directors by rotation.
Dr. Harrison Wang Hong She	Resolved by the Board of Directors of our Company at its Meeting held on April 11, 2006 that Dr. Harrison Wang Hong She is appointed as additional Director effective 11th April 2006 to hold office till the date of the next Annual General Meeting. Confirmed by the Shareholders at the Annual General Meeting held on July 20, 2006.
Mrs Lakshmi G Menon	Resolved by the Board of Directors of our Company at its Meeting held on April 11, 2006 that Mrs Lakshmi G Menon is appointed as Additional Director effective 11th April 2006 to hold office till the date of the next Annual General Meeting. Confirmed by the Shareholders at the Annual General Meeting held on July 20, 2006.
Mr. R. Sinnakaruppan	Resolved by the Board of Directors of our Company at its Meeting held on April 11, 2006 that Mr. R. Sinnakaruppan is appointed as Additional Director effective 11th April 2006 to hold office till the date of the next Annual General Meeting. Confirmed by the Shareholders at the Annual General Meeting held on July 20, 2006.
Mr. Suresh K. Sharma	Resolved by the Board of Directors of our Company at its Meeting held on April 11, 2006 that Mr. Suresh K. Sharma is appointed as Additional Director effective 11th April 2006 to hold office till the date of the next Annual General Meeting. Confirmed by the Shareholders at the Annual General Meeting held on July 20, 2006.

Compensation of our Directors

Name of Director	Compensation in terms of Shareholders Resolution
Mr. N.R.Panicker	Resolution passed at the Extra-ordinary General meeting of the Shareholders held on April 20, 2006 effective April 1, 2006, wherein the members: Resolved that subject to the approval of Members in the General meeting ad pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956,read with Schedule XIII thereof, Mr.N.R.Panicker be and is hereby remunerated in the following manner: (i) Basic salary amounting to Rs.2,50,000 (Rupees two lakhs fifty thousand only) per month (in the scale of Rs 2,50,000 to Rs 5,00,000 per month). The Remuneration Committee/ Board will determine the amount of basic salary payable from time to time. (ii) Such remuneration by way of commission in addition to salary, allowances and perquisites calculated with reference to the net profits of the company in a particular financial year as may be determined by the Board at the end of each financial year based on the recommendations of the Remuneration Committee subject to overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. The specific amount payable will be determined by the Board/Remuneration Committee. (iii) Perquisites: Classified into three categories A, B and C as detailed below: Category A 1. Housing: Furnished residential accommodation perquisite value for which shall be calculated in accordance with the Income Tax Rules, 1962. Perquisite value of the provision of or reimbursement of expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. 2. Medical Benefits: (a) Reimbursement of hospital and medical expenses for self, and family (spouse, dependent children and dependent parents), subject to a ceiling of 1 month's salary in a year as per the rules of the Company. (b) Benefit of Group mediclaim policy as per the rules of the Company 3. Leave Travel Concession: Leave Travel concession for self and family once in a year subject to a maximum of one month's basic salary. 4. Club fees: Payment / reimbursement of fees of clubs, subject to a maximum of two clubs subject to a ceiling of Rs 1 lakh in a financial year. This will not include admission and membership fees. 5. Personal Accident Insurance: Benefit of personal accident insurance scheme as per the rules of the Company Category B: Contribution to Provident Fund: As per the rules of the Company Gratuity: As per the rules of the Company but not exceeding one half month's salary for each completed year of service.

	Leave: Leave of one month with full pay and allowances for every 11 month's of completed service in addition to casual leave as applicable to senior executives of the Company. Category C: The following shall not be included in the computation of perquisites: Provision for use of the company's car with driver for official use. Provision of free telephone facilities or reimbursement of telephone expenses at residence including payment of local calls and long distance official calls. No sitting fees shall be payable
Mr. K.R.Chandrasekaran	Resolution passed at the Extra-ordinary General meeting of the Shareholders held on April 20, 2006 effective April 1, 2006, wherein the members: Resolved that subject to the approval of Members in the General meeting ad pursuant to the provisions of Section 198, 309, 310 and other applicable provisions of the Companies Act, 1956,read with Schedule XIII thereof, Mr.K.R.Chandrasekaran be and is hereby remunerated in the following manner: (i) Basic salary as approved by the Remuneration Committee for the time being shall be Rs. 100,000 (Rupees One Hundred Thousand only) per month and special allowance shall be Rs 16,000 per month (ii) Other Benefits: (a) Housing: Unfurnished accommodation or House Rent Allowance subject to a maximum of 50% of the salary (b) Leave: Leave of one month with full pay and allowances for every 11 month's of completed service in addition to casual leave as applicable to senior executives of the Company. (c) Leave Travel Concession: Leave travel concession for self, wife and dependent parents/children once a year subject to a maximum of one month's basic salary. (d) Medical Reinbursement: Reimbursement of hospital and medical expenses for self and family subject to a ceiling of one month's salary in a year as per the rules of the Company. (e) Benefit of group medical policy as per the rules of the Company (f) Personal Accident Insurance: Benefit of Personal Accident Insurance as per the rules of the Company. (g) Motor Car: Provision of motor car (h) Provident Fund: Contribution to Provident Fund shall be as per the rules of the Company. (i) Gratuity: Shall be as per the rules of the Company. No sitting fees shall be payable.

Mr. Steve Ting Tuan Toon Mr. Lim Chin Hu	No sitting fee is being paid.
Dr. Harrison Wang Hong She Mrs Lakshmi G Menon Mr. R. Sinnakaruppan Suresh K. Sharma	Resolved by the Board of Directors of our Company at its Meeting held on January 18, 2006 that the sitting fees for the Directors be fixed at an amount not exceeding Rs 20,000 per sitting for the Board meetings and Rs 10,000 per sitting for committee meetings Mr. effective April 1, 2006. Resolved by the Shareholders at the Extra- Ordinary General Meeting held on February 11, 2006 that the Non-Executive Directors of our Company be paid, in addition to the sitting fees for attending the Board and committee meetings, a commission of an amount not exceeding 1% of the net profits of our Company, for each financial year commencing from April 1, 2006 for the next three financial years. The quantum of commission payable to each director shall be decided by the Board from time to time.

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We intend to comply with such provisions, including with respect to the appointment of independent Directors to our Board and the constitution of the Investor Grievances Committee. In April 11, 2006, we have instituted a code of conduct for directors and senior management executives. We undertake to adopt the Corporate Governance Code in accordance with Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to listing.

Audit Committee

The Audit Committee was constituted by our Directors vide their Board meeting held on April 28, 2004. The committee was reconstituted vide the Board meeting held on April 11, 2006. The purpose of the audit committee is to review half yearly / annual accounts, compliance with Internal Controls and any other matter refered to it by the Board. The audit committee consists of Mrs. Lakshmi G. Menon (Chairman), Mr. Steve Ting Tuan Toon, Mr. Suresh K. Sharma and Dr. Harrison Wang Hong She.

The terms of reference of the audit committee are as follows:

1. Overseeing our Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement are correct, sufficient and credible;
2. Recommending the appointment/removal of external auditors, fixing the audit fees and approving the payments for any other services;
3. Reviewing with the management the periodic financial statements before submission to the Board focusing primarily on
4. any changes in accounting policies and practices;
5. qualifications in draft audit report;
6. significant adjustments arising out of audit;
7. compliances with accounting standards;
8. compliance with stock exchange and legal requirements concerning financial statements;
9. any related party transactions, i.e. transactions of our Company of material nature with the Promoters or management, their Subisidiaries or relatives, that may have a potential conflict with the interest of our Company at large.
10. Reviewing with the management, external and internal auditors the adequacy of internal control systems and recommending improvements to the management;
11. Discussing with the internal auditor any significant findings and follow up thereof;
12. Discussing with the statutory auditors before the audit commences, the nature and scope of audit as well as conduct post

audit discussions to ascertain any areas of concern.

13. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

Remuneration Committee

The Remuneration Committee was constituted by our Directors vide their Board meeting held on April 28 2004. The committee was reconstituted vide the Board meeting held on April 11, 2006. The committee's goal is to ensure that the company attracts and retains highly qualified employees in accordance with its business plans, that our Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate. The Remuneration Committee consists of Mr. Steve Ting Tuan Toon (Chairman), Mr. R. Sinnakaruppan and Mr. Suresh K. Sharma.

The terms of reference of the Remuneration Committee is given below:

1. To review the remuneration of whole time/managing director, including annual increment and commissions, after reviewing their performance;
2. Review the remuneration policy followed by our Company, taking into consideration the performance of senior executives on certain parameters;
3. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Remuneration Committee.

Share Transfers and Investors Grievances Committee

The Share Transfers and Investors Grievances Committee was constituted by our Directors vide their Board meeting held on April 11 2006. This Committee deals with various matters relating to transfer and transmission of shares, issue and allotment of rights and bonus shares, review of shares dematerialized and all other related matters, monitors expeditious redressal of investor grievances, non-receipt of annual report and declared dividend and all other matters related to shares of our Company. The Share Transfers and Investors Grievances Committee consists of Mrs. Lakshmi G. Menon (Chairman), Mr. R. Sinnakaruppan and Mr. K.R.Chandrasekaran.

The terms of reference of the Share Transfer and Investor Grievance committee is as follows:

(i) To approve share transfers and transmissions;

(ii) To approve splitting of share certificates, consolidation of share certificates and related matters including issue of fresh share certificates in lieu of the split / consolidated certificates.

(iii) Issue of duplicate share certificates in lieu of lost, mutilated and destroyed certificates.

(iv) Matters relating to dematerialisation of shares and securities.

(v) Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non receipt of balance sheet etc in particular.

(vi) Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Shareholders and investor relations committee.

IPO Committee

The IPO Committee has been constituted by the Board, pursuant to a resolution passed at its meeting held on December 12, 2005, and authorized to take decisions and do all necessary actions on behalf of the Board in relation to the Issue. The IPO committee consists of Mr. N.R.Panicker (Chairman), Mr. Steve Ting Tuan Toon and Mr. K.R.Chandrasekaran.

Banking Committee

The Banking Committee has been constituted by the Board, pursuant to a resolution passed at its meeting held on April 28, 2004 and authorised to take decisions on opening/ bank accounts, to change authorised signatories and close bank accounts which are not required. The Banking Committee consists of Mr. N.R. Panicker (Chairman), and Mr.K.R. Chandrasekaran.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges. We shall comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 prior to listing of our Equity Shares.

Shareholding of Directors in our Company

The following Directors are interested to the extent of their shareholding in our Company in their personal capacity and either as sole or first holder:

Sl. No.	Name of Director	(Pre-Issue)		(Post-Issue)*	
		Number of Equity Shares	%	Number of Equity Shares	%
1	Mr. N.R. Panicker	287,500	1.66	287,500	1.28
2	Mr. K.R.Chandrasekaran (held jointly and solely)	63,000	0.36	63,000	0.28

* This is based on the assumption that such director continues to hold the same number of Equity Shares after the Issue. This does not include any Equity Shares that such director may subscribe for and be allotted in the Issue

Our Articles do not require our Directors to hold any qualification shares.

Interest of our Promoters, Directors and significant shareholders

Except as stated in "Related Party Transactions" on page 121 of this Red Herring Prospectus and to the extent of their shareholding in our Company, our Promoters do not have any other interest in our business.

No other persons apart from our Company have significant rights in our Company under the terms of our Articles of Association. For additional information, please refer to the section entitled "Main Provisions of Articles of Association of Accel Frontline Limited" on page 242 of this Red Herring Prospectus.

All Directors of our Company may be deemed to be interested to the extent of fees and commissions, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The whole time directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our directors may also be deemed to be interested to the extent of equity shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

Our Company has not entered into any contract with our Promoter, Mr. N.R.Panicker or any of our Directors as on date of filing of this Red Herring Prospectus providing for any benefit upon termination of employment.

Except as stated in the section titled "Related Party Transaction" on page 121 of Red Herring Prospectus, we have not entered into any contract, agreement or arrangement in relation to any property acquired by our Company or otherwise, during the preceding 2 years from the date of this Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

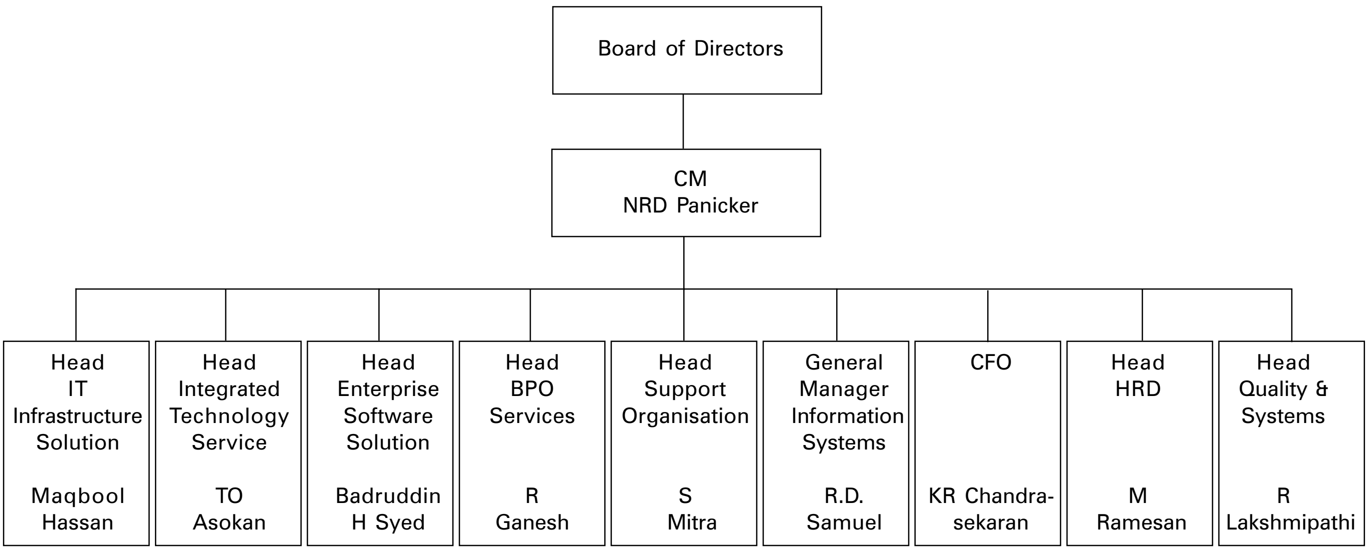
Changes in our Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Mr. Sumit Chandwani	June 14, 2004	April 11, 2006	Withdrawal of nomination by ICICI Venture Funds.
Prof. Premchander	April 18, 2000	April 28, 2004 Frontline	Reconstitution of the Board due to induction of
Mr. Verghese K. Jacob	April 18, 2000	April 28, 2004 Frontline	Reconstitution of the Board due to induction of
Mr. R.S. Prasad Rao	November 24, 2000	April 28, 2004 Frontline	Reconstitution of the Board due to induction of
Mr. Steve Ting Tuan Toon	March 12, 2004	Continuing	-
Mr. Lim Chin Hu	March 12, 2004	Continuing	-
Mr. K.R. Chandrashekaran	April 28, 2004	Continuing	-
Dr. Harrison Wang Hong She	April 11, 2006	Continuing	-
Mrs. Lakshmi G. Menon	April 11, 2006	Continuing	-
Mr. Suresh K. Sharma	April 11, 2006	Continuing	-
Mr. R. Sinnakaruppan	April 11, 2006	Continuing	-

Management Organisation Structure

The organisation structure of our Company and its senior management, including the Board of Directors and the heads of various divisions of our Company is given below:

Organisation Chart of Accel Frontline Ltd



Key Managerial Personnel

Mr. N.R.Panicker, 52 years. For details on his biography, please refer to the section titled "Management" on page 83 of this Red Herring Prospectus.

Mr. K.R.Chandrasekharan, 54 years. For details on his biography, please refer to the section titled "Management" on page 83 of this Red Herring Prospectus.

Mr. Maqbool Hassan, 40 years, Vice President and Head of IT Infrastructure Solutions (IIS), joined Accel group on August 13, 1991 as as Head of Kerala Region. Mr. Hassan completed his Bachelors in Technology from NIT Kozhikode in 1986 and his Post Graduate Diploma in Business Management from Annamalai University in 1996. He has over 20 years experience in IT industry. He has held several positions in Accel Frontline since 1999 such as General Manager of the South Region, General Manager (Marketing) before becoming Vice President and Head of IIS division. He is responsible for the IIS Division. Prior to joining Accel Group he was employed with HCL as Manager from 1987 to 1990. His annual remuneration for the year ended March 31, 2005 was Rs. 1.4 million.

Mr. S. Mitra, 52 years, Head of Technical Support, joined us in July 1 2005. Mr. Mitra completed his Bachelors in Technology from the Indian Institute of Technology, Kharagpur in 1975. He has a total experience of 31 years in the IT industry. Prior to joining our company he was the President of Accel Limited. He has worked in companies such as IBM and HCL Limited (now known as HCL Infosystems Limited). His annual remuneration for the year ended March 31, 2005 was Rs 1.65 million

Mr. T.O. Asokan, 49 years, General Manager & Head, of the Infrastructure Management Services (IMS) joined Accel group in May 1996 as Regional Manager (West). He graduated from the Naval Institute, Jamnagar in 1976. He has also undergone Management Training at Indian School of Business, Hyderabad. He has a total experience of over 30 years, including 10 years in the Indian Navy. He is responsible for the IMS division. Prior to joining Accel he was earlier employed in HCL Limited (now known as HCL Infosystems Limited). His annual remuneration for the year ended March 31, 2005 was Rs 1.49 million.

Mr. R. Ganesh, 43 years, is a co founder and currently Head of the Business Process Outsourcing (BPO). He joined the Accel group on March 21, 1991 as Head – Test & Repair services group. Mr. Ganesh has a total experience of 22 years that previously included HCL Limited (now known as HCL Infosystems Limited) from 1986 to 1990 and Dunlop Limited from 1984 to 1986. He is responsible for the BPO division. His annual remuneration for the year ended March 31, 2005 was Rs. 1.58 million

Mr. Badruddin H. Syed, 46 years, President (ESS) joined us on April 24, 2006 as Vice President (ESS). He completed his B.Sc. (Engineering) from Aligarh Muslim University in 1981. He has over 24 years of experience in the IT industry. He is responsible for client acquisition through sales and marketing, customer and partnership engagements and oversee delivery from a client and the overall strategy, planning and execution of the growth strategy of the ESS Division. Prior to joining us he was the executive vice president of vMoksha Technologies Private Limited. His annual remuneration is Rs. 3.04 million.

Mr. M. Ramesan, 45 years, Vice President Human Resources, joined the Accel group on August 1, 1995 as General Manager. Mr. Ramesan completed his Bachelors in Science (Engineering) from Kerala University in 1982. He has a total experience of 23 years in the IT industry. He started his career in HCL Limited (now known as HCL Infosystems Limited) in the customer support division in 1982 and became the Regional Manager- Services. He left in 1990 and joined Touchstone Systems Pvt Limited as Technical Director before re-joining Accel. He has held different senior management positions in his tenure at Accel including the Head of IT infrastructure management division. He has undergone senior management training in ISB Hyderabad. His annual remuneration for the year ended March 31, 2005 was Rs. 1.44 million.

Mr. R. Lakshmipathi, 49 years, General Manager - Quality & Systems, joined Accel group on May 13, 1992 as Regional Manager services Mr. Lakshmipathi completed his Bachelors in Science (Physics) from Madras University in 1978 and his Bachelors in Technology (I.T) from Anna University in 1981. He has over 22 years experience in the IT industry. Prior to joining Accel group he was employed with HCL Limited (now known as HCL Infosystems Limited) till 1990 as Head for Regional Support Services. He has also served as the Technical Support Manager at ET & T Corporation Limited, a Government of India Enterprise from 1991 to 1992. His annual remuneration for the year ended March 31, 2005 was Rs. 0.95 million.

Mr. R.D.Samuel, 50 years, General Manager – Information Systems, joined Accel Frontline on 2nd April 2006 as General Manager- Information Systems. Mr. Samuel is an M.E (Computer Technology) from REC Trichy, Tami Nadu and an MBA from University of Madras in 1990. He has over 24 years of experience in various industries in the field of software programming, systems analysis, system administration, IT strategy planning, and management. He has previously worked with Amrutanjan Limited, Chennai from 1984 to 1995 as Manager (EDP) and as Senior Manager (Systems) in Eicher Limited Chennai, from 1995 to 1999. He was Head of IT in St. Gobain Glass India Limited from 1999 to 2000. He spent five years in Saudi Arabia, from 2001 to 2006, where he was involved as Head of Enterprise Application Services at IMT Company Limited Dammam, before joining Accel Frontline. His current remuneration is Rs 1.3 million per annum.

All the above mentioned key managerial personnel are permanent employees of our Company. The remuneration of each of our key personnel is as per the statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

Shareholding of Our Key Managerial Personnel in our Company

Our Articles of Association do not require our key managerial personnel to hold any Equity Shares in our Company. The following table details the shareholding of our key managerial personnel in their personal capacity and either as sole or first holder, as at the date of this Red Herring Prospectus.

Sl. No.	Name of Key Managerial Personnel	Pre-Issue		Post-Issue*	
		Number of Equity Share	%	Number of Equity Shares	%
1	Mr. N.R.Panicker	287,500	1.66	287,500	1.28
2	Mr. K.R.Chandrasekharan and Mr. Maqbool Hassan	45,000	0.26	45,000	0.20
3	Mr. M. Ramesan and Mr. R.Lakshmipathi	45,000	0.26	45,000	0.20
4	Mr. R.Ganesh and Mr. K.R.Chandrasekaran	39,847	0.23	39,847	0.18
5	Mr. Maqbool Hassan	18,000	0.10	18,000	0.08
6.	Mr. K.R.Chandrasekaran	18,000	0.10	18,000	0.08
7	Mr. S.Mitra	10,000	0.06	10,000	0.04
8	Mr. T.O.Asokan	10,000	0.06	10,000	0.04
9	Mr. R.Ganesh	18,000	0.10	18,000	0.08
10	Mr. Badruddin H. Syed	Nil	Nil	Nil	Nil
11	Mr. M. Ramesan	10,000	0.06	10,000	0.04
12	Mr. R.Lakshmipathi	5,000	0.03	5,000	0.02
13	Mr. R.D.Samuel	Nil	Nil	Nil	Nil

* This is based on the assumption that such key management personnel continues to hold the same number of Equity Shares after the Issue. This does not include any Equity Shares that such key management personnel may subscribe for and be allotted in the Issue.

Bonus or Profit Sharing Plan for Our Key Managerial Personnel

SL.NO.	Name	Description
1	Mr. N.R.Panicker	1% of the profit before tax of our Company, subject to our Company achieving minimum 70% of the projected profitability before tax for the current financial year.
2	Mr. K.R.Chandrasekharan	Rs. 0.6 million, subject to our Company achieving minimum 70% of the projected profitability before tax for the current financial year.
3	Mr. Maqbool Hassan	Rs. 0.6 million, subject to the Infrastructure Solutions Division achieving minimum 70% of the projected profitability before tax for the current financial year.
4	Mr. S.Mitra	Rs. 0.3 million, subject to our Company achieving minimum 70% of the projected profitability before tax for the current financial year.
5	Mr. T.O.Asokan	Rs. 0.75 million, subject to the IT Infrastructure Management Services Division achieving minimum 70% of the projected profitability before tax for the current financial year.
6	Mr. R.Ganesh	Rs. 0.6 million, subject to the BPO Division achieving minimum 70% of the projected profitability before tax for the current financial year .
7	Mr. Badruddin H. Syed	5% of the profits of the Enterprise Solution Services Division, subject to a maximum of Rs. 1.2 million.
8	Mr. M. Ramesan	Rs. 0.3 million, subject to our Company achieving minimum 70% of the projected profitability for the current financial year
9	Mr. R.Lakshmipathi	Rs. 0.3 million, subject to our Company achieving minimum 70% of the projected profitability for the current financial year.
10	Mr. R.D.Samuel	Rs. 0.3 million, subject to our Company achieving minimum 70% of the projected profitability for the current financial year.

Interest of Key Managerial Personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment (including the relevant bonus and profit sharing plan applicable to them) and reimbursement of expenses incurred by them during the ordinary course of business.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Our Articles provide that our Directors and officers shall be indemnified by our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgement in his favour or is acquitted in such proceeding. The Company has taken key man insurance in the name of Mr. N.R. Panicker and has also taken a directors and officers liability insurance policy for its non-executive Directors.

Changes in our Key Managerial Personnel during the last three years

The changes in our key managerial employees during the last three years are as follows:

Name	Position held	Date of Appointment	Date of change	Reason for change
Mr. S.V. Sriram	President, IIS Division	July 15, 2002	September 30, 2004	Resigned
Mr. R.S. Prasada Rao	Director, Services Division and COO	November 24, 2000	March 31, 2005	Superannuation
Mr. N. Shekhar	President (ESS)	June 6, 2005	June 30, 2006	Resigned

None of the Directors and Key Managerial Personnel have any family relation between them. Except to the extent of nomination of directors by major shareholders by our Company there is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any director or Key Managerial Personnel was selected.

PROMOTERS

1. Mr. N.R.Panicker

Mr. N.R.Panicker, Founder, Chairman & Managing Director, 52 years, has been a Director since inception. Mr. Panicker is a technocrat with over 28 years of experience in the IT industry. He is the founder of the Accel group of companies, head quartered at Chennai. He graduated in Electronics and Communication Engineering from the University of Kerala in 1976. He held various positions in HCL Limited (now known as HCL Infosystems Limited), from 1977 to 1990. Mr. Panicker has been ranked among the Top 10 Key Influencers in the Indian IT industry by Dataquest in 2002. He is an active participant in The Indus Entrepreneurs and Computer Society of India. His entrepreneurial and mentoring skills helped in getting associated with the Kerala Venture Capital Fund Private Limited as a director on its board. His annual remuneration for the year ended March 31, 2006 was Rs. 4.38 million. For details on his present remuneration, please refer to the section titled “Compensation of our Directors” on page 88 of this Red Herring Prospectus.

His Voter ID number is BDZ5505094. His Driving License number is F/TN/001/011896/2006.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to the BSE and NSE at the time of filing this Red Herring Prospectus with them.

2. Accel Limited (“Accel Limited”)

The Accel group commenced operations with Accel Limited. Accel Limited was incorporated as Accel Automation Private Limited on March 13, 1991 as a private limited company. Its name was changed to Accel Limited with effect from August 12, 1998. With effect from July 1, 1997, the company was converted into a public limited company. The registered office of the company is situated at III Floor, New No.75 (Old No. 124, Nelson Manickam Road, Aminjikarai, Chennai 600 029. Accel Limited is an investment company and has a business division rendering BPO services for the health care industry. The promoter of the Accel Limited is Mr. N.R.Panicker. For details of other interests [illegible] has in our Company, please refer to the section titled “Related Party Transactions” on page 121 of the [illegible]

Accel Limited was initially involved in the business of third pa[illegible]ces for IT products. In December 1993, Accel Limited acquired the PC manufacturing facilities of Kothari [illegible] imited, Bangalore and shifted operations in 1996 to Pondicherry. Accel Limited acquired Atreya Technolc[illegible]elopment Private Limited, Delhi and the services business of Network Limited, Delhi in June 1996 and [illegible], to benefit from their service networks in relation to telecom/IT equipment. In 1997, Accel Limited tiec[illegible] national mobile phone manufacturer to be its exclusive national service partner in India.

There has been no change in the management of Accel Limited or in the persons holding controlling interest in Accel Limited. The SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 is not applicable to Accel Limited as it is a private unlisted company.

Shareholding Pattern

The shareholding pattern of Accel Limited as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of Equity Shares	Percentage
1.	Mr. N.R.Panicker and family	2,240,700	52.11
2.	Co-founders and other Directors	539,700	12.55
3.	Accel group company employees holding more than 2% each	578,200	13.45
4.	Accel group company employees holding less than 2% each	363,950	8.46
5.	Others	577,450	13.43
	Total	**43,00,000**	**100.00**

Board of Directors

The directors on the board of Accel Limited as on March 31, 2006 are:

1. Mr. N.R. Panicker
2. Mr. R. Ganesh
3. Mr. S. Mitra
4. Mr. S.T. Prabhu

Financial Performance

The operating results of Accel Limited for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	52.98	68.68	116.78
Profit/Loss after tax	0.18	35.65	11.03
Equity capital (par value Rs. 10 per share)	43.00	57.08	57.08
Reserves and Surplus (excluding revaluation reserve)	127.28	141.17	109.23
Profit/Loss per equity share (Rs.)	0.04	6.24	1.93
Book value per equity share (Rs.)	39.60	34.73	29.14

Note: There was a buy back of shares in October 2005, wherein the share capital of Accel Limited was reduced from Rs. 57,080,000 to Rs. 43,000,000.

We confirm that the Permanent Account Numbers, Bank Account Numbers, our Company Registration Numbers and the addresses of the Registrars of Companies where Accel Limited is registered have been submitted to the BSE and NSE at the time of filing the Red Herring Prospectus with them.

3. Frontline Technologies Corporation Limited ("Frontline")

Frontline was originally incorporated as Frontline Technologies Pte Limited in August 13, 1994. In March 26, 1998 the company was established under the laws of Singapore, as a holding company for all Frontline subsidiaries. Its registered office is situated at 750 Chai Chee Road, #02-01/03 Technopark @ Chai Chee, Singapore 469000. The name of the company was subsequently changed on September 21, 2000 to Frontline Technologies Corporation Limited. The promoter of the Frontline is Mr. Steve Ting. It is currently a public limited company listed on the Singapore Stock Exchange (SGX) since March 2001.

Frontline serves companies across a broad spectrum of sectors that include the transportation and logistics, telecommunications, financial services, education, manufacturing, healthcare and public sectors. Accel Frontline Limited is treated as a subsidiary of Frontline in accordance with Singapore GAAP.

Frontline is an IT service provider, which comprises IT consulting, IT infrastructure, system integration as well as outsourcing. Frontline has a presence in seven countries apart from India, being China, Malaysia, Thailand, Hong Kong, Taiwan, Philippines and Singapore.

The details of the business revenues generated from the aforesaid countries are provided below:

(Figures in S$ million, except for percentages)

Sl. No.	Country	Revenues generated	Revenue as a % of total revenues of Frontline	Remarks
1	China	-	-	Equity holding
2	Malaysia	9.49	5.61%	
3	Thailand	-	-	Equity holding
4	Hong Kong	-	-	Equity holding
5	Taiwan	-	-	Equity holding
6	Philippines	17.09	10.11%	
7	Singapore	79.67	47.13%	
8	India	62.81	37.15%	
	TOTAL	**169.06**	**100.00%**	

There has been no change in the management of Frontline or in the persons holding controlling interest in Frontline. The SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 is not applicable to Frontline.

Shareholding Pattern

The shareholding pattern of Frontline as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of ordinary shares (Sing $ 0.05)	Percentage
A.	Directors/Substantial Shareholders		
1.	Mr. Steve Ting Tuan Toon	101,274,548	12.29
2.	e-Millenium Limited	58,860,000	7.14
3.	CTI II Limited	56,250,252	6.83
4.	Portnet.com Pte Limited	46,650,000	5.66
5.	Temasek Holdings Pte Limited	47,650,000	5.78
6.	Mr. Lim Chin Hu	39,025,000	4.74
7.	Ms. Shirley Wong Swee Ping	21,263,570	2.58
8.	Mr. Ng Chee Keong	400,000	0.05
	Sub-Total	371,373,370	45.07
B.	Public/Non-Substantive Shareholders	452,671,575	54.93
	TOTAL (A+B)	**824,044,945**	**100**

Board of Directors

The directors on the board of Frontline as on March 31, 2006 are:

1. Mr. Steve Ting Tuan Toon
2. Mr. Lim Chin Hu
3. Ms. Shirley Wong Swee Ping
4. Mr. Tay Swee Sze
5. Dr. Harrison Wang Hong She
6. Mr. Yap Min Choy
7. Mr. Paul Andrew Thorley
8. Mr. Ng Chee Keong

Financial Performance

The operating results of Frontline Technologies Corporation Limitedfor the last three years is set forth below:

(Singapore Dollars in millions, except for share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	169.10	147.50	106.80
Profit/Loss after tax	7.30	5.20	3.50
Equity capital (par value Sing$ 0.05 per share)	85.10	85.10	84.50
Reserves and Surplus (excluding revaluation reserve)	4.90	1.90	0.30
Profit/Loss per equity share (in Singapore Cents)	0.89	0.63	0.44
Book value per equity share (Net Asset Value) (in Singapore Cents)	12.66	12.54	10.87

We have converted the amounts mentioned above into Rupees and presented the same for your convenience below.

(Rs. in million, except per share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income*	4,506.51	3,944.15	2,841.95
Profit/Loss after tax*	194.55	139.05	93.14
Equity capital **	2,344.06	2,252.60	2,214.75
Reserves and Surplus (excluding revaluation reserve) **	134.95	50.29	7.86
Profit/Loss per equity share (Paise) *	23.72	16.84	11.71
Book value per equity share (Net Asset Value) (Paise) **	348.66	331.93	284.91

* Conversion done at the average exchange rate during the period

** Conversion done at exchange rate at the end of the period.

Share Price Data

The high and low for the equity shares of Frontline in the last six months as quoted on the SGX is provided below.

(In Sing$)

Month	Monthly High	Monthly Low
March 2006	0.13	0.13
April 2006	0.14	0.12
May 2006	0.14	0.12
June 2006	0.13	0.12
July 2006	0.13	0.12
August 2006	0.13	0.12

Source: SGX

The share price as on September 8, 2006 is Sing$ 0.12.

The SGX does not mandate an investor grievance redressal mechanism to be instituted by our Company and Frontline has not constituted any committee in this regard.

Promise versus Performance

Frontline had made a public issue vide prospectus dated February 22, 2001 of 190 million shares of Sing$ 0.05 each, at a premium of Sing$ 0.17 per share, aggregating Sing $ 41.8 million. The purpose of the issue was to (i) enhance its public image and provide an alternative source of capital, (ii) to acquire or invest in complementary businesses and /or make strategic investments in new technologies, (iii) to develop component based tool kits for ongoing projects as well as to sytematise its consulting strategy methodology and process into reusable package solutions offering; (iv) for working capital and general corporate purposes; and pending deployment of the net proceeds as aforesaid, to invest in money market instruments. Frontline has completed all the formalities as required under the laws of the issue and has used the proceeds of the issue for various purposes as listed in the offer document.

We confirm that the relevant Tax Registration Numbers, Bank Account Numbers, our Company Registration Number and the address of the Registrar of Companies or its equivalent where Frontline is registered have been submitted to the BSE and NSE at the time of filing the Red Herring Prospectus with them.

PROMOTER GROUP

Relatives of the Individual Promoter forming part of the Promoter Group

Name of the Relative	Relationship
Ms. Sreekumari Panicker	Wife
Mr. C.N.Narayana Pillai	Father
Ms. Meenakshi Amma	Mother
-	Brother
Ms. Krishnamma	Sister
Ms. Rajakumari	Sister
Mr. R. Harikrishna	Son
Ms. Shruti Panicker	Daughter
Mr. Sukumaran Nair	Father of Mrs. Panicker
Ms. Bhavani Kutty	Mother of Mrs. Panicker
-	Brother of Mrs. Panicker
Ms. Gangadevi	Sister of Mrs. Panicker

None of the relatives (as defined in Explanation II to clause 6.8.3.2 of the SEBI DIP Guidelines) of the individual Promoter hold shares in our Company, except Ms. Gangadevi, who belongs to the Promoter group (in relation to our individual Promoter, Mr. N.R.Panicker) and holds 9,500 Equity Shares in our Company, amounting to 0.05% of the pre-Issue shareholding capital, acquired from Accel Employees Equity Trust on March 29, 2006.

Corporate entities forming part of the Promoter Group

Our Indian Promoters, Mr. N.R. Panicker and Accel Limited have direct ownership control of all the Indian group companies described herein. The financial data for each group company incorporated in India has been derived from their financial statements prepared in accordance with Indian GAAP.

The details of the aforesaid Indian promoter group companies have been described in the following order:

1. Accel Transmatic Limited
2. Accel Systems Group, Inc, USA
3. Accel Technologies Private Limited
4. Accel Tele.Net Limited
5. Array Solutions (India) Limited
6. Zener Controls Private Limited

Our foreign Promoter, Frontline Technologies Corporation Limited is listed on the Singapore Stock Exchange since March 2001 and has invested in several companies either as a promoter or merely by way of an investment, wherein it exercises no control in the management/functioning of our Company.

Frontline currently has the following group companies, the relevant details of which have been disclosed below:

1. Frontline Innovations Pte Limited, Singapore
2. Frontline Technologies Pte Ltd, Singapore

3. Frontline Solutions Pte Limited, Singapore
4. Frontline Outsourcing (Asia) Pte Limited Singapore
5. MDCL-Frontline (China) Limited, China
6. G- Able Co Limited, Thailand.
7. Frontline Technologies Corporation (M) Sdn Bhd, Malaysia.

Accel Transmatic Limited ("Accel Transamatic")

Accel Transmatic was originally incorporated as Transmatic Systems Limited on May 19, 1986 as a public limited company. Accel Transmatic Limited under the previous management had made a public issue of 1,440,000 shares of Rs. 10 each at a premium of Rs. 15 per share, aggregating Rs. 36 million in September 1994. The shares of Accel Transmatic were listed on Bombay Stock Exchange Limited, Mumbai on November 25, 1994. The registered office of the company is situated at T.C. 17 / 27, Jagathy, Trivandrum 695 014.

Accel Limited and Mr. N.R.Panicker jointly acquired 18% of the shareholding of Transmatic Systems Limited in October 2003 from one of its promoters by way of a share purchase and also made an open offer to the then prevailing public shareholders in terms of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

On August 11, 2004, the name of the company was changed from Transmatic Systems Limited to Accel Transmatic Limited.

Pursuant to a composite scheme of arrangement of amalgamation and a sanctioning order of the High Court of Kerala dated January 3, 2005, Accel Transmatic merged certain entities which earlier formed part of the Accel Group and another software company with it. These companies included Accel Software and Technologies Limited, Zener Electronics Private Limited, Ushus Technologies Private Limited and the office automation business of Accel Limited.

The company is currently engaged in the business of research and development, manufacturing and marketing and services of automated payment collection terminals, software and hardware training through the Accel IT Academy and embedded software development.

Shareholding Pattern

The shareholding pattern of Accel Transmatic as on March 31, 2006 is as under

Sl. No	Category	Number of shares of Rs. 10 each	Shareholding (%)
A	Promoter's Holding		
1	Indian Promoters :		
	Accel Limited	4,225,863	38.29
	Mr. N.R. Panicker	1,115,098	10.10
	Mr. T. Ravindran	105, 515	0.95
	Sub Total	5,446,476	49.34
2	Foreign Promoters:	Nil	Nil
3	Persons acting in concert	474,194	4.30
	Sub-total (A)	5,920,670	53.64
B	Non-Promoters Holding		
4	Mutual Funds and UTI	2,144	0.02
5	Banking / Financial Institutions/Insurance Companies (Central & State Govt. Institutions, Non Government Institutions)	6,344	0.06

Sl. No	Category	Number of shares of Rs. 10 each	Shareholding (%)
6	Foreign Companies	560	0.001
7	Others		
	Body Corporates & Trusts		
	Kerala Venture Capital Trustee Private Limited	293,230	2.66
	Others	661,635	5.99
	Sub Total (B)	963,916	8.74
8	Indian Public	3,787,445	34.31
9	NRI/OCBs	80,063	0.72
	Any Other (Please Specify)		
10	Shares in Transit/Clearing Member	50,505	0.46
11	Directors/Relatives/Associates(Independent) and are not in control of the company)	234,805	2.13
	Foreign Nationals		
	Sub Total (C)	**4,152,818**	**37.62**
	GRAND TOTAL (A) + (B) + (C)	**11,037,401**	**100.00**

Board of Directors

The directors on the board of Accel Transmatic as on March 31, 2006 are:

1. Mr. N.R. Panicker
2. Mr. T. Ravindran
3. Mr. A. Mohan Rao
4. Mr. Philip John
5. Mr. M.R. Narayanan
6. Mr. K.A. Joseph
7. Mr. V. Viswanathan
8. Mr. S.T. Prabhu.

Financial Performance

The financial performance of Accel Transmatic for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	293.56	273.22	120.84
Profit/Loss after tax	20.76	6.55	(32.74)
Equity capital (par value Rs. 10 per share)	110.37	110.37	110.37
Reserves and Surplus (excluding revaluation reserve)	(54.66)0	(67.16)	(74.49)
Profit/Loss per equity share (Rs.)	1.85	0.59	(5.72)
Book value per equity share (Rs.)	6.18	5.05	4.30

Share Quotation

The highest and lowest market price of shares of Accel Transmatic as listed on the BSE during the preceding six months is as follows:

Month	High (Rs.)	Low (Rs.)
March 2006	26.40	18.10
April 2006	32.55	23.00
May 2006	32.55	23.00
June 2006	25.90	18.00
July 2006	21.90	16.25
August 2006	25.45	17.10

Market value of the shares of Accel Transmatic as on September 8, 2006 is Rs. 23.00.

Investor Redressal Mechanism and Investor Complaints

The company has a shareholders' grievance committee which was reconstituted on February 25, 2004. The committee is empowered to oversee the redressal of investors' complaints pertaining to share transfer, non receipt of annual reports, issue of duplicate certificates, transmission of shares and other miscellaneos complaints. No investor complaints were pending as on August 15, 2006.

Promise versus Performance

Accel Transmatic Limited under the previous management had made a public issue of 1,440,000 shares of Rs. 10 each at a premium of Rs. 15 per share, aggregating Rs. 36 million in September 1994. The primary object of the issue was expansion and diversification of the product lines in telecommunication and electronic equipment areas to augment long term working capitals of the company. To the best of the company's information, the erstwhile management met the objects of the issue.

Accel Systems Group, Inc, USA ("Accel US")

Accel US was incorporated on March 16, 1998 as a private company. The registered office of the company is situated at 2050, Marconi Drive, Suite 300, Alphretta, GA 30005. Accel US is engaged in the business of offering technological and business process outsourcing solutions, provided by the Accel Group companies in India to the North American market.

Shareholding Pattern

The shareholding pattern of Accel US as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	Percentage holding
1.	Accel Limited	50
2.	Mr. P. B. Nair	25
3.	Mr. Kumar Choudhary	25
	TOTAL	100

Board of Directors

The directors on the board of Accel US as on March 31, 2006 are:

1. Mr. N. R. Panicker
2. Mr. P. B. Nair
3. Mr. Kumar Choudhary

Financial Performance

The operating results of Accel US for the last three years is set forth below:

(US$ in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	0.82	0.45	0.53
Profit/Loss after tax	0.07	0.04	(0.09)
Equity capital*	1.28	1.28	1.08
Reserves and Surplus (excluding revaluation reserve)	(1.75)	(1.82)	(1.86)
Profit/Loss per equity share	NA	NA	(0.04)
Book value per equity share	NA	NA	(0.36)

* The equity shares had a par value of US$ 0.50 per share till March 30, 2005 and thereafter it was converted to a 'no par value' share.

We have converted the US$ amounts mentioned above into Rupees and presented the same for your convenience below.

(Rs. in million, except per share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Conversion rate (US$ to Rs.)	44.61	43.79	44.13
Sales and other income*	36.54	20.07	24.29
Profit/Loss after tax*	3.10	1.97	(4.03)
Equity capital **	57.24	56.13	47.20
Reserves and Surplus (excluding revaluation reserve) **	(78.05)	(79.58)	(81.23)
Profit/Loss per equity share **	NA	NA	(15.70)
Book value per equity share **	NA	NA	(1.74)

* Conversion done at the average exchange rate during the period

** Conversion done at exchange rate at the end of the period.

Accel Technologies Private Limited ("Accel Technologies")

Accel Technologies was incorporated on May 26, 1987 as a private limited company. The registered office of Accel Technologies is situated at 75, II Floor, Nelson Manickam Road, Aminjikarai, Chennai 600 029. Accel Technologies is engaged in the business of technology services.

Shareholding Pattern

The shareholding pattern of Accel Technologies as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of equity shares	Percentage
1.	Accel Limited	469,950	99.98
2.	Nominees of Accel Limited	70	0.02
	TOTAL	470,020	100

Board of Directors

The directors on the board of Accel Technologies as on March 31, 2006 are:

1. Mr. N.R. Panicker
2. Mr. S. Mitra
3. Mr. K.R. Chandrasekaran

Financial Performance

The operating results of Accel Technologies for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	Nil	1.42	1.17
Profit/Loss after tax	(0.68)	0.75	(0.19)
Equity capital (par value Rs. 10 per share)	4.70	4.70	4.70
Reserves and Surplus (excluding revaluation reserve)	(3.85)	(3.17)	(3.91)
Profit/Loss per equity share (Rs.)	(1.46)	1.59	(0.39)
Book value per equity share (Rs.)	(1.81)	3.25	1.67

Accel Tele.Net Limited ("Accel Tele.Net")

Accel Tele.Net was incorporated on March 22, 2000 as a public limited company. The registered office of the company is situated at 177, SFI Complex, Valluvarkottam High Road, Nungambakkam, Chennai 600 034. Accel Tele.Net is engaged in the business of IT Consulting.

Shareholding Pattern

The shareholding pattern of Accel Tele.Net as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of equity shares	Percentage
1.	Accel Limited	80,010	99.92
2.	Nominees of Accel Limited	60	0.08
	Total	800,070	100.00

Board of Directors

The directors on the board of Accel Tele.Net as on March 31, 2006 are:

1. Mr. N. R. Panicker
2. Mr. R. Ganesh
3. Mr. S. Mitra

Financial Performance

The operating results of Accel Tele.Net for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	Nil	Nil	Nil
Profit/Loss after tax	Nil	Nil	Nil
Equity capital (par value Rs. 10 per share)	0.80	0.80	0.80
Reserves and Surplus (excluding revaluation reserve)	Nil	Nil	Nil
Profit/Loss per equity share (Rs.)	Nil	Nil	Nil
Book value per equity share (Rs.)	8.73	8.73	8.73

Array Solutions (India) Limited (“Array Solutions”)

Array Solutions was incorporated on February 2, 1999, as a public company. The registered office of the company is situated at 27, Shakespeare Sarani, Kolkatta 700 001. Array Solutions is engaged in the business of software development.

Shareholding Pattern

The shareholding pattern of Array Solutions as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of equity shares	Percentage
1.	Accel Limited	2,599,940	99.99
2	Nominees of Accel Limited	60	0.01
	Total	2,600,000	100

Board of Directors

The directors on the board of Array Solutions as on March 31, 2006 are:

1. Mr. K.R. Chandrasekaran
2. Mr. S.T. Prabhu
3. Mr. Maqbool Hassan

Financial Performance

The operating results of Array Solutions for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	Nill	Nil	17.05
Profit/Loss after tax	Nil	(0.05)	6.23
Equity capital (par value Rs. 10 per share)	26.00	26.00	26.00
Reserves and Surplus (excluding revaluation reserve)	(25.92)	(25.92)	(25.87)
Profit/Loss per equity share (Rs.)	Nil	(0.02)	(2.39)
Book value per equity share (Rs.)	0.03	0.03	0.05

Zener Controls Private Limited ("Zener")

Zener was incorporated on October 15, 1987 as a private limited company. The registered office of the company is situated at Ground Floor, 37, Nelson Manickam Road, Chennai 600 029. Zener is engaged in the business of marketing and service of power conditioning equipment.

Shareholding Pattern

The shareholding pattern of Zener as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of equity shares	Percentage
1.	Accel Limited	5,660	98.95
2.	Nominees of Accel Limited	60	1.05
	Total	5,720	100.00

Board of Directors

The directors on the board of Zener as on March 31, 2006 are:

1. Mr. Maqbool Hassan
2. Mr. S. T. Prabhu

Financial Performance

The operating results of Zener for the last three years is set forth below:

(Rs. in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	Nil	0.01	9.87
Profit/Loss after tax	(0.25)	(0.23)	(0.21)
Equity capital (par value Rs. 100 per share)	0.57	0.57	0.57
Reserves and Surplus (excluding revaluation reserve)	(0.82)	1.07	1.29
Profit/Loss per equity share (Rs.)	(43.63)	(39.72)	(36.76)
Book value per equity share (Rs.)	242.84	286.47	376.18

Group Company Information in relation to Frontline Technologies

Singapore

Frontline Innovations Pte Limited ("Frontline Innovations")

Frontline Innovations was originally incorporated under the name of Cadence China Technologies Pte Limited incorporated as a private limited company under the laws of Singapore on January 20, 1999. Its registered office is situated at 750 Chai Chee Road, #02-01 Technopark @ Chai Chee, Singapore 469000. Subsequently, the name of the company was changed to CCTPL Pte Limited with effect from December 21, 2001. The name of the company was again changed to Frontline Innovations with effect from September 17, 2003. The company is engaged in the business of general wholesale trade including general imports and exports and hardware consultancy including systems consultancy.

Shareholding Pattern

The shareholding pattern of Frontline Innovations as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of ordinary shares (of 1 Singapore Dollar)	Percentage
1.	Frontline Technologies Corporation Limited	4,950,000	100%
	Total	4,950,000	100%

Board of Directors

The directors on the board of Frontline Innovations as on March 31, 2006 are:

1. Mr. Ting Tuan Toon Steve
2. Ms. Wong Swee Ping Shirley

Financial Performance

The operating results of Frontline Innovations for the last three years is set forth below:

(Sing $ in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	0.3	0	0
Profit/Loss after tax	0.03	0	(0.4)
Equity capital	5.0	5.0	1.7
Reserves and surplus (excluding revaluation reserve)	(0.4)	(0.4)	(0.4)
Profit/Loss per equity share (in cents)	0.005	(0.002)	(0.271)
Book value per equity share (in cents)	(0.071)	(0.077)	(0.226)

Frontline Technologies Pte Limited (“Frontline Pte”)

Frontline Pte was incorporated as a private limited company under the laws of Singapore on March 13, 1994. Its registered office is situated at 750 Chai Chee Road, #02-01/03 Technopark @ Chai Chee, Singapore 469000. Frontline Pte is engaged in the business of general wholesale trade including general imports and exports and retail sale of computer hardware and accessories and computer software except games.

Shareholding Pattern

The shareholding pattern of Frontline Pte as on March 31, 2006 is as under:

Sl. No	Name of the shareholder	No. of ordinary shares (of 0.5 Singapore Dollar)	Percentage
1.	Frontline Technologies Corporation Limited	40,000,000	100%
	Total	40,000,000	100%

Board of Directors

The directors on the board of Frontline Pte as on March 31, 2006 are:

1. Mr. Ting Tuan Toon Steve
2. Ms. Wong Swee Ping Shirley
3. Mr. Lim Chin Hu
4. Mr. Wong Wai Meng

Financial Performance

The operating results of Frontline Pte for the last three years is set forth below :

(S $ in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	60.1	57.1	64.9
Profit/Loss after tax	3.4	3.0	4.0
Equity capital	2.0	2.0	2.0
Reserves and surplus (excluding revaluation reserve)	14.5	15.1	19.1
Profit/Loss per equity share (in cents)	0.08	0.07	0.10
Book value per equity share (in cents)	0.36	0.38	0.48

Frontline Solutions Pte Limited (“Frontline Solutions”)

Frontline Solutions was originally incorporated as FT Solutions Pte Limited on March 26, 1998, as a private limited company under the laws of Singapore. Its registered office is situated at 750 Chai Chee Road, #02-01 Technopark @ Chai Chee, Singapore 469000. The name of the company was subsequently changed to Frontline Solutions Pte Limited with effect from December 10, 1999. Frontline Solutions is engaged in the business of IT and related activities such as disaster recovery service and wholesale of computer accessories such as diskettes and computer cards.

Shareholding Pattern

The shareholding pattern of Frontline Solutions as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of ordinary shares (of 1 Singapore Dollar)	Percentage
1.	Frontline Technologies Corporation Limited	5,200,000	100
	Total	5,200,000	100

Board of Directors

The directors on the board of Frontline Solutions as on March 31, 2006 are:

1. Mr. Lim Chin Hu
2. Mr. Ting Tuan Toon Steve
3. Ms. Wong Swee Ping Shirley

Financial Performance

The operating results of Frontline Solutions for the last three years is set forth below:

(Sing $ in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	13.0	8.9	9.1
Profit/Loss after tax	1.09	(0.10)	(1.0)
Equity capital	5.2	2.0	2.0
Reserves and surplus (excluding revaluation reserve)	0.56	(0.50)	(0.4)
Profit/Loss per equity share (in cents)	0.209cts	(0.070)cts	(0.348)cts
Book value per equity share (in cents)	0.107cts	(0.264)cts	(0.194)cts

Frontline Outsourcing (Asia) Pte Limited ("Frontline Outsourcing")

Frontline Outsourcing was originally incorporated as Mentor Graphics Associates Pte Limited as a private limited company on April 10, 1993 under the laws of Singapore. The name of our Company was subsequently changed to MGA Systems Design Pte Limited with effect from September 3, 1999. The name of the company was again changed to Stor.H Pte Limited with effect from January 29, 2002. With effect from October 28, 2004, its name was again changed to Frontline CG (Asia) Pte Limited. Finally the name of the company was changed to Frontline Outsourcing (Asia) Pte Limited. The registered office of Frontline Outsourcing is situated at 750 Chai Chee Road, #02-01 Technopark @ Chai Chee, Singapore 469000. Frontline Outsourcing is engaged in the business of General wholesale trade including acting as general importers and exporters, business process outsourcing and hardware consultancy including systems consultancy

Shareholding Pattern

The shareholding pattern of Frontline Outsourcing as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of ordinary shares (of Sing$ 0.05)	Percentage (%)
1.	Frontline Technologies Corporation Limited	90,200,000	100
	Total	90,200,000	100

Board of Directors

The directors on the board of Frontline Outsourcing as on March31, 2006 are:

1. Mr. Lim Chin Hu
2. Mr. Ting Tuan Toon Steve
3. Ms. Wong Swee Ping Shirley

Financial Performance

The operating results of Frontline Outsourcing for the last three years is set forth below:

(Sing $ in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	6.5	2.30	0
Profit/Loss after tax	(0.04)	(0.13)	0
Equity capital	4.5	4.5	1.0
Reserves and surplus (excluding revaluation reserve)	(0.18)	(0.14)	0.04
Profit/Loss per equity share (in cents)	(0.01)	(0.03)	(0.00)
Book value per equity share (in cents)	(0.04)	(0.03)	0.00

China

MDCL-Frontline (China) Limited ("MDCL-Frontline")

MDCL-Frontline was originally incorporated as Modern Software Limited on May 31, 2001 under the laws of China. The name of the company was changed to MDCL-Frontline (China) Limited with effect from November 12, 2001. Its registered and corporate office is situated at Rm. 1303 Stanhope Hosue, 734-738 King's Road, Quarry Bay, Hong Kong. MDCL-Frontline is an investment holding company engaged in the business of IT Infrastructure, system integration and software solutions.

Shareholding Pattern

The shareholding pattern of MDCL-Frontline as on March 31, 2006 is as under:

Name of the shareholder	No. of ordinary shares (of HK $ 1)	Percentage (%)
Frontline Technologies Corporation Limited	3,0982,583	47.5
Kinder Limited	17,399,274	26.7
Able Tech Group Limited	1,177,396	1.8
Capricorn Technologies Limited	1,033,295	1.6
Cyber Link Limited	1,082,500	1.7
E-Inforseek Limited	1,107,103	1.7
Mr. Yau Ngok Yuk	7,195,188	11
Mr. Yau Tung Sing	1,962,324	3
Others	3,329,898	5%
Total	**65,269,561**	**100**

Board of Directors

The directors on the board of MDCL-Frontline as on March 31, 2006 are:

1. Mr. Yau Ngok Yuk
2. Mr. Yung Kwok Kee Billy

3. Mr. Yau Kin Hing
4. Mr. Yau Tung Sing
5. Mr. Ting Tuan Toon, Steve
6. Mr. Lim Chin Hu
7. Dr. Harrison Wang Hong-She

Financial Performance

The operating results of MDCL- Frontline for the last three years is set forth below :

(Sing $ in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	138.9	118.9	75.6
Profit/Loss after tax	3.7	3.1	1.5
Equity capital	14.7	14.7	14.7
Reserves and surplus (excluding revaluation reserve)	19.4	16.2	14.6
Profit/Loss per equity share (in cents)	0.06	0.05	0.02
Book value per equity share (in cents)	0.30	0.25	0.22

Thailand

G-Able Company Limited ("G-Able")

G-Able was originally incorporated as Logic Company Limited on January 30, 1999. The name of our Company was subsequently changed to G-Able Company Limited with effect from January 19, 2004. Its registered office is situated at 127/27, 29-31 Nonsee Road, Nonsee, Yannawa, Bangkok, Thailand. G-Able is engaged in the business of providing service and sales for computer and related products.

Shareholding Pattern

The shareholding pattern of G-Able as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of ordinary shares (of 10 Thai baht)	Percentage (%)
1.	Frontline Technologies Corporation Limited	1,800,000	20.50
2	Nart Liucharoen and Associates	6,980,283	79.50
	Total	8,780,283	100.00

Board of Directors

The directors on the board of G-Able as on March 31, 2006 are:

1. Mr. Yodjin Uahwattanasakui
2. Mr. Nart Liucharoen
3. Mrs. Supavadee Phantumvanit
4. Ms. Natchanok Tasupanich
5. Mr. Traitratt Chaisamran

6. Mr. Steve Ting Tuan Toon
7. Mr. Lim Chin Hu
8. Mr. Chaweng Tanapantaruk

Financial Performance

The operating results of G- Able for the last three years is set forth below :

(Sing $ in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	146.0	86.4	93.4
Profit/Loss after tax	5.4	2.1	3.6
Equity capital	8.8	8.8	2.5
Reserves and surplus (excluding revaluation reserve)	19.3	14.5	12.7
Profit/Loss per equity share (in cents)	0.26	0.10	0.60
Book value per equity share (in cents)	0.92	0.69	2.11

Malaysia

Frontline Technologies Corporation (M) Sdn. Bhd ("Frontline Technologies (M)")

Frontline Technologies (M) was originally incorporated as Frontline Technologies Corporation Sdn. Bhd on June 18, 1999 as a private limited company under the laws of Malaysia. The name of the company was changed to Frontline Technologies Corporation (M) Sdn. Bhd with effect from November 15, 2000. The registered office of the company is situated at Upper Penthouse, Wisma Rkt, 2, Jalan Raja Abdullah, , Kuala Lampur, Wilayah Dersekutuan 50300. Frontline Technologies (M) is engaged in the business of investment holdings..

Shareholding Pattern

The shareholding pattern of Frontline Technologies (M) as on March 31, 2006 is as under:

Sl. No.	Name of the shareholder	No. of Equity Shares (of 1 RM each)	Percentage (%)
1.	Frontline Technologies Corporation Limited	10,000,000	100
	Total	10,000,000	100

Board of Directors

The directors on the board of Frontline Technologies (M) as on March 31, 2006 are:

1. Mr. Lim Chin Hu
2. Mr. Steve Ting Tuan Toon
3. Mr. Abd. Rahman Bin Mohammed Yusuf
4. Mr. Loo Kon Fatt

Financial Performance

The operating results of Frontline Technologies Corporation (M) for the last three years is set forth below:

(Sing $ in million, except share data)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Sales and other income	9.5	17.5	13.5
Profit/Loss after tax	(0.3)	0.3	0.2
Equity capital	4.5	4.5	0.9
Reserves and surplus (excluding revaluation reserve)	(1.3)	(1.1)	(0.5)
Profit/Loss per equity share (in cents)	(0.028)cts	0.034cts	0.104cts
Book value per equity share (in cents)	(0.134)cts	(0.112)cts	(0.267)cts

Disassociated Companies of Indian Promoters in the last three years

Sl. No.	Name of Company disassociated	Year of disassociation	Reason for disassociation
1	Accel Systems Private Limited	March 2004	Struck off from the register of the Registrar of Companies under Section 560 of the Act
2	Accel Infotech FZE Sharjah	October 2002	Pursuant to an agreement dated October 3, 2002, Accel Dubai acquired the business of Accel Infotech FZE (Sharjah) as a going concern with effect from October 5, 2002 along with fixed assets, current assets and term and current liabilities.

Common pursuits

We do not have any common pursuits or conflict of interest within the aforesaid promoter group companies.

Group companies making losses

The details of the profit / loss for the year ended March 31, 2006, 2005 and 2004 and the accumulated profits / losses for the same period are provided below in relation to our promoter group companies:

Rs. in million

Name of the company	Profit/(Loss) for the year ended March 31,			Accumulated profits / (losses) as on March 31,		
	2006	2005	2004	2006	2005	2004
Accel Systems Group, Inc., USA	3.10	1.97	(4.03)	(78.05)	(79.66)	(81.23)
Accel Transmatic Limited	20.76	6.55	(32.74)	(42.14)	(54.59)	(75.49)
Accel Technologies Private Limited	(0.68)	0.75	(0.19)	(3.85)	(3.17)	(3.91)

Sing$ in million

Name of the company	Profit/(Loss) for the year ended March 31,			Accumulated profits / (losses) as on March 31,		
	2006	2005	2004	2006	2005	2004
Frontline Innovations Pte Limited	0.03	0	(0.4)	(0.4)	(0.4)	(0.4)
Frontline Solutions Pte Limited	1.09	(0.10)	(1.0)	0.56	(0.50)	(0.4)
Frontline Outsourcing (Asia) Pte Limited	(0.04)	(0.13)	0	(0.18)	(0.14)	0.04

Malaysian Ringitt in million

Name of the company	Profit/(Loss) for the year ended March 31,			Accumulated profits / (losses) as on March 31,		
	2006	2005	2004	2006	2005	2004
Frontline Technologies Corporation (M) Sdn. Bhd	(0.3)	0.3	0.2	(1.3)	(1.1)	(0.5)

Group companies with negative networth

- Accel Systems Group, Inc., USA
- Accel Tele.Net Limited.

Sick companies/BIFR proceedings

None of the Group companies are sick companies nor have they been referred to BIFR proceedings.

Struck off from the register of the Registrar of Companies

Accel Systems Private Limited has been struck off from the register of the Registrar of Companies under Section 560 of the Act. The company was a subsidiary of Accel Limited and was carrying on the business of sale and service of IT products in Kerala Region. Over a period of time, the operations were taken over by Accel Limited and all employees were transferred to Accel Limited. The company was retained for some period to collect dues from various government organisations. Since they had no employees in their roles and no operations, it was decided to close down the operations and necessary applications were filed as per the provisions of the Simplified Exit Scheme in March 2004.The shareholding pattern of the company prior to its strike off from the Register is provided below:

Name of shareholder	Number of shares
Accel Limited	4,250
Mr N R Panicker	750
Mr Maqbool Hassan	500
Mr Jaysekar P K	500
Mr Abdul Salam M N	500
Mr Krishna Lal R	500
Total	**7,000**

RELATED PARTY TRANSACTIONS

Our related party transactions during the fiscal 2006, fiscal 2005 and fiscal 2004 have amounted to Rs. 102.60 million, Rs. 40.74 million and Rs. 41.78 millions, respectively. Please refer to the 'Related Party Transactions' detailed in Annexure III of the section titled 'Financial Statements – Consolidated Statements' beginning on page 124 of this Red Herring Prospectus.

EXCHANGE RATES AND CURRENCY OF PRESENTATION

This Red Herring Prospectus contains translations of some US Dollar, Singapore Dollar and United Arab Emirates Dirham and amounts into Rupee amounts which should not be construed as a representation that those amounts could have been, or could be, converted into Indian Rupees as the case may be, at any particular rate, the rates stated below, or at all. The following tables sets forth, for each period indicated, information concerning the number of Rupees for which one US Dollar, Singapore Dollar and UAE Dirham could be exchanged at the rate given by the Bloomberg. The row titled average in the table below is the average of the daily rate on the last day of each full month during the period.

In this Red Herring Prospectus, US Dollar, Singapore Dollar and United Arab Emirates Dirham amounts have been translated into Rupees for each period, and presented solely to comply with the requirements of the SEBI Guidelines. Investors are advised not to rely on such translated amounts.

Further, all amounts in this Red Herring Prospectus have been stated in millions, except for the sections titled "Management - Compensation of our Directors", where the amounts have been stated in lakhs.

US Dollar

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004
Period End	44.61	43.75	43.60
Average	44.31	44.93	45.94
Low	43.29	43.42	43.60
High	46.35	46.47	47.47

Source: Bloomberg

Singapore Dollar

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004
Period End	27.56	26.50	26.03
Average	26.67	26.82	26.56
Low	25.61	25.99	25.95
High	27.59	27.29	27.41

Source: Bloomberg

United Arab EmiratesDirham

	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004
Period End	12.15	11.91	11.87
Average	12.06	12.23	12.50
Low	11.79	11.82	11.87
High	12.62	12.65	12.92

Source: Bloomberg

DIVIDEND POLICY

The Board may, at its discretion, recommend dividends to be paid to our Shareholders. Generally, the factors that may be considered by the Board of Directors before making any recommendations for the dividend include, without limitation, our future expansion plans and capital requirements, profits earned during the fiscal, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and general market conditions. The Board of Directors may also from time to time pay interim dividends to our shareholders. Dividends, other than interim dividends, will be declared at the annual general meeting of the Shareholders based on the recommendation of the Board of Directors.

The dividends declared by us on our Equity Shares during the last five years are disclosed below:

Particulars	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Rate of Dividend (%)	10	5	NA	5	50
Face Value (Rs.)	10	10	10	10	10
Total Dividend (Rs.)	17,333,333	8,268,950	Nil	6,500,000	32,596,954

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V: FINANCIAL STATEMENTS

AUDITOR'S REPORT

CONSOLIDATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND CONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED AND CONSOLIDATED CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP, AS AT AND FOR THE YEARS ENDED MARCH 31, 2006,2005, 2004, 2003 AND 2002.

June 21, 2006

To

The Board of Directors
Accel Frontline Ltd.
75, Nelson Manickam Road
Aminjikarai
Chennai – 600 029.

Dear Sirs,

We have examined the consolidated financial information of Accel Frontline Ltd. ('**the Company'**) annexed to this report, which have been prepared in accordance with the requirements of:

a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('**the Act**')

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 issued by SEBI on January 27, 2000 as amended, including instructions and clarifications issued by SEBI from time to time.

c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Company in connection with the proposed Initial Public Offer ('IPO'); and

d) The Guidance Note on Reports in Company Prospectus and Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India (ICAI) and related matters.

The Company proposes to make an IPO of 56,35,950 equity shares having a face value of Rs. 10 per equity at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building scheme (referred to as 'the issue')

Consolidated financial information as per audited financial statements

We have examined the attached consolidated restated summary statement of assets and liabilities of the company as at March 31, 2006, 2005, 2004, 2003 and 2002 and the attached consolidated restated summary statement of profits and losses for each of the aforesaid years (restated Consolidated Summary Statements) (See Annexure I and II) as prepared by the company and approved by the Board of Directors. The restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and as more fully described in the notes to the restated financial statements appearing in Annexure III to this report.

The consolidated statement of assets and liabilities and profits and losses as restated for the years ended March 31, 2005, 2004, 2003 and 2002 including the adjustments and regroupings have been extracted from the audited, unconsolidated financial statements of Accel Frontline Limited and its subsidiaries, all of which have been audited by other firms of chartered accountants. We have not carried any audit tests or review procedures on the financial statements of Accel Frontline Limited and its subsidiaries, since the audit was performed by M/s S.R.Batliboi & Associates, Chennai for the years ended March, 31, 2005, 2004, 2003, 2002 and 2001.

Based on our examination of the Consolidated Restated Summary Statements, we confirm that,

a) The impact arising on account of changes in accounting policies adopted by the Company as at and for the year ended March 31, 2006 have been adjusted with retrospective effect in the attached Consolidated Restated Summary Statements.

b) The prior period items have been adjusted in the Consolidated Summary Statements in the years to which they relate

c) There are no extraordinary items which need to be disclosed separately in the Consolidated Restated Summary Statements and

d) There are no qualifications in the auditors' reports, which require any adjustments to the Consolidated Restated Summary Statements. The following are those qualifications, reproduced from the auditors reports of the relevant years, for which adjustments has not been made in the restated accounts.

Particulars of qualifications	2002-03	2003-04	2004-05	2005-06
Investments in ACL Systems & Technologies Pte. Ltd., Singapore	The losses incurred by a wholly owned subsidiary of the Company have fully eroded its net worth and the recoverability of the investment aggregating to Rs.6,750,015 is dependent upon the subsidiary establishing successful operations in the future and earning profits	The losses incurred by a wholly owned subsidiary of the Company have fully eroded its net worth and the recoverability of the investment aggregating to Rs.7, 331,466 is dependent upon the subsidiary establishing successful operations in the future and earning profits. Management believes that the diminution in the value of the investment is since the losses incurred by the subsidiary are in the nature of start up losses. Accordingly no provision has been made in the accompanying financial statements for the diminution in the value of investments.	The losses incurred by a wholly owned subsidiary of the Company have fully eroded its net worth and the recoverability of the investment aggregating to Rs.7, 331,466 is dependent upon the subsidiary establishing successful operations in the future and earning profits. Management believes that the diminution in the value of the investment is temporary and the losses incurred by the subsidiary are in the nature of start up losses. Accordingly no provision has been made in the accompanying financial statements for the diminution in the value of investments.	No Qualifications
Loans & advances – Accel Limited	Loans made by the Company to its holding company, Accel Limited, are in contravention of the provisions of Section 295 (1) (d) of the Act. Management is in the process of taking necessary steps under the Act to regularize the loans	No Qualifications	No Qualifications	No Qualifications

e) The summary of significant accounting policies adopted by the Company pertaining to the audited financial Statements for the financial years ended March 31, 2006, 2005, 2004, 2003 and 2002, are enclosed as part of Annexure III to this report.

Other financial information:

We have examined the following other financial information of the Company for each of the years/periods presented which are proposed to be included in the Offer Documents as approved by you and annexed to this report.

We did not audit the standalone financial statements of the following subsidiaries:

1. ACL Systems & Technologies Pte. Ltd., Singapore
2. Accel Infotech FZE, Dubai.

These financial statements of the subsidiaries have been audited by other auditors being MGI N. Rajan Associates and S.K.Ram Associates, respectively, whose reports have been furnished to us and we have relied on such reports for the preparation of the consolidated financial statements. These reports have been presented in Annexure V and Annexure VI.

Details of other financial information examined	Annexure reference
Summary statement of Cash flows, as restated	Annexure IV A
Details of Other income, as restated	Annexure IV B
Capitalization statement as on 31st March 2006	Annexure IV C
Details of Loans, as restated	Annexure IV D
Details of Investments, as restated	Annexure IV E
Details of Promoter Group/transactions with promoter group and outstanding balances, as restated	Refer Notes to the financial Statements: 1.09
Accounting ratios, as restated	Annexure IV G
Statement of tax shelters	Annexure IV H
Details of adjustments for restatement	Annexure IV I
Financial statements of ACL Systems & Technologies Pte. Ltd., Singapore	Annexure V
Financial statements of Accel Infotech FZE, Dubai	Annexure VI

The Company has declared dividend on equity shares for the years ended March 31, 2006, 2005, 2003, and 2002.

Particulars	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Rate of Dividend (%)	10	5	NA	5	50
Face Value (Rs.)	10	10	10	10	10
Total Dividend (Rs.)	17,333,333	8,268,950	Nil	6,500,000	32,596,954

The ‘financial information as per audited financial statements’ and ‘other financial information’ referred to above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

The sufficiency of the procedures, as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in the Offer Documents in connection with the proposed IPO of the company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

K.S. Aiyar & Co
Chartered Accountant

Sd/-
S Narayanan
Managing Partner
Membership No. 29724

Place: Chennai

Date: June 21, 2006

ANNEXURE I: CONSOLIDATED SUMMARY STATED OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Million)

	As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A	**Fixed assets**					
	Gross block	227.04	166.23	202.98	168.09	153.06
	Less: accumulated depreciation	100.13	74.74	98.44	77.27	51.58
	Net block	126.91	91.49	104.54	90.82	101.48
	Capital work in progress incl capital advances	11.98	3.61	-	-	-
	Total	**138.88**	**95.10**	**104.54**	**90.82**	**101.48**
B	**Current assets, loans and advances**					
	Inventories	197.60	159.08	138.92	138.93	105.74
	Sundry Debtors	901.09	746.17	642.29	787.87	647.04
	Cash & bank balances	85.77	36.22	32.99	61.34	65.17
	Loans and advances	177.03	185.86	120.88	138.17	133.05
	Total	**1,361.49**	**1,127.34**	**935.08**	**1,126.31**	**951.00**
C	**Liabilities & provisions**					
	Secured loans	494.87	388.89	429.45	464.38	343.43
	Unsecured loans	3.02	-	-	-	20.00
	Deferred tax liability	36.95	35.42	21.39	37.35	29.04
	Current liabilities & provisions	358.20	267.37	290.79	387.63	352.29
	Total	**893.02**	**691.68**	**741.64**	**889.36**	**744.75**
D	**Net worth (A + B - C)**	**607.35**	**530.76**	**297.98**	**327.77**	**307.73**
	Represented by:					
E	**Share capital**	173.33	173.33	130.00	130.00	130.00
	Share application money	-	-	-	-	-
F	**Reserves & surplus**	434.02	357.43	167.98	197.77	177.73
	Net Worth (E+F)	**607.35**	**530.76**	**297.98**	**327.77**	**307.73**

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE - II : CONSOLIDATED SUMMARY STATEMENT OF PROFITS & LOSSES, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Income					
Sales - IT Products, net	935.06	707.35	891.90	1,087.18	1,144.14
Income from services	759.16	649.39	506.18	416.19	400.58
Other income	10.08	11.45	10.10	11.93	8.35
Total Income (A)	**1,704.29**	**1,368.19**	**1,408.18**	**1,515.31**	**1,553.07**
Expenditure					
Cost of sales & services	971.88	760.75	900.13	978.11	1,050.15
Employees' remuneration and benefits	323.85	255.70	192.82	184.78	167.17
General and administration expenses	200.61	218.07	247.27	213.70	200.97
Financial charges	49.64	42.60	75.23	64.71	51.24
Depreciation	26.68	31.46	35.34	27.56	22.27
Total Expenditure (B)	**1,572.67**	**1,308.58**	**1,450.79**	**1,468.86**	**1,491.79**
Profit before tax (A - B)	**131.62**	**59.60**	**(42.61)**	**46.44**	**61.28**
Provision for taxation					
- Current	29.54	3.41	3.36	10.76	5.01
- Deferred	1.52	14.03	(15.95)	8.31	9.61
Fringe Benefit Tax	3.45	-	-	-	-
Profit after tax	**97.12**	**42.17**	**(30.02)**	**27.37**	**46.65**
Earlier year adjustments	0.77	-	(0.23)	-	1.33
Add : Balance carried forward from previous years	21.01	(11.78)	18.01	4.20	1.04
Appropriations					
Transfer to general reserve	-	-	-	6.23	6.24
Proposed dividend	17.33	8.27	-	6.50	32.60
Tax on proposed dividend	2.43	1.11	-	0.83	3.32
Balance carried to Balance sheet	**97.59**	**21.01**	**(11.78)**	**18.01**	**4.20**

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE III - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1.00 Notes to the financial statements

1.01 BACKGROUND

Accel Frontline Limited ("Accel" or the Company) was incorporated in Chennai in 1995. The Company's principal lines of business include, providing system integration solutions comprising network design, hardware software and website development and the sale and implementation of customized software products. The Company also provides IT Infrastructure management solutions, after sales services support relating to asset maintenance services for the Company's own and third party products. The Company has the following wholly owned subsidiaries.

Name of subsidiary	Holding	Country of incorporation/origin
ACL Systems & Technologies Pte Ltd., Singapore	100%	Incorporated under the laws of Singapore as a wholly owned subsidiary since April 15, 2000
Accel Infotech FZE, Dubai	100%	Established as a wholly owned subsidiary enterprise as per the license by Jebel Ali Free Zone, Dubai since October 5, 2002

1.02 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The consolidated financial statements of Accel Frontline Limited (formerly Accel ICIM Frontline Limited) and its subsidiaries (collectively referred to as "Accel Frontline" of "the group") have been prepared under the historical cost convention on an accrual and going concern basis.

All figures are in Indian Rupees except where expressly stated.

The consolidated financial statements include the financial statements of Accel Frontline Limited and its subsidiaries. The financial statements are prepared in accordance with the principals and procedures for the preparation and presentation of consolidated financial statements as laid down in Accounting Standard 21 issued by the Institute of Chartered Accountants of India. All material-inter company transactions and accounts are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies across the group.

(b) Change in accounting policies

During the year ended March 31, 2003, the Company had changed its accounting policy for taxes on income as a result of the new accounting standard AS 22, on 'Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India. In accordance with the provisions of the accounting policy followed earlier, an amount of Rs. 32,469,350 had been charged directly to the general reserves. Deferred tax expenses of Rs. 61,80,302 had been charged to the Profit and Loss account. The amounts charged in the reserve have been reinstated to the respective years' profit and loss accounts.

During the year ended March 31, 2002 the Company had incurred certain advertisement expenses for creation of a corporate identity which were accounted for as deferred revenue expenditure and amortised over a period three years. With effect from April 1, 2003, the company changed its accounting policy to charge off such expenses as incurred, in line with the Accounting Standard AS 26 on "intangible assets", issued by the Institute of Chartered Accountants of India. Accordingly the deferred revenue expenditure amounting to Rs. 6,542,190 had been adjusted for the year ended March 31, 2002.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the company to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based on managements' best knowledge of current events and actions, actual results could defer from those estimates. Significant estimates used by the management in preparation of these financial statements include the estimates of the economic useful life of fixed assets, provision for bad and doubtful debts estimated reliability of certain current assets like inventory and accruals for gratuity.

(d) Fixed Assets, Depreciation and Amortization

i) Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost includes all expenses attributable to bringing the asset to its working condition for its intended use.

ii) The Goodwill of Rs 11,50,000 was paid on account of excess of the amount of the consideration over the value of net assets of the transferor's Systems and Engineering Services business division acquired by the company with effect from January 1, 1999.

iii) The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of the recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

(e) Depreciation

Depreciation on fixed assets is provided for on a straight-line basis, at the higher of the rates as specified in Schedule XIV to the Act or the rates derived based on the economic useful life of the asset as determined by management. Fixed assets individually costing Rs 5,000 or less are fully depreciated on purchase during the relevant year.

(f) Investments

Investments in subsidiaries are classified as long-term investments and are stated at cost. Adjustments are made for any diminution if any, in value of the investments that is other than temporary.

(g) Loans & Advances

During the Nine months period ended December 31, 2005, advance income tax and provision for taxes were reported as gross figures. They have now been reported as a net figure adjusting the advance tax paid against the provisions. Accordingly, the provision for income tax & FBT reported earlier under the schedule "current liabilities and provisions" has been adjusted against the advance taxes paid in the respective years as shown below, and shown under "Loans and advances".

Particulars	**2006**	**2005**	**2004**	**2003**	**2002**
Advance Tax	58.40	50.86	27.44	55.84	44.88
Provision for income tax & FBT	(52.02)	(21.70)	(19.00)	(42.20)	(37.30)
Advance tax, net of provision	6.38	29.16	8.44	13.64	7.58

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the inventory to its present location and condition and is computed on the basis of weighted average cost. Inventories of components and spares primarily held and used for the purpose of asset maintenance services are amortized on a straight-line basis over a period of ten years.

(i) Revenue recognition

Sales

Sales of computers and peripherals are recognized when significant risks and rewards of ownership are passed to the buyer, which generally coincides with the dispatch of goods. Revenues under composite contracts comprising supply, installation, commissioning and other services are recognized on dispatch where such services are considered insignificant to the contract and on the percentage of completion method, where such services are considered significant to the contract. All sales are reported inclusive of excise duty and sales tax.

During the year ended March 31, 2006, the Company had changed its accounting presentation for reporting of sale of IT products & services revenue net of taxes and duties. Accordingly the taxes and duties earlier shown under the schedule "General and administration expenses" are now adjusted against the gross sales of respective years as shown under:

Particulars	2006	2005	2004	2003	2002
Gross Sales	964.36	721.54	933.34	1,146.26	1,190.80
Less: Excise Duty	(1.15)	(0.77)	(13.93)	(26.73)	(33.12)
Less: Sales Tax	(28.15)	(13.42)	(27.51)	(32.35)	(13.54)
Gross Service	829.45	687.80	508.45	416.19	400.58
Less: Service tax & sales tax on services	(70.29)	(38.40)	(2.28)	-	-
Total Income from operations	1,694.21	1,356.74	1,398.08	1,503.38	1,544.72

Service income

Service income comprises:

- *Asset maintenance contracts*:

  Income from asset maintenance contracts for the Company's own products and for traded products serviced by the Company, are recognized in accordance with the terms of the contract over the period in which the service is provided.

  During the year ended March 31, 2006, the Company changed its accounting presentation for reporting the sale of services, which were earlier, reported along with sale of IT products. These amounts are now being reported along with the services revenue of respective years as shown under:

Particulars	2006	2005	2004	2003	2002
Income from Services	709.30	590.80	457.24	416.19	355.24
Add: Sale of Services	120.14	96.99	51.21	-	45.35
Less: Service tax & sales tax on services	(70.29)	(38.40)	(2.28)	-	-
Total Income from Services	759.16	649.39	506.18	416.19	400.58

- *Software development services*

  Revenue from software development on the time-and-material basis is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on the percentage of completion basis.

- *Web design and development*

  Revenues from website design and development are recognized upon completion of the project once the customer's web links are commissioned and available on the world-wide-web. Revenues from website hosting are recognized ratably over the period for which the site is hosted.

- *Lease revenues*

  Lease rentals from assets leased prior to April 1, 2000 are recognized on a straight-line basis over the period of the lease. Assets sold on finance lease arrangements after April 1, 2000 are recognized as a sale at the inception of the lease, and the related finance income is recognized on a time proportion basis over the period of the lease. Revenue related to the service component if any, embedded in such leases, are not expected to be significant and are included as a part of the finance income.

(j) General and administration expenses

During the year ended March 31, 2006, the Company had changed its accounting presentation for reporting of sale of IT products & services revenue net of taxes and duties. Accordingly the taxes and duties earlier shown under the schedule "General and administration expenses" are now adjusted against the gross sales of respective years as shown under:

Particulars	2006	2005	2004	2003	2002
Sales tax	28.15	13.42	27.51	32.35	13.54
Service tax & sales tax on services	70.29	38.40	2.28	-	-
Total Taxes & Duties	98.44	51.82	29.79	32.35	13.54

(k) Cost of sales & services

During the period ended December 31, 2005, lease rental expenses were grouped along with cost of sales & services instead of general and administration expenses. Likewise, the consumption of service spares was grouped along with general and administration expenses. These items are now regrouped in the respective years as shown under:

Particulars	2006	2005	2004	2003	2002
Raw materials and components consumed	66.27	41.23	83.91	144.81	168.81
Purchases of goods for resale	891.79	694.12	792.73	840.39	888.24
Increase in inventory of finished goods	(22.00)	4.90	13.75	(9.93)	(10.51)
Add: Consumption of service spares	35.82	20.50	9.75	2.84	3.61
Total cost of sales & services	971.88	760.75	900.13	978.11	1,050.15
General administration expenses	228.97	219.68	231.57	183.75	163.26
Add: Lease rentals	7.46	18.89	25.45	32.78	41.32
Less: Consumption of service spares	(35.82)	(20.50)	(9.75)	(2.84)	(3.61)
Total General & administration expenses	200.61	218.07	247.27	213.70	200.97

(l) Employee benefit plans

Employee benefit plans comprise both defined benefit and defined contribution plans.

Provident fund

Provident fund is a defined contribution plan. Eligible employees and the Company make equal monthly contributions based on a percentage of the employee's basic salary. The Provident fund is administered through a trust created for the specific purpose and the contributions by the Company are remitted to the said trust.

Gratuity fund

The liability for gratuity is determined actuarially by the Life Insurance Corporation of India (LIC). The Company makes periodic contributions for all eligible employees, to a gratuity fund maintained and administered by the LIC.

Superannuation fund

The Company made periodic contributions to a superannuation fund maintained and administered jointly by the

LIC and the trust formed by the Company for this purpose, based on a specific percentage of the salary of the eligible employees, till March 31, 2005. The Company has since discontinued the scheme with effect from April 1, 2005.

Leave encashment

The Company does not have a stated policy for leave encashment for its employees.

(m) Earnings per share

The earnings considered in ascertaining the Company's basic and diluted earnings per share comprise of the net profit/loss after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of shares, if any, which would have been issued on the conversion of all dilutive potential equity shares.

(n) Taxation

Provision for income tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

The Company has a computer manufacturing unit at Pondicherry ("Unit"). In accordance with the provisions of Section 80 IB of the Indian Income Tax Act, 1961, the Company is eligible for a tax holiday in respect of 100 percent of the profits and gains attributable to the business of the Unit for a period of 5 consecutive years and 30 percent thereafter for a further period of 5 years, beginning from the year in which the Unit commences operations. The Company has availed itself of the benefit of the tax holiday from the accounting year commencing on April 1, 1997.

(o) Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the date of the balance sheet. All exchange differences arising on the conversion/settlement of foreign currency transactions are included in the profit and loss account except in the cases where they relate to the acquisition of fixed assets, in which case they are adjusted to the cost of the corresponding asset.

(p) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(q) Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may come up but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.03 CASH AND BANK BALANCES

Cash and bank balances in the balance sheet include cash in hand and cash at bank, margin money deposit and amounts held in escrow accounts jointly operated with leasing companies for the purpose of adjusting lease payments.

1.04 SECURED LOANS

The loan from a bank is secured against specific lease rental receivables and hypothecation of the related assets. The loan has since been repaid in full and the charges created have been released.

Term loan from others comprise, term loan from non-banking financial institutions and are secured by specific lease rental receivables.

Working capital facilities from banks are secured by a pari passu charge by way of hypothecation of current assets, the moveable properties of the Company, specified immovable assets and corporate guarantee of Accel Limited, one of the promoters.

Hypothecation loans are secured by hypothecation of the respective assets acquired. Term loans from non-banking financial institutions and working capital facilities from Banks are also secured by a personal guarantee of the Chairman & Managing Director.

1.05 UNSECURED LOANS

The Company has accepted fixed deposits amounting to Rs. 3,015,000 from Directors, employees and their relatives through private placements.

1.06 PAYMENT TO DIRECTORS

Managerial Remuneration

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Payment to Directors	6.01	4.40	4.91	3.98	5.01

1.07 STATEMENT OF CONTINGENT LIABILITIES

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Bank guarantees outstanding	152.20	166.35	139.42	133.82	74.79
Corporate Guarantees	-	-	-	-	-
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	-	-	-	-
Letter of Credits opened -outstanding	17.46	7.02	106.63	149.36	0.67
Claims against the company not acknowledged as debts	3.64	-	-	-	-
Disputed taxes & duties					
Excise duties	-	0.70	0.70	0.84	0.60
Sales Tax	0.64	0.73	0.60	2.11	-
Service tax	4.14	4.14	4.14	-	-
Income tax matters	6.58	6.58	6.58	6.58	-

1.08 SEGMENT REPORTING

The Company's operations predominantly relate to manufacturing, sale, integration and maintenance of computers and IT related services and accordingly this is the only primary reportable segment. The geographical segment is not relevant since export sales are less than 10% of the total sales.

1.09 RELATED PARTY TRANSACTIONS

Related parties where control exists:

Name of the Party	***Nature of relationship***
Frontline Technologies Corporation Limited	*Controlling Company*
Accel Limited	*Controlling company*
ACL Systems & Technologies PTE Limited	*Subsidiary Company*
Accel Infotech FZE	*Subsidiary Company*

Other related parties with whom transactions have taken place during the year:

Name of the Party	***Nature of relationship***
Zener Controls Private Limited	*Companies under common control*
Accel Technologies Limited	*Companies under common control*
Accel Systems Group, Inc. USA	*Companies under common control*
Accel Transmatic Limited	*Companies under common control*
Frontline Solutions Pte Ltd., Singapore	*Companies under common control*

Key Management Personnel

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

Relatives of Key Management Personnel

Mrs. Srikumari Panicker	*Wife of Mr.N.R.Panicker*
Mrs. Shanthi Chandrasekaran	*Wife of Mr.K.R.Chandrasekaran*

Related Party Transactions

(Rupees in millions)

	Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A.	**Sales and other Income**					
	Controlling Company	0.19	0.08	0.56	0.75	1.39
	Companies under Common Control	22.08	7.40	5.53	3.58	4.35
B.	**Interest Income**					
	Controlling Company	4.06	4.58	4.94	6.66	4.78
	Companies under Common Control	0.88	0.70	Nil	0.10	0.08
C.	**Purchases**					
	Controlling Company	Nil	2.28	3.48	1.70	5.32
	Companies under Common Control	30.60	11.34	3.29	1.02	2.55
D.	**Interest and other Charges**					
	Controlling Company	Nil	Nil	Nil	Nil	0.98
	Companies under Common Control	0.12	Nil	Nil	Nil	Nil
E.	**Rent**					
	Controlling Company	6.52	6.72	6.46	4.00	3.42
	Companies under Common Control	Nil	Nil	0.15	0.54	1.54
	Key Managerial Personnel	0.73	0.60	0.60	0.50	0.22
F.	**Hire Charges**					
	Controlling Company	Nil	Nil	Nil	Nil	1.11
	Companies under Common Control	Nil	Nil	Nil	0.27	0.27
G.	**Cost of Shared Services**					
	Controlling Company	Nil	Nil	Nil	Nil	Nil
	Companies under Common Control	0.68	0.48	0.19	0.42	1.06
H.	**Dividend**					
	Controlling Company	15.85	6.44	Nil	3.98	21.35
	Companies under Common Control	0.35	0.12	Nil	0.25	1.34
	Key Managerial personnel	Nil	Nil	Nil	Nil	Nil
I.	**Asset transfer**					
	Controlling Company	Nil	Nil	Nil	Nil	1.91
	Companies under Common Control	20.54	Nil	Nil	Nil	Nil

(Rupees in millions)

	Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
J.	**Mobile Business Purchase**					
	Controlling Company	Nil	Nil	16.58	Nil	Nil
	Companies under Common Control	Nil	Nil	Nil	Nil	Nil
K.	**Outstanding Receivables**					
	Controlling Company	0.02	Nil	1.24	0.24	0.51
	Companies under Common Control	6.66	12.67	15.22	10.88	10.06
L.	**Loans & Advances**					
	Controlling Company	43.40	46.58	41.61	56.60	49.65
	Key Managerial Personnel	Nil	Nil	Nil	0.23	0.44
	Companies under Common Control	Nil	14.17	0.81	2.26	1.59
M.	**Payables**					
	Controlling Company	Nil	0.13	Nil	Nil	0.34
	Companies under Common Control	7.06	1.41	Nil	0.25	0.31
N.	**Maximum amount outstanding at any time during the year**					
	Controlling Company	46.70	52.90	60.47	58.23	51.44
	Companies under common control	13.54	17.26	3.83	2.34	4.07

1.10 LEASING ARRANGEMENTS IN THE CAPACITY OF A LESSOR

Finance lease

The Company's business includes leasing of computers, peripherals, and accessories on long - term non - cancellable leases which are generally in the nature of finance leases as described in AS - 19, *"Accounting for leases "* issued by the ICAI. The terms of the lease agreements do not provide for any unguaranteed residual value or contingent rents. The lessor insures the leased assets during the contract of the lease. Initial direct costs are absorbed as an expense at the commencement of the lease period.

Sundry debtors include the present value of minimum lease payments on finance leases accounted for in accordance with AS 19 'Accounting for leases' issued by the ICAI. Reconciliation between the gross investment and the present value of minimal lease payments receivable is as follows:

	Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
	Gross investment in the lease	113.54	188.30	116.16	147.85	150.14
	Less: Unearned finance income	13.00	30.63	31.67	43.91	42.98
	Present value of minimum lease payment	100.54	157.67	84.49	103.94	107.16
a)	**Gross investment in the lease**					
	Not later than one year	59.87	74.76	50.97	51.38	45.08

	Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
	Later than one year and not later than five years	53.67	113.54	65.19	96.47	105.06
	Later than five years	Nil	Nil	Nil	Nil	Nil
b)	**Present value of minimum lease payments**					
	Not later than one year	50.50	57.13	34.47	30.97	27.24
	Later than one year and not later than five years	50.05	100.54	50.02	72.97	79.92
	Later than five years	Nil	Nil	Nil	Nil	Nil
c)	**Accumulated provision for uncollectible**					
	minimum lease payments	Nil	Nil	Nil	Nil	Nil

Future lease rentals receivable from operating lease arrangements entered into prior to April 1, 2000 are as follows:

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Not later than one year	Nil	1.07	31.74	50.10	60.65
Later than one year and not later than five years	Nil	Nil	0.75	44.54	94.64
Later than five years	Nil	Nil	Nil	Nil	Nil

1.11 LEASING ARRANGEMENTS IN THE CAPACITY OF A LESSEE

Future lease rentals

The Company has entered into leasing agreements with leasing companies and future lease rentals payable in respect of these arrangements are shown as below:

(Rupees in millions)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Lease rent payable	Nil	7.83	26.50	51.92	84.72

Operating leases:

Operating lease payments are amortized on a straight-line basis over the lease term. The total of minimum future lease payments under operating leases for various periods are as follows:

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Not later than one year	29.32	23.51	25.37	25.78	15.53
Later than one year and not later than five years	57.42	55.34	50.90	18.11	14.77
Later than five years	12.98	12.10	6.96	Nil	Nil

1.12 EMPLOYEE EQUITY TRUST

During July 21, 2000, the Company formed a trust, 'Accel Employees Equity Trust' for the issue of shares to its employees. After obtaining the approval of the Board of Directors in its meeting held on August 29, 2000, the Company made advances aggregating to Rs.3,455,000 to the Trust for the purchase of its equity shares. Subsequently, the trust had repaid Rs 3,455,000 to the Company and the balance outstanding as at March 31, 2006, is Nil (Previous year was Rs.1,857,000)

1.13 LOANS TO HOLDING COMPANY

Loans and advances include amounts due from Accel Limited, the Promoter Company in respect of loans/advances granted and interest thereon. The promoter company has defaulted on the repayment of the loan/interest and the recoverability of the aggregate amount due from the promoter company is dependent upon Accel Limited's ability to generate sufficient cash through its operations, external borrowings and/or through the liquidation of its assets.

Based on negotiations with the promoter Company, the managements of the Company and the promoter company have put in place a settlement plan, which includes liquidation of certain capital assets of the promoter company and for the full settlement of the loan (including arrears of interest) Arising out of negotiations, the promoter company has started repaying the loan and the balance as on March 31, 2006 is Rs. 27,000,000/-.

1.14 PRIOR PERIOD EXPENSES

The Company had recorded prior period expenses being errors and omissions for the periods prior to March 31, 2006. The effect of these amounts have been adjusted in the respective periods of origination with a corresponding charge to the "summary restated statements of profits and losses" with a corresponding credits to the respective years' summary statements

ANNEXURE IV A - CONSOLIDATED SUMMARY STATEMENT OF CASH FLOWS, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Cash flow from operating activities					
Net profit before taxation	131.62	59.60	(42.61)	46.44	61.28
Adjustments for:					
Depreciation	26.68	31.46	35.34	27.56	22.27
(Profit) / Loss on sale of fixed assets, net	0.23	(0.71)	0.15	0.65	-
Interest income	(7.34)	(6.50)	(6.50)	(9.30)	(5.31)
Unrealized foreign exchange	0.36	4.74	(2.99)	(0.10)	0.87
Lease rentals (pre AS 19)	(6.05)	(32.49)	(48.54)	(60.65)	(75.68)
Finance income on equipment leases (as per AS 19)	(17.64)	(23.84)	(20.80)	(22.23)	(11.11)
Deferred revenue expenditure	-	-	-	-	-
Financial charges	49.64	42.60	75.23	64.71	51.24
Provision for dimunition in value of investment	-	-	-	-	1.20
Provision for doubtful debts	-	-	36.04	-	-
Provision for maintenance	-	-	-	-	-
Provision no longer required written back	(1.25)	(2.40)	-	(1.95)	-
Bad debts written off	8.35	11.43	3.09	12.83	14.93
Operating profit before working capital changes	184.62	83.90	28.41	57.96	59.68
(Increase)/Decrease in inventories	(38.52)	(20.16)	0.01	(33.18)	(21.12)
(Increase)/Decrease in sundry debtors	(163.63)	(120.05)	109.43	(153.57)	(198.97)
(Increase)/Decrease in loans and advances / other current assets	(40.61)	(50.15)	(1.05)	(8.15)	(19.87)
Increase/(Decrease) in current liabilities	81.40	(26.51)	(90.27)	30.65	58.61
Increase/(Decrease) in Provision	(0.37)	(0.16)	(0.55)	(1.02)	2.10
Cash generated from operations	22.89	(133.13)	45.98	(107.30)	(119.57)
Income taxes paid	(0.77)	-	0.23	-	(1.33)
Net cash used in operating activities (A)	**22.12**	**(133.13)**	**46.21**	**(107.30)**	**(120.90)**
Cash flows from investing activities					
Purchase of fixed assets	(70.95)	(22.15)	(49.21)	(17.54)	(27.70)
Proceeds from sale of fixed assets	0.27	0.84	-	-	-
Advance towards equity in subsidiary companies Loan to holding company	3.18	(4.97)	14.98	(7.74)	(48.86)
Loan to Company under common control	13.27	(13.27)	-	-	-

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Investment	-	-	-	-	-
Net cash from (used in) in investing activities (B)	**(54.24)**	**(39.56)**	**(34.22)**	**(25.28)**	**(76.55)**
Cash flows from financing activities					
Proceeds from issuance of share capital	-	200.00	-	-	75.68
Proceeds/(repayments) from working capital facilities	147.20	(120.73)	(18.89)	115.62	180.24
Interest received on loans	7.34	6.50	6.50	9.30	5.31
Proceeds/(repayments) of term loan for equipment leases	(41.23)	80.17	(16.04)	5.33	(16.11)
Proceeds/(Repayments) of unsecured loan	3.02	-	-	(20.00)	(27.50)
Finance income on equipment leases (as per AS 19)	17.64	23.84	20.80	22.23	11.11
Financial charges	(48.97)	(46.35)	(73.90)	(62.33)	(50.31)
Lease rentals (pre AS 19)	6.05	32.49	48.54	60.65	75.68
Dividends paid	(8.27)	-	(6.50)	(2.05)	(32.60)
Tax on dividend paid	(1.11)	-	(0.83)	-	(3.32)
Net cash from financing activities (C)	**81.66**	**175.92**	**(40.33)**	**128.75**	**218.19**
Net cash inflow / (outflow) (A+B+C)	**49.55**	**3.23**	**(28.35)**	**(3.83)**	**20.73**
Opening cash and cash equivalents* **(D)**	36.22	32.99	61.34	65.17	44.44
Closing cash and cash equivalents* (E)	85.77	36.22	32.99	61.34	65.17
Net increase in cash and cash equivalents (E-D)	**49.55**	**3.23**	**(28.35)**	**(3.83)**	**20.73**

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE IV B - DETAILS OF OTHER INCOME, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Net Profit After Tax	96.35	42.17	(29.79)	27.37	45.32
Other Income	10.08	11.45	10.10	11.93	8.35
Percentage of other income to PAT	**10.46%**	**27.15%**	**-33.91%**	**43.60%**	**18.42%**
Breakup of other Income					
Other Income					
- Interest income (Gross)	7.34	6.50	6.50	9.30	5.31
- Miscellaneous receipts	0.42	1.48	0.30	0.44	1.32
- Exchange fluctuation/translation gain	0.92	0.00	3.31	0.24	0.25
- Bad debts recovered	0.15	1.06	-	-	1.47
- Provision no longer required / liabilities written back	1.25	2.40	-	1.95	-
Total of other income	**10.08**	**11.45**	**10.10**	**11.93**	**8.35**

Note : The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE IV C - CAPITALISATION STATEMENT

	Pre issue as at March 31, 2006	Post issue
Short Term Debt (A)	422.68	
Long Term Debt (B)	75.20	
Total Debt (A + B)	**497.88**	
Shareholders' Funds		
- Equity Share Capital	173.33	
- Securities premium Account	223.96	
- Reserves and surplus - restated	210.06	
Total Shareholders Funds (D)	**607.35**	
Long Term Debt / shareholders' funds	**0.12**	
Total debt / Shareholders funds	**0.82**	

Note

1. Short term debt represents debts, which are less than twelve months old
2 Long term debt represents debts, which are more than twelve months old
3. Long term debt/equity = Long Term Debt/Total Shareholders funds
4. The figures disclosed in the above table are based on the Restated summary statement of Accel Frontline Limited
5 The capitalisation statement for the post issue can be ascertained only on the conclusion of the book building process

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

CONSOLIDATED SUMMARY STATEMENTS

ANNEXURE - IV D - DETAILS OF LOANS, AS RESTATED

(Rupees in millions)

As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
SECURED LOANS					
A. FROM BANKS					
I. CASH CREDIT FACILITIES	174.00	172.70	288.72	262.00	201.97
(Secured by hypothecation of Current Assets Moveable properties, specified immoveable assets and Corporate guarantee of Accel Limited (Promoter) and personal guranatee of the Managing Director)					
2. Short Term Loans	45.00	-	-	-	-
(Secured by hypothecation of Current Assets Moveable properties, specified immoveable assets and Corporate guarantee of Accel Limited (Promoter) and personal guranatee of the Managing Director)					
3. Letter of Credits - Accepted for payment	200.67	99.76	104.48	150.09	94.49
(Secured by hypothecation of Current Assets Moveable properties, specified immoveable assets and Corporate guarantee of Accel Limited (Promoter)					
II TERM LOANS	-	3.43	10.84	18.46	25.66
(Secured by specific Lease rental receivables and respective assets acquired and certain moveable assets)					
III FOR MOTOR VEHICLES	4.03	2.04	2.68	2.12	1.30
(Secured by Hypothecation of underlying motor vehicles)					
TOTAL - A	423.69	277.94	406.72	432.66	323.43

(Rupees in millions)

As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
(Secured by specific Lease rental receivables and respective assets acquired)					
TOTAL - B	**71.17**	**110.95**	**22.73**	**31.72**	**20.00**
TOTAL (A+B)	**494.87**	**388.89**	**429.45**	**464.38**	**343.43**
UNSECURED LOANS					
Fixed deposits	3.02	-	-	-	-
Short Term Loans	-	-	-	-	20.00
TOTAL - C	**3.02**	**-**	**-**	**-**	**20.00**
TOTAL (A+B+C)	**497.88**	**388.89**	**429.45**	**464.38**	**363.43**

Notes:

(a) The figures disclosed are based on restated summary statements of Accel Frontline limited

(b) Interest on cash credit facilities was in the range of 10.5% to 16% during the years ended March 31,2006, March 31,2005,March31, 2004, March 31, 2003, March 31, 2002 & March 31, 2001

(c) Interest on term loan facilities from bank was 14% P.A and others was from 14% to 16%, availed during the last 5 years

(d) Loans for motor vehciles were taken in the range of 6 to 11%

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE IV E - DETAILS OF INVESTMENTS, AS RESTATED

(Rupees in millions)

	As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A.	**SUBSIDIARY COMPANIES(UNQUOTED)**	-	-	-	-	-
	TOTAL - A	**-**	**-**	**-**	**-**	**-**
B.	**OTHERS (UNQUOTED)**					
	Elcaro Technologies Limited (formerly India Automotive.com Private Limited)					
	120000 Shares of Rs.10 each	-	-	-	-	1.20
	Less: Provision for decline in value of Investments	-	-	-	-	(1.20)
	TOTAL - B	**-**	**-**	**-**	**-**	**-**
	Aggregate book value of unquoted investments (A+B)	**-**	**-**	**-**	**-**	**-**

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

CONSOLIDATED SUMMARY STATEMENTS

ANNEXURE IV F - ACCOUNTING RATIOS, AS RESTATED

As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Basic and diluted earnings per share	5.56	2.54	(2.29)	2.11	3.62
Cash Earnings Per share	7.19	5.28	(0.78)	4.85	6.24
Return on Net worth (%)	15.86	7.94	(10.00)	8.35	14.73
Net asset value per equity share	35.04	30.62	22.92	25.21	23.67
Weighted average number of equity shares used in calculating basic and diluted earnings per share	17,333,333	16,611,111	13,000,000	13,000,000	12,524,317
Total number of equity shares outstanding at the end of the year/period	17,333,333	17,333,333	13,000,000	13,000,000	13,000,000

The ratios have been computed as follows:

$$\text{Basic earnings per share} = \frac{\text{Net profit/(loss) after tax, attributable to equity shares}}{\text{Weighted average number of equity shares outstanding during the period/year}}$$

$$\text{Cash earnings per share} = \frac{\text{Net Profit /(loss) after current tax, before depreciation/amortisation, deferred taxes and provision for diminution in investments attributable to equity share holders}}{\text{Weighted average number of equity shares outstanding during the period/year}}$$

$$\text{Return on Net worth} = \frac{\text{Net profit/(loss) after tax, as per profit and Loss account}}{\text{Net worth at the end of the period/year}}$$

$$\text{Net asset value per equity share} = \frac{\text{Net worth at the end of the period/year}}{\text{Number of equity shares outstanding at the end the period/year}}$$

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE IV G - STATEMENT OF TAX SHELTER, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Profit as per Profit & Loss Account	1,316.25	596.02	(426.09)	464.43	612.77
Income Tax Rate R	33.66%	36.59%	35.88%	36.75%	35.70%
Tax at Notional Rate A	**443.05**	**218.10**	**(152.86)**	**170.68**	**218.76**
Adjustments:					
Permenant Differences					
Non Taxable overseas Subsidiary Income	197.42	48.03	(30.21)	(26.19)	(58.13)
Total B	**197.42**	**48.03**	**(30.21)**	**(26.19)**	**(58.13)**
Temporary Differences					
Difference between book depreciation and Tax Depreciation	(479.85)	(763.13)	(162.98)	(457.00)	(325.41)
Deductions under Chapter VI-A	(39.61)	(33.69)	(42.51)	(83.80)	(303.25)
Adjustments allowed	(488.13)	(444.40)	(222.49)	(250.64)	(282.20)
Adjustments disallowed	766.22	786.36	917.58	593.68	239.95
Total C	**(241.37)**	**(454.86)**	**489.60**	**(197.76)**	**(670.91)**
Net Adjustments D=B+C	(438.79)	(502.89)	519.81	(171.57)	(612.78)
	877.46	93.13	93.72	292.86	(0.01)
Tax Saving Thereon E=D*R	(147.70)	(184.02)	186.48	(63.05)	(218.76)
Net Tax Impact F=A-E	**295.35**	**34.08**	**33.62**	**107.63**	**(0.00)**
Tax Under MAT	-	-	-	-	51.13

Note :

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

CONSOLIDATED SUMMARY STATEMENTS

ANNEXURE IV H - DETAILS OF ADJUSTMENTS FOR RESTATEMENT

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Net profit after tax as per audited profit & loss account	90.40	40.06	(41.37)	17.12	54.31
Deferred tax charge as per Accounting Standard 22	-	-	1.30	(2.13)	(9.61)
including prior period adjustment					
Impact of charging off deferred revenue expenditure in the period/year in which were incurred	-	-	3.54	5.80	(1.38)
Prior Period Income/Expenses now adjusted in the respective financial years.	(8.65)	(2.81)	(19.79)	11.11	2.00
Total Adjustments	(8.65)	(2.81)	(14.94)	14.77	(8.99)
Tax impact of the adjustments	(2.70)	(0.71)	(3.36)	(4.53)	-
Adjustment net of tax impact thereof	(5.95)	(2.11)	(11.58)	10.25	(8.99)
Net profit as per restated financial statements	**96.35**	**42.17**	**(29.79)**	**27.37**	**45.32**

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE V A – ACL SYSTEMS & TECHNOLOGIES PTE LTD., SINGAPORE

ASSETS AND LIABILITIES STAEMENT

	2006 S$	2005 S$	2004 S$	2003 S$	2002 S$
ASSETS					
Non-Current Assets					
Property, plant and equipment, net	-	-	1,119	2,749	4,123
	-	**-**	**1,119**	**2,749**	**4,123**
Currernt Assets					
Cash and cash eqivalents	51,590	29,451	28,437	14,310	3,841
Trade & other receivables	113,493	30,000	9,611	82,694	148,895
	165,084	**59,451**	**38,048**	**97,004**	**152,736**
Total assets	**165,084**	**59,451**	**39,167**	**99,753**	**156,859**
EQUITY AND LIABILITIES					
Current Liabilities					
Trade & Other payables	35,879	35,594	60,082	82,971	102,989
Amount due to holding company-trade	41,486	32,794	19,566	89,585	54,667
	77,365	**68,388**	**79,648**	**172,556**	**157,656**
Capital and reserves					
Issued capital	274,982	274,982	274,982	189,982	164,982
Accumulated (losses)	(187,263)	(283,919)	(315,463)	(262,785)	(165,779)
	87,719	**(8,937)**	**(40,481)**	**72,803)**	**(797)**
Total equity and liabilities	**165,084**	**59,451**	**39,167**	**99,753**	**156,859**

The annexed notes from integral part of and should be read in conjunction with these financial staments

Annexure V B – ACL SYSTEMS & TECHNOLOGIES PTE LTD., SINGAPORE

PROFIT AND LOSS STATEMENT

	2006 S$	2005 S$	2004 S$	2003 S$	2002 S$
REVENUE					
Sale of goods and services	317,926	378,416	108,404	160,210	348,582
Other Revenue	-	-	-	-	3,793
Total revenues	**317,926**	**378,416**	**108,404**	**160,210**	**352,375**
Less: Costs and expenses					
Cost of services rendered	194,288	315,006	56,214	148,402	310,318
Depereciation on fixed assets	-	1,119	1,630	1,374	1,374
Other operating expenses	26,981	30,747	103,238	107,440	117,043
Total costs and expenses	**221,269**	**346,872**	**161,082**	**257,216**	**428,735**
Profit/(Loss) from operations	**96,657**	**31,544**	**(52,678)**	**(97,006)**	**(76,360)**
Profit/(Loss) before tax	**96,657**	**31,544**	**(52,678)**	**(97,006)**	**(76,360)**
Taxation	-	-	-	-	-
Net profit/(Loss) for the year	**96,657**	**31,544**	**(52,678)**	**(97,006)**	**(76,360)**

The annexed notes form an integral part of and should be read conjunction with these financial statements

STATEMENTS OF CHANGES IN EQUITY

	Issued Capital S$	Accumulated Profit/(Loss) S$	Total S$
Balance as at 31st March 2003	189,982	(259,920)	(69,938)
Issuance of ordinary shares	85,000	-	85,000
(Loss) for the year	-	(55,543)	(55,543)
Balance as at 31st March 2004	**274,982**	**(315,463)**	**(40,481)**
Issuance of ordinary shares	-	-	-
Profit for the year	-	31,544	31,544
Balance as at 31st March 2005	**274,982**	**(283,919)**	**(8,937)**
Issuance of ordinary shares	-	-	-
profit for the year	-	96,657	96,657
Balance as at 31st March 2006	274,982	(187,263)	87,719

The annexed notes form an integral part of and should be read conjunction with these financial statements

V C – ACL SYSTEMS & TECHNOLOGIES PTE LTD., SINGAPORE

CASH FLOW STATEMENT

	2006 S$	2005 S$	2004 S$	2003 S$	2 0 0 2 S$
Cash flows from operationg activities					
Net profit/(loss) for the year before tax	96,657	32,404	(55,543)	(112,396)	(76,360)
Adjustment for:					
Depreciation on fixed assets	-	1,119	1,630	1,374	1,374
Operating profit/(Loss) before reinvestment of capital	**96,657**	**33,523**	**(53,913)**	**(111,022)**	**(74,986)**
(Increase)/Decrease in Trade receivables	(83,494)	(20,389)	73,083	66,201	(88,973)
increase/(Decrease) in trade and other payables	285	(25,348)	(20,024)	(4,628)	79,220
increase/(Decrease) in due to ultimate holding company	8,692	13,228	(70,019)	34,918	13,389
Cash generated from/(used in) operations	**22,139**	**1,014**	**(70,873)**	**(14,531)**	**(71,350)**
Tax (paid)	-	-	-	-	-
Net cash flows from operationg activities	22,139	1,014	(70,873)	(14,531)	(71,350)
Cash flows from financing activities:					
Proceeds from issuance of share capital	-	-	85,000	25,000	64,980
Net cash flows from/ (used in) financing activities	-	-	85,000	25,000	64,980
Net increase/(decrease) in cash & cash equivalents	22,139	1,014	14,127	10,469	(6,370)
Cash & cash equivalents at the beginning of the year	29,451	28,437	14,310	3,841	10,211
Cash & Cash equivalents at end of the year.	**51,590**	**29,451**	**28,437**	**14,437**	**3,841**

V D – ACL SYSTEMS & TECHNOLOGIES PTE LTD., SINGAPORE

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

These statements form an integral part of and should be read in conjunction with the accompanying financial statements:

1. FUNDAMENTAL ACCOUNTING CONCEPT

The summary financial statements of the Company have been prepared under the going concern concept because the holding Company has agreed to provide adequate financial support for the Company to meet its liabilities as and when they fall due.

2. CORPORATE INFORMATION

The Company is a private Company limited by shares and incorporated in the republic of Singapore.

The registered office of the Company is located at 750 Chai Chee Road # 02-01/03 TechnoPark @chai chee Singapore 469000

The Company, immediate holding company is Accel Frontline Limited, a company incorporated in India and ultimate holding company is Frontline Technologies Corporation Ltd, Singapore , a company incorporated in Singapore

The principal activities of the Company is to carry on the business of data process equipment & access and computer peripheral equipment NEC and publishing of software and multimedia works.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared under the historical cost conventions. The preparation of the financial statements in conformity with Singapore Financial Reporting Standards requires to use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

The financial statements of the company are expressed in Singapore dollars.

b) Property, plant & equipment & depreciation

All items of property, plant and equipment are initially recorded at cost. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line method to write off the cost of the assets over their estimated useful lives. The annual rates have been taken as follows:

Computers & accessories	20 %
Office equipment	20 %

Full depreciation is provided in the period of the purchase and no depreciation is provided in the period of disposal.

c) Revenue recognition

Revenue from services are recognised upon completion of services.

d) Income taxes

The liability method of tax effect accounting is adopted by the company. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset relating to the deductible temporary differences arises from goodwill or the initial recognition of an asset or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.)

The statutory tax rates enacted the balance sheet date are used to determine deferred income tax.

e) Impairment of assets

The carrying amounts of the assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit recoverable amount. All impairment losses are recognised in the profit and loss account. Recoverable amount is defined as the higher of value in use and net selling price.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

f) Foreign currency transactions

1. Measurement currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the company (" the measurement currency"). The financial statements are prepared in Singapore Dollars, which is the measurement currency of the Company.

2. Transactions and balances

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the profit and loss account in the period in which they arise. However, where a foreign currency transaction is to be settled at a contracted rate or is covered by a related or matching forward exchange contract, the rate of exchange specified in the contract will be used and any corresponding monetary assets or liabilities will not be retranslated.

g) **Related party**

For the purpose of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or significant influence. Related parties may be individuals or other entities.

h) **Receivables**

Receivables are recognised and carried at cost, which is the original invoiced amount less provision for doubtful debts. The carrying value approximates the fair value of receivables. All known bad debts are written off and specific provision is made for those debts, which are considered to be doubtful.

i) **Payables**

Payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

j) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and bank and fixed deposits with the bank.

k) **Employee benefits**

The company contributes to the Central Provident Fund (“CPF”), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The company’s contributions to CPF are charged to the profit and loss account in the period to which the contributions relate.

l) **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

m) **Financial instruments**

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, trade receivables and payables, other payables and receivables, finance leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures on financial risk management are provided in Note 4.

4. FINANCIAL RISK MANAGEMENT

The company does not have any written financial risk management policies and guidelines. The company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange. The company’s exposure to financial risks associated with financial instruments held in the ordinary course of business include:

a) Price risk

I) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company’s operational activities are paid for in local currency. There is no exposure to any risk arising from movements in foreign currencies exchange rates.

However, the company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

(II) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company has no interest-bearing financial instruments, hence, is not exposed to any movements in market interest rates.

(III) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The company does not hold any quoted or marketable financial instrument, hence, is not exposed to any movements in market prices.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company has no significant concentrations of credit risk.

Cash is held with financial institutions of good standing/ established financial institutions/ reputable financial institutions.

(c) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The company ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

The company maintains sufficient level of cash and cash equivalents and has available adequate amount to meet its working capital requirements

(d) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The company is not exposed to any cash flows risk as it does not have any monetary financial instruments with variable interest rates.

5. FINANCIAL INSTRUMENTS

Fair value

The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheet approximate to their fair value. Information on the fair values of borrowing, interest rate and foreign currency exchange is included in Note 4

ANNEXURE VI A – ACCEL INFOTECH FZE DUBAI

ASSETS & LIABILITIES STATEMENT

Balance Sheet

As at	Schedule	March 31, 2006 AED	March 31, 2005 AED	March 31, 2004 AED	March 31, 2003, AED
FIXED ASSETS					
Tangible Assets	1	160,618	69,083	74,145	35,360
Intangible assets	2	40,005	80,010	120,015	160,020
CURRENT ASSETS					
Cash & Cash Equivalents	3	470,352	75,767	1,904	2,421
Trade & Other Receivables	4	2,028,440	927,233	74,332	157,180
		2,498,792	**1,003,000**	**76,236**	**159,601**
CURRENT CREDITORS					
Amount falling due within one year	5	245,141	277,031	126,109	37,758
NET CURRENT (LIABILITIES)/ASSETS		2,253,651	725,969	(49,873)	121,843
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,454,274**	**875,063**	**144,288**	**317,223**
NON-CURRENT CREDITORS					
Amount falling due more than one year	6	102,537	332,500	92,461	57,146
		2,351,737	**542,563**	**51,827**	**260,077**
CAPITAL & RESERVES					
Share Capital	7	1,000,000	-	-	-
Share Application Money		-	589,935	389,246	389,246
Profit & Loss Account		1,351,737	(47,372)	(337,419)	(129,169)
		2,351,737	**542,563**	**51,827**	**260,077**

ANNEXURE VI B – ACCEL INFOTECH FZE DUBAI

PROFIT AND LOSS STATEMENT

Period / Year ended on	Schedule	March 31, 2006 AED	March 31, 2005 AED	March 31, 2004 AED	5th Oct '02 March 31, 2003 AED
INCOME					
Sales		1,858,448	860,977	18,588	
Maintenance & other services		986,388	1,748,994	625,015	66,025
Other Income		-	250	300	
Total		**2,844,836**	**2,610,221**	**643,903**	**66,025**
Cost of Sales & Services	8	839,579	1,550,956	378,959	41,163
Gross Profit/(Loss)		2,005,257	1,059,265	264,945	24,862
Expenditure	9	604,670	766,501	471,896	154,031
Profit/(Loss)		1,400,587	292,764	(206,952)	(129,169)
Interest Receivable & Similar income		-	-	-	
		1,400,587	**292,764**	**(206,952)**	**(129,169)**
Interest Payable & Similar Charges	10	1,478	2,717	1,298	-
Profit/(Loss) on Ordinary Activities		1,399,109	290,047	(208,250)	(129,169)
Tax on Profit/(Loss) on Ordinary Activities		-	-	-	-
Profit/(Loss) for the financial year after taxation		1,399,109	290,047	(208,250)	(129,169)
Retained Profit Brought forward		(47,372)	(337,419)	(129,169)	-
Retained Profit/Deficit Carried Forward		1,351,737	(47,372)	(337,419)	(129,169)

ANNEXURE VI C – ACCEL INFOTECH FZE DUBAI

CASH FLOW STATEMENT

Years ended	NOTE	Mrch 31, 2006 AED	March 31, 2005 AED	March 31, 2004 AED	5th Oct '02 March 31, 2003, AED
Cash flows from operating activities					
Net profit / (loss) for the year before tax		1,399,109	290,047	(208,250)	(129,169)
Adjustment for:					
Depreciation on fixed assets		14,995	5,815	3,034	997
Operating profit / (loss) before reinvestment of capital		**1,414,104**	**295,862**	**(205,216)**	**(128,172)**
(Increase)/Decrease in Trade receivables		(1,101,207)	(852,900)	82,846	(2,800)
Amortization of Intangibles		40,005	40,005	40,005	40,005
Increase/(Decrease) in trade and other payables		(31,890)	150,922	85,318	(30,158)
Increase/(Decrease) in due to ultimate holding company		(229,963)	240,039	35,315	-
Cash generated from / (used in) operations		**91,049**	**(126,072)**	**38,268**	**(121,125)**
Tax (paid)		-	-	-	-
Net cash flows from operating activities		91,049	(126,072)	38,268	(121,125)
Cash flows from investing activities:					
Acquisition of non current assets	**1**	(106,530)	(753)	(38,785)	(808)
Net cash flows from/ (used in) investing activities		**(106,530)**	**(753)**	**(38,785)**	**(808)**
Cash flows from financing activities:					
Proceeds from share application money	**7**	410,065	200,689	-	50,000
Net cash flows from/ (used in) financing activities		410,065	200,689	-	50,000
Net Increase/(decrease) in cash & cash equivalents		394,584	73,863	(517)	(71,933)
Cash & cash equivalents at the beginning of the year		75,767	1,904	2,421	74,355
Cash & Cash equivalents at end of the year	**3**	**470,352**	**75,767**	**1,904**	**2,421**

ANNEXURE VI A – ACCEL INFOTECH FZE DUBAI

NOTES AND SIGNIFICANT ACCOUNTING POLICIES

Legal status and business activity:

ACCEL INFOTECH ME, Dubai (the "enterprise") was established as a wholly owned subsidiary of M/s. Accel Frontline Limited (formerly Known as M/s. Accel ICIM Frontline Limited), India on 5th October 2002 in the Jebel Ali Free Zone, Dubai, UAE. The enterprise has become a free zone Establishment company vide amendment License No.03622 and registration No.01211 dated 10th October 2005 & 9th October 2005 respectively effective from 5th October 2002. The company's name has since been changed to "Accel Infotech FZE" giving effect to the change in the new legal status. The enterprise is licensed to carry on the business of systems integration and software development, implementation and other IT services

Significant accounting policies:

The Financial statements are prepared under the historical cost convention and in accordance with International accounting standards. The significant accounting policies adopted are as follows :

1. **Tangible assets:**

   a) Cost: The tangible assets represents office equipments, air conditioners, furniture & fixtures & vehicles. The tangible assets are stated at cost. Cost includes all expenses directly attributable to bringing the asset to its working condition for its intended use.

   b) Depreciation: Depreciation on tangible assets is computed from the date the assets have been installed and ready to be put to use on straight line method at the rates specified here under :

   Rates :

Air conditioners	:	4.75%
Office Equipments	:	4.75%
Furniture&Fixtures	:	6.33%
Vehicle	:	9.50%

2. **Intangible assets:**

   Goodwill amounting to AED 200,025 paid to Accel Infotech FZE, Sharjah consequent to the acquisition of the entire business, is amortised over a period of five years commencing from 2002-03.

3. **Cash & cash equivalents:**

   Cash and cash equivalents comprise of cash and bank current account.

4. **Trade & other receivables**:

   Trade and other receivables are stated at the amounts estimated to be realized.

   * Advance towards project represents expenses incurred on project in progress and amount remitted to holding company towards offshore project work.

5. **Liabilities & provisions**:

   All known liabilities have been accounted in preparing the financial statements.

   Classification of liabilities:

   Liabilities classified as current liabilities on the balance sheet date are those, which fall due for payment on demand within one year from balance sheet date.

6. **Non current liabilities**:

   Non-current liabilities are those that fall due for payment after one year from the balance sheet date.

7. **Share capital:**

The enterprise has issued one share of AED 1,000,000 held by M/s. Accel Frontline Limited on 9th October 2005.

10. **Interest payable & similar charges**

Finance costs are recognized as an expense in the year in which they are incurred.

11. **Revenue recognition**:

Revenue is generally accounted for on accrual basis and is recognized as follows:

a) Sales: Sales are recognized when significant risks and rewards of ownership passed on to the buyer, is generally coincides with the delivery of goods.

b) Services: Revenue is recognized over the period in which the service is provided.

c) Software Services: Revenue from software services on the time-and- material basis is recognized based on software service rendered and billed to clients as per the terms of the specific contracts.

11.1 Taxation:

The income of the enterprise is exempt from tax as per the rules and regulations of Jebel Ali free zone, Dubai.

11.3 Related party details

Name of the party	Nature of relationship
Accel Frontline Limited, India	Parent Company
ACL Systems & Technologies PTE Limited, Singapore	Fellow Subsidiary

Other Related parties

Name of the party	Nature of relationship
Accel Transmatic Limited, India	Company under the same management

Key managerial personnel:

Shri N R Panicker	Director
Shri K R Chandrasekaran	Director
Austin Paul Antony	Secretary

11.5 **Related party interest in contracts:**

The key persons of the enterprise are neither directly nor indirectly interested in any contract with the enterprise other than the following:

Shri N R Panicker & Shri K R Chandrasekaran are the key persons of the enterprise and are also the Chairman and Managing Director and Director of Accel Frontline Limited, the ultimate parent company.

11.6 **Capital commitments:**

The Enterprise has no capital commitments, which would require disclosure as at 31st March 2006.

11.7 **Contingent liabilities:**

There are no contingent liabilities as at the balance sheet date, which would require provision or disclosure.

11.9 **Comparative figures:**

Figures shown for in the previous year have been regrouped and reclassified to facilitate comparison with the current year.

STANDALONE SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND STANDALONE SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED AND STANDALONE CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP, AS AT AND FOR THE YEARS ENDED MARCH 31, 2006,2005, 2004, 2003 AND 2002.

June 21, 2006

To

The Board of Directors
Accel Frontline Ltd.
75, Nelson Manickam Road
Aminjikarai
Chennai – 600 029.

We have examined the financial information of Accel Frontline Ltd. (formerly Accel ICIM Frontline Ltd or the Company) annexed to this report as approved by the Board of Directors, which have been prepared in accordance with the terms of reference received from the Company requesting us to carry out the work, proposed to be included in the offer document of the Company in connection with the proposed Initial Public Offer ("IPO")

A. Financial Information as per the audited financial statements

We have examined the attached Summary Statement of Assets and Liabilities of the Company as at March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 and the attached summary statement of Profit and Loss Accounts and the attached Summary Cash flow statements for the years ended March 31, 2006, 2005, 2004, 2003 and 2002 together referred to as "Restated Summary Statements". These restated summary statements except for the year ended March 31, 2006, have been extracted from the financial statements of the years after undertaking adjustments, compilation and regroupings, more fully explained in Annexure to this report audited by another firm of Chartered Accountants being M/s S.R.Batliboi & Associates and adopted / approved by the Board of Directors / Members for the respective period/ years.

Based on our examination of these Restated Summary Statements, we confirm that:

Material amounts relating to previous years have been adjusted in the Restated Summary Statements in the years to which they relate.

1. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous years.
2. There are no extraordinary items, which need to be disclosed separately in the Restated Summary statements.
3. Qualifications in the auditors' report, which do not require any corrective adjustments in the financial statements, are disclosed. The following are those qualifications, reproduced from the auditors reports of the relevant years, for which adjustments has not been made in the restated accounts.

Particulars of qualifications	2002-03	2003-04	2004-05	2005-06
Investments in ACL Systems & Technologies Pte. Ltd., Singapore	The losses incurred by a wholly owned subsidiary of the Company have fully eroded its net worth and the recoverability of the investment aggregating to Rs.6,750,015 is dependent upon the subsidiary establishing successful operations in the future and earning profits	The losses incurred by a wholly owned subsidiary of the Company have fully eroded its net worth and the recoverability of the investment aggregating to Rs.7,331,466 is dependent upon the subsidiary establishing successful operations in	The losses incurred by a wholly owned subsidiary of the Company have fully eroded its net worth and the recoverability of the investment aggregating to Rs.7, 331,466 is dependent upon the subsidiary establishing successful operations	No Qualifications

Particulars of qualifications	2002-03	2003-04	2004-05	2005-06
		the future and earning profits. Management believes that the diminution in the value of the investment is since the losses incurred by the subsidiary are in the nature of start up losses. Accordingly no provision has been made in the accompanying financial statements for the diminution in the value of investments.	in the future and earning profits. Management believes that the diminution in the value of the investment is temporary and the losses incurred by the subsidiary are in the nature of start up losses. Accordingly no provision has been made in the accompanying financial statements for the diminution in the value of investments.	
Loans & advances – Accel Limited	Loans made by the Company to its holding company, Accel Limited, are in contravention of the provisions of Section 295 (1) (d) of the Act. Management is in the process of taking necessary steps under the Act to regularize the loans	No Qualifications	No Qualifications	No Qualifications

4. Significant Accounting Policies & Notes to the Restated Summary Statements are enclosed to this report.

Other Financial Information:

We have examined the following other financial information of the company for each of the years/periods presented which are proposed to be included in the Offer Documents as approved by the Board of Directors and annexed to this report.

Details of other financial information examined	Annexure reference
Summary statement of Cash flows, as restated	Annexure IV A
Details of Other income exceeding 20 % PBT	Annexure IV B
Capitalization statement as on March 31, 2006	Annexure IV C
Details of Loans, as restated	Annexure IV D
Details of Investments, as restated	Annexure IV E
Details of Promoter Group/transactions with promoter group and outstanding balances, as restated	Refer Notes to the financial statements: 1.09
Accounting ratios, as restated	Annexure IV G
Statement of tax shelters	Annexure IV H
Details of adjustments for restatement	Annexure IV I

The Company has declared dividend on equity shares for the years ended March 31, 2006, 2005, 2003 and 2002.

Particulars	**Year ended March 31, 2006**	**Year ended March 31, 2005**	**Year ended March 31, 2004**	**Year ended March 31, 2003**	**Year ended March 31, 2002**
Rate of Dividend (%)	10	5	NA	5	50
Face Value (Rs.)	10	10	10	10	10
Total Dividend (Rs.)	17,333,333	8,268,950	Nil	6,500,000	32,596,954

In our opinion, the financial information of the Company, as attached to this report, as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and notes to accounts, after making groupings adjustments has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and Guidelines issued by SEBI.

This report is intended solely for your information and for inclusion in the offer documents in connection with the proposed IPO and is not to be used, referred to or distributed for any other purpose without our prior written consent.

K.S. Aiyar & Co
Chartered Accountant

Sd/-

S Narayanan
Managing Partner
Membership No. 29724

Place: Chennai

Date: June 21, 2006

ANNEXURE - I : SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rupees in millions)

	As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A	**Assets**					
	Fixed Assets - gross block	224.56	165.07	201.83	167.40	152.38
	Less: Depreciation	99.60	74.40	98.20	77.11	51.49
	Net Block	124.95	90.67	103.62	90.29	100.89
	Capital work in progress incl capital advances	11.98	3.61	-	-	-
	Total	**136.93**	**94.28**	**103.62**	**90.29**	**100.89**
B.	**Investments**	19.72	7.21	7.21	5.11	6.37
C	Current assets, loans and advances					
	Inventories	197.60	159.08	138.92	138.93	105.74
	Sundry debtors	894.00	734.95	642.37	785.34	643.35
	Cash & bank balances	78.63	34.54	32.22	60.92	64.42
	Loans and advances	159.89	196.83	125.41	143.53	135.76
	Total Assets	**1,330.12**	**1,125.40**	**938.93**	**1,128.72**	**949.28**
D	**Liabilities & Provisions**					
	Secured loans	494.75	388.62	429.02	464.38	343.43
	Unsecured loans	3.02	-	-	-	20.00
	Deferred tax liability	36.95	35.42	21.39	37.35	29.04
	Current liabilities & provisions	354.98	263.13	287.60	383.88	348.22
	Total	**889.69**	**687.16**	**738.02**	**885.60**	**740.68**
E	**Net worth (A + B + C - D)**	**597.08**	**539.73**	**311.74**	**338.51**	**315.86**
	Represented by:					
	Shareholders funds					
F	Share capital	173.33	173.33	130.00	130.00	130.00
G	Reserves & surplus	423.75	366.39	181.74	208.51	185.86
H	Share application money	-	-	-	-	-
	Networth (F+G+H)	**597.08**	**539.73**	**311.74**	**338.51**	**315.86**

Note

The above summary statement is to be read with notes to the unconsolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE - II : SUMMARY STATEMENT OF PROFITS & LOSSES, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Income					
Sales - IT products, net	912.64	696.85	891.67	1,087.18	1,144.14
Income from services	741.86	617.95	495.45	408.20	389.53
Other income	9.98	11.45	9.61	9.78	8.10
Total Income (A)	**1,664.49**	**1,326.24**	**1,396.74**	**1,505.17**	**1,541.77**
Expenditure					
Cost of sales & services	964.83	744.52	895.38	976.45	1,049.18
Employees' remuneration and benefits	315.45	242.68	188.98	179.67	157.12
General and administration expenses	196.03	210.32	241.59	207.80	194.94
Financial charges	49.28	42.55	75.11	64.69	51.24
Depreciation	26.50	31.36	35.26	27.50	22.20
Total Expenditure (B)	**1,552.09**	**1,271.44**	**1,436.33**	**1,456.11**	**1,474.68**
Profit before tax (A - B)	**112.40**	**54.80**	**(39.59)**	**49.06**	**67.09**
Provision for taxation					
- Current	29.54	3.41	3.36	10.76	5.01
- Deferred	1.52	14.03	(15.95)	8.31	9.61
Fringe benefit tax	3.45	-	-	-	-
Profit after tax	**77.89**	**37.36**	**(27.00)**	**29.99**	**52.47**
Extraordinary items (net of tax)	-	-	-	-	-
Earlier year adjustments	0.77	-	(0.23)	-	1.33
Add : Balance Carried forward from previous year	29.97	1.99	28.76	12.33	3.36
Appropriations					
Transfer to general reserve	-	-	-	6.23	6.24
Proposed dividend	17.33	8.27	-	6.50	32.60
Tax on proposed dividend	2.43	1.11	-	0.83	3.32
Balance carried to balance sheet	**87.32**	**29.97**	**1.99**	**28.76**	**12.33**

Note

The above summary statement is to be read with notes to the unconsolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE III – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1.00 Notes to the financial statements

1.01 BACKGROUND

Accel Frontline Limited (“Accel” or the Company) was incorporated in Chennai in 1995. The Company’s principal lines of business include, providing system integration solutions comprising network design, hardware software and website development and the sale and implementation of customized software products. The Company also provides IT Infrastructure management solutions, after sales services support relating to asset maintenance services for the Company’s own and third party products. The company has the following wholly owned subsidiaries.

Name of subsidiary	Holding	Country of Incorporation/Origin
ACL Systems & Technologies Pte Ltd., Singapore	100%	Incorporated under the laws of Singapore as a wholly owned subsidiary since April 15, 2000.
Accel Infotech FZE, Dubai	100%	Established as a wholly owned subsidiary enterprise as per the license by Jebel Ali Free Zone, Dubai since October 5, 2002

1.02 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared on a historical cost basis in accordance with Generally Accepted Accounting Principles (*GAAP*) in India and comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India (*ICAI*) referred to in section 211(3C) of the Companies Act, 1956 (*the Act*). All items of income and expenditure that have a material bearing on the financial statements are recorded on an accrual basis.

(b) Fixed Assets, Depreciation and Amortization

Fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses attributable to bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided for on a straight-line basis, at the higher of the rates as specified in Schedule XIV to the Act or the rates derived based on the economic useful life of the asset as determined by management. The rates of depreciation and amortization are as follows:

Asset	Rate of depreciation / Amortization (%)
Plant and Machinery	4.75
Office Equipment	4.75
Furniture and Fixtures	6.33
Computer Hardware (except computers on lease)	16.21
Computer Software	33.33
Vehicles	9.5

Lease hold improvements Over the lower of estimated useful lives of the assets or the primary period of the lease.

Fixed assets individually costing Rs 5,000 or less are fully depreciated on purchase during the relevant year.

(c) Investments

Investments in subsidiaries are classified as long-term investments and are stated at cost. Adjustments are made for any diminution if any, in value of the investments that is other than temporary.

(d) Loans & Advances

During the Nine months period ended December 31, 2005, advance income tax and provision for taxes were reported as gross figures. They have now been reported as a net figure adjusting the advance tax paid against the provisions. Accordingly, the provision for income tax & FBT reported earlier under the schedule "current liabilities and provisions" has been adjusted against the advance taxes paid in the respective years as shown below, and shown under "Loans and advances".

Particulars	2006	2005	2004	2003	2002
Advance Tax	58.40	50.86	27.44	55.84	44.88
Provision for income tax & FBT	(52.02)	(21.70)	(19.00)	(42.20)	(37.30)
Advance tax, net of provision	6.38	29.16	8.44	13.64	7.58

(e) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the inventory to its present location and condition and is computed on the basis of weighted average cost. Inventories of components and spares primarily held and used for the purpose of asset maintenance services are amortized on a straight-line basis over a period of ten years.

(f) Revenue recognition

Sales

Sales of computers and peripherals are recognized when significant risks and rewards of ownership are passed to the buyer, which generally coincides with the dispatch of goods. Revenues under composite contracts comprising supply, installation, commissioning and other services are recognized on dispatch where such services are considered insignificant to the contract and on the percentage of completion method, where such services are considered significant to the contract. All sales are reported inclusive of excise duty and sales tax.

During the year ended March 31, 2006, the company had changed its accounting presentation for reporting of sale of IT products & services revenue net of taxes and duties. Accordingly the taxes and duties earlier shown under the schedule "General and administration expenses" are now adjusted against the gross sales of respective years as shown under:

Particulars	2006	2005	2004	2003	2002
Gross Sales	941.95	711.04	933.11	1,146.26	1,190.80
Less: Excise Duty	(1.15)	(0.77)	(13.93)	(26.73)	(33.12)
Less: Sales Tax	(28.15)	(13.42)	(27.51)	(32.35)	(13.54)
Gross Service	812.15	656.35	497.73	408.20	389.53
Less: Service tax & sales tax on services	(70.29)	(38.40)	(2.28)	-	-
Total Income from operations	1,654.50	1,314.79	1,387.13	1,495.38	1,533.67

Service income

Service income comprises:

- *Asset maintenance contracts*:

  Income from asset maintenance contracts for the Company's own products and for traded products serviced by the Company, are recognized in accordance with the terms of the contract over the period in which the service is provided;

  During the year ended March 31, 2006, the company changed its accounting presentation for reporting the sale of services, which were earlier, reported along with sale of IT products. These amounts are now being reported along with the services revenue of respective years as shown under:

Particulars	2006	2005	2004	2003	2002
Income from Services	692.01	559.36	446.52	408.20	344.19
Add: Sale of Services	120.14	96.99	51.21	-	45.35
Less: Service tax & sales tax on services	(70.29)	(38.40)	(2.28)	-	-
Total Income from Services	741.86	617.95	495.45	408.20	389.53

- *Software development services*

  Revenue from software development on the time-and-material basis is recognized based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved as specified in the contracts, on the percentage of completion basis.

- *Web design and development*

  Revenues from website design and development are recognized upon completion of the project once the customer's web links are commissioned and available on the world-wide-web. Revenues from website hosting are recognized ratably over the period for which the site is hosted.

- *Lease revenues*

  Lease rentals from assets leased prior to April 1, 2000 are recognized on a straight-line basis over the period of the lease. Assets sold on finance lease arrangements after April 1, 2000 are recognized as a sale at the inception of the lease, and the related finance income is recognized on a time proportion basis over the period of the lease. Revenue related to the service component if any, embedded in such leases, are not expected to be significant and are included as a part of the finance income.

g) General and administration expenses

During the year ended March 31, 2006, the company had changed its accounting presentation for reporting of sale of IT products & services revenue net of taxes and duties. Accordingly the taxes and duties earlier shown under the schedule "General and administration expenses" are now adjusted against the gross sales of respective years as shown under:

Particulars	2006	2005	2004	2003	2002
Sales tax	28.15	13.42	27.51	32.35	13.54
Service tax & sales tax on services	70.29	38.40	2.28	-	-
Total Taxes & Duties	98.44	51.82	29.79	32.35	13.54

(h) Employee benefit plans

Employee benefit plans comprise both defined benefit and defined contribution plans.

Provident fund

Provident fund is a defined contribution plan. Eligible employees and the Company make equal monthly contributions based on a percentage of the employee's basic salary. The Provident fund is administered through a trust created for the purpose and the contributions by the Company are remitted to the said trust.

Gratuity fund

The liability for gratuity is determined actuarially by the Life Insurance Corporation of India (LIC). The Company makes periodic contributions for all eligible employees, to a gratuity fund maintained and administered by the LIC.

Superannuation fund

The Company made periodic contributions to a superannuation fund maintained and administered jointly by the LIC and the trust formed by the Company for this purpose, based on a specific percentage of the salary of the eligible employees, till March 31, 2005. The Company has since discontinued the scheme with effect from April 1, 2005.

Leave encashment

The Company does not have a stated policy for leave encashment for its employees.

(i) Earnings per share

The earnings considered in ascertaining the Company's basic and diluted earnings per share comprise of the net profit/loss after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of shares, if any, which would have been issued on the conversion of all dilutive potential equity shares.

(j) Taxation

Provision for income tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates is recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

The Company has a computer assembly unit at Pondicherry ("Unit"). In accordance with the provisions of Section 80 IB of the Indian Income Tax Act, 1961, the Company is eligible for a tax holiday in respect of 100 percent of the profits and gains attributable to the business of the Unit for a period of 5 consecutive years and 30 percent thereafter for a further period of 5 years, beginning from the year in which the Unit commences operations. The Company has availed itself of the benefit of the tax holiday from the accounting year commencing on April 1, 1997.

(k) Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the date of the balance sheet. All exchange differences arising on the conversion/settlement of foreign currency transactions are included in the profit and loss account except in the cases where they relate to the acquisition of fixed assets, in which case they are adjusted to the cost of the corresponding asset.

(l) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(m) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

1.03 CASH AND BANK BALANCES

Cash and bank balances in the balance sheet include cash in hand and cash at bank, margin money deposit and amounts held in escrow accounts jointly operated with leasing companies for the purpose of adjusting lease payments.

1.04 SECURED LOANS

The loan from a bank is secured against specific lease rental receivables and hypothecation of the related assets. The loan has since been repaid in full and the charges created have been released.

Term loan from others comprise, term loan from non-banking financial institutions and are secured by specific lease rental receivables and hypothecation of the related assets.

Working capital facilities from banks are secured by a pari passu charge by way of hypothecation of current assets, the moveable properties of the Company, specified immovable assets and corporate guarantee of Accel Limited, one of the promoters.

Hypothecation loans are secured by hypothecation of the respective assets acquired. Term loans from non-banking financial institutions and working capital facilities from Banks are also secured by a personal guarantee of the Chairman & Managing Director.

1.05 UNSECURED LOANS

The Company has accepted fixed deposits amounting to Rs.3, 015,000 from Directors, employees and their relatives through private placements.

1.06 PAYMENT TO DIRECTORS

Managerial remuneration

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Payment to Directors	6.01	4.40	4.91	3.98	5.01

1.07 STATEMENT OF CONTINGENT LIABILITIES

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Bank guarantees outstanding	152.20	166.35	139.42	133.82	74.79
Corporate Guarantees	-	-	-	-	-
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	-	-	-	-
Letter of Credits opened -outstanding	17.46	7.02	106.63	149.36	0.67

Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**	**March 31, 2002**
Claims against the company not acknowledged as debts	3.64	-	-	-	-
Disputed taxes & duties					
Excise duties	-	0.70	0.70	0.84	0.60
Sales Tax	0.64	0.73	0.60	2.11	-
Service tax	4.14	4.14	4.14	-	-
Income tax matters	6.58	6.58	6.58	6.58	-

1.08 SEGMENT REPORTING

The Company's operations predominantly relate to manufacturing, sale, integration and maintenance of computers and IT related services and accordingly this is the only primary reportable segment. The geographical segment is not relevant since export sales are less than 10% of the total sales.

1.09 RELATED PARTY TRANSACTIONS

Related parties where control exists:

Name of the Party	**Nature of relationship**
Frontline Technologies Corporation Limited	Controlling Company
Accel Limited	Controlling company
ACL Systems & Technologies PTE Limited	Subsidiary Company
Accel Infotech FZE	Subsidiary Company

Other related parties with whom transactions have taken place during the year:

Name of the Party	***Nature of relationship***
Zener Controls Private Limited	Companies under common control
Accel Technologies Limited	Companies under common control
Accel Systems Group, Inc. USA	Companies under common control
Accel Transmatic Limited	Companies under common control
Frontline Solutions Pte Ltd., Singapore	Companies under common control

Key Management Personnel

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

Relative of Key Management Personnel

Mrs. Sreekumari Panicker	Wife of Mr. N.R.Panicker
Mrs. Shanthi Chandrasekaran	Wife of Mr.K.R.Chandrasekaran

Related Party Transactions

(Rupees in millions)

	Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
A.	**Sales and other Income**					
	Controlling Company	0.19	0.08	0.56	0.75	1.39
	Subsidiaries	3.07	Nil	Nil	Nil	Nil
	Companies under Common Control	22.08	7.40	5.53	3.58	4.35
B.	**Interest Income**					
	Controlling Company	4.06	4.58	4.94	6.66	4.78
	Subsidiaries	Nil	Nil	Nil	Nil	Nil
	Companies under Common Control	0.88	0.70	Nil	0.10	0.08
C.	**Purchases**					
	Controlling Company	Nil	2.28	3.48	1.70	5.32
	Subsidiaries	Nil	Nil	Nil	Nil	Nil
	Companies under Common Control	30.60	11.34	3.29	1.02	2.55
D.	**Interest and other Charges**					
	Controlling Company	Nil	Nil	Nil	Nil	0.98
	Subsidiaries	1.73	-	-	-	-
	Companies under Common Control	0.12	Nil	Nil	Nil	Nil
E.	**Rent**					
	Controlling Company	6.52	6.72	6.46	4.00	3.42
	Subsidiaries	Nil	Nil	Nil	Nil	Nil
	Companies under Common Control	Nil	Nil	0.15	0.54	1.54
	Key Managerial Personnel	0.73	0.60	0.60	0.50	0.22
F.	**Hire Charges**					
	Controlling Company	Nil	Nil	Nil	Nil	1.11
	Subsidiaries					
	Companies under Common Control	Nil	Nil	Nil	0.27	0.27
G.	**Cost of Shared Services**					
	Controlling Company	Nil	Nil	Nil	Nil	Nil
	Subsidiaries	Nil	Nil	Nil	Nil	Nil
	Companies under Common Control	0.68	0.48	0.19	0.42	1.06
H.	**Dividend**					
	Controlling Company	15.85	6.44	Nil	3.98	21.35
	Subsidiaries	Nil	Nil	Nil	Nil	Nil
	Companies under Common Control	Nil	Nil	Nil	Nil	Nil
	Key Managerial personnel	0.35	0.12	Nil	0.25	1.34

	Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
I.	**Asset transfer**					
	Controlling Company	Nil	Nil	Nil	Nil	1.91
	Companies under Common Control	20.54	Nil	Nil	Nil	Nil
J.	**Mobile Business Purchase**					
	Controlling Company	Nil	Nil	16.58	Nil	Nil
	Subsidiaries	Nil	Nil	Nil	Nil	Nil
	Companies under Common Control	Nil	Nil	Nil	Nil	Nil
K.	**Investments**					
	Controlling Company	Nil	Nil	Nil	Nil	Nil
	Subsidiaries	19.72	7.21	7.21	5.11	6.37
	Companies under Common Control	Nil	Nil	Nil	Nil	Nil
L.	**Outstanding Receivables**					
	Controlling Company	0.02	Nil	1.24	0.24	0.51
	Subsidiaries	2.99	0.82	1.32	1.32	1.32
	Companies under Common Control	6.66	12.67	15.22	10.88	10.06
M.	**Loans & Advances**					
	Controlling Company	43.40	46.58	41.61	56.60	49.65
	Subsidiaries	0.61	11.74	7.49	7.09	4.13
	Key Managerial Personnel	Nil	Nil	Nil	0.23	0.44
	Companies under Common Control	Nil	14.17	0.81	2.26	1.59
N.	**Payables**					
	Controlling Company	Nil	0.13	Nil	Nil	0.34
	Subsidiaries	0.06	Nil	Nil	Nil	Nil
	Companies under Common Control	7.06	1.41	Nil	0.25	0.31
O.	**Maximum amount outstanding at any time during the year**					
	Controlling Company	46.70	52.90	60.47	58.23	51.44
	Subsidiaries	3.93	11.74	7.49	7.49	5.88
	Companies under common control	13.54	17.26	3.83	2.34	4.07

1.10 LEASING ARRANGEMENTS IN THE CAPACITY OF A LESSOR

Finance lease

The Company's business includes leasing of computers, peripherals, and accessories on long - term non - cancellable leases which are generally in the nature of finance leases as described in AS - 19, *"Accounting for leases "* issued by the ICAI. The terms of the lease agreements do not provide for any unguaranteed residual value or contingent rents. The leased assets are insured by the lessor during the contract of the lease. Initial direct costs are absorbed as an expense at the commencement of the lease period.

Sundry debtors include the present value of minimum lease payments on finance leases accounted for in accordance with AS 19 'Accounting for leases' issued by the ICAI. Reconciliation between the gross investment and the present value of minimal lease payments receivable is as follows:

Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**	**March 31, 2002**
Gross investment in the lease	113.54	188.30	116.16	147.85	150.14
Less: Unearned finance income	13.00	30.63	31.67	43.91	42.98
Present value of minimum lease payment	100.54	157.67	84.49	103.94	107.16
a) Gross investment in the lease					
Not later than one year	59.87	74.76	50.97	51.38	45.08
Later than one year and not later than five years	53.67	113.54	65.19	96.47	105.06
Later than five years	Nil	Nil	Nil	Nil	Nil
b) Present value of minimum lease payments					
Not later than one year	50.50	57.13	34.47	30.97	27.24
Later than one year and not later than five years	50.05	100.54	50.02	72.97	79.92
Later than five years	Nil	Nil	Nil	Nil	Nil
c) Accumulated provision for uncollectible minimum lease payments	Nil	Nil	Nil	Nil	Nil

Future lease rentals receivable from operating lease arrangements entered into prior to April 1, 2000 are as follows:

Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**	**March 31, 2002**
Not later than one year	Nil	1.07	31.74	50.10	60.65
Later than one year and not later than five years	Nil	Nil	0.75	44.54	94.64
Later than five years	Nil	Nil	Nil	Nil	Nil

1.11 LEASING ARRANGEMENTS IN THE CAPACITY OF A LESSEE

FUTURE LEASE RENTALS

The Company has entered into leasing agreements with leasing companies and future lease rentals payable in respect of these arrangements are as shown below:

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Lease rent payable	Nil	7.83	26.50	51.92	84.72

OPERATING LEASES:

Operating lease payments are amortized on a straight-line basis over the lease term. The total of minimum future lease payments under operating leases for various periods are as follows:

Particulars	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Not later than one year	29.32	23.51	25.37	25.78	15.53
Later than one year and not later than five years	57.42	55.34	50.90	18.11	14.77
Later than five years	12.98	12.10	6.96	Nil	Nil

1.12 EMPLOYEE EQUITY TRUST

During July 21,2000, the Company formed a trust, 'Accel Employees Equity Trust' for the issue of shares to its employees. After obtaining the approval of the Board of Directors in its meeting held on August 29, 2000, the Company made advances aggregating to Rs.3,455,000 to the Trust for the purchase of its equity shares. Subsequently, the trust had repaid Rs 3,455,000 to the Company and the balance outstanding as at 31st March 2006, is Nil (Previous year was Rs.1, 857,000)

1.13 INVESTMENTS IN A SUBSIDIARY

As at March 31, 2006, the Company had an aggregate investment of Rs 19,724,824 in ACL Systems & Technologies PTE Limited (ACL) a wholly owned subsidiary in Singapore and Accel Infotech FZE, Dubai. The financial statements of ACL as at March 31, 2006 reflect accumulated losses to the tune of Rs.5,158,125/-. Management believes that the accumulated losses are in the nature of start up losses and that the subsidiary has already started earning profits. The net worth has become positive as on March 31, 2006. The company has already increased the business operations in Singapore jointly executing software projects with Frontline Technologies Corporation. Accordingly, management does not consider that there is any diminution in the value of its investments in the said subsidiary and is stated at cost.

During the year ended March 31, 2006 the company subscribed to one share of AED 10,00,000 as share capital of the company floated in Jebel Ali Free Zone, Dubai and the share application money has been converted into share capital.

1.14 LOANS TO CONTROLLING COMPANY

Loans and advances include amounts due from Accel Limited, the Promoter Company in respect of loans/advances granted and interest thereon.

The promoter company has defaulted on the repayment of the loan/interest and the recoverability of the aggregate amount due from the promoter company is dependent upon Accel Limited's ability to generate sufficient cash through its operations, external borrowings and/or through the liquidation of its assets. Based on negotiations with the promoter Company, the managements of the Company and the Promoter company have put in place a settlement plan which includes liquidation of certain capital assets of the promoter company and for the full settlement of the loan (including arrears of interest). Arising out of negotiations, the promoter company has started repaying the loan and the balance as on March 31, 2006 is Rs.27, 000,000/-

1.15 PRIOR PERIOD EXPENSES

The company had recorded prior period expenses being errors and omissions for the periods prior to March 31, 2006. The effect of these amounts have been adjusted in the respective periods of origination with a corresponding charge to the "summary restated statements of profits and losses" with a corresponding credits to the respective years' summary statements

ANNEXURE IV A - SUMMARY STATEMENT OF CASH FLOWS, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Cash flow from operating activities					
Net profit before taxation	112.40	54.80	(39.59)	49.06	67.09
Adjustments for:					
Depreciation	26.50	31.36	35.26	27.50	22.20
(Profit) / Loss on sale of fixed assets, net	0.23	(0.71)	0.15	0.65	-
Interest income	(7.34)	(6.50)	(6.50)	(9.30)	(5.31)
Unrealized foreign exchange	(0.34)	4.67	(2.50)	0.10	0.70
Lease rentals (Pre AS 19)	(6.05)	(32.49)	(48.54)	(60.65)	(75.68)
Finance income on equipment leases (as per AS 19)	(17.64)	(23.84)	(20.80)	(22.23)	(11.11)
Deferred revenue expenditure	-	-	-	-	-
Financial charges	49.28	42.55	75.11	64.69	51.24
Provision for doubtful debts	-	-	36.04	-	-
Provision for maintenance	-	-	-	-	-
Provision for dimunition in value of investments	-	-	-	1.97	1.20
Provision no longer required written back	(1.25)	(2.40)	-	-	-
Bad debts written off	8.34	11.36	1.73	12.67	14.93
Operating profit before working capital changes	**164.14**	**78.81**	**30.36**	**64.44**	**65.26**
(Increase)/Decrease in inventories	(38.52)	(20.16)	0.01	(33.18)	(21.12)
(Increase)/Decrease in sundry debtors	(167.05)	(108.60)	107.70	(154.66)	(195.12)
(Increase)/Decrease in loans and advances / other current assets	(10.98)	(54.08)	(2.25)	(8.31)	(20.71)
Increase/(Decrease) in current liabilities	82.43	(27.55)	(89.72)	31.73	56.65
Increase/(Decrease) in Provision	(0.37)	(0.16)	(0.55)	1.87	2.10
Cash generated from operations	**29.64**	**(131.75)**	**45.55**	**(98.12)**	**(112.93)**
Income taxes paid	(0.77)	-	0.23	-	(1.33)
Net cash used in operating activities (A)	**28.87**	**(131.75)**	**45.78**	**(98.12)**	**(114.26)**
Cash flows from investing activities					
Purchase of fixed assets	(69.65)	(22.15)	(48.74)	(17.53)	(27.19)
Proceeds from sale of fixed assets	0.27	0.84	-	-	-
Advance towards equity in subsidiary companies	-	(2.50)	2.02	(2.48)	(4.61)

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Loan to Promoter Company/Companies under common control	3.18	(18.24)	14.98	(7.74)	(46.99)
Investment in subsidiary	(0.76)	-	(2.10)	(0.80)	(3.79)
Net cash from (used in) in investing activities (B)	**(66.96)**	**(42.06)**	**(33.83)**	**(28.56)**	**(82.58)**
Cash flows from financing activities					
Proceeds from issuance of share capital	-	200.00	-	-	75.68
Proceeds/(repayments) from working capital facilities	147.20	(120.73)	(18.89)	120.95	180.24
Interest received on loans	7.34	6.50	6.50	9.30	5.31
Proceeds/(repayments) of term loan for equipment leases	(41.07)	80.32	(16.47)	-	(16.11)
Proceeds/(repayments) of auto loan	-	-	-	-	-
Proceeds/(repayments) of unsecured loan	3.02	-	-	(20.00)	(27.50)
Finance income on equipment leases (as per AS 19)	17.64	23.84	20.80	22.23	11.11
Financial charges	(48.61)	(46.30)	(73.79)	(67.08)	(51.41)
Lease rentals (Pre AS 19)	6.05	32.49	48.54	60.65	75.68
Dividends paid	(8.27)	-	(6.50)	(2.03)	(32.60)
Tax on dividend paid	(1.11)	-	(0.83)	(0.86)	(3.32)
Net cash from financing activities (C)	**82.18**	**176.12**	**(40.64)**	**123.17**	**217.09**
Net cash inflow / (outflow) (A+B+C)	**44.09**	**2.32**	**(28.70)**	**(3.50)**	**20.25**
Opening cash and cash equivalents* (D)	34.54	32.22	60.92	64.42	44.18
Closing cash and cash equivalents* (E)	78.63	34.54	32.22	60.92	64.42
Net increase in cash and cash equivalents (E-D)	**44.09**	**2.32**	**(28.70)**	**(3.50)**	**20.25**

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

Annexure IV B - DETAILS OF OTHER INCOME, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Net Profit After Tax	77.12	37.36	(26.77)	29.99	51.14
Other income	**9.98**	**11.45**	**9.61**	**9.78**	**8.10**
Percentage of other income to PAT	12.94	30.63	(35.91)	32.63	15.83
Breakup other Income					
Other Income					
- Interest income (Gross)	7.34	6.50	6.50	9.30	5.31
- Miscellaneous receipts	0.42	1.48	0.30	0.44	1.07
- Gain on exchange fluctuation	0.82	-	2.82	0.04	0.25
- Bad debts recovered	0.15	1.06	-	-	1.47
- Profit on sale of assets	-	-	-	-	-
- Provision no longer required / liabilites written back	1.25	2.40	-	-	-
Total Other income	**9.98**	**11.45**	**9.61**	**9.78**	**8.10**

Note

The above summary statement is to be read with notes to the unconsolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE IV D - DETAILS OF LOANS, AS RESTATED

(Rupees in millions)

As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
SECURED LOANS					
A. FROM BANKS					
I. CASH CREDIT FACILITIES	174.00	172.70	288.72	262.00	201.97
(Secured by hypothecation of Current Assets Moveable properties, specified immoveable assets and Corporate guarantee of Accel Limited (Promoter) and personal guranatee of the Managing Director)					
2. Short Term Loans	45.00	-	-	-	-
(Secured by hypothecation of Current Assets Moveable properties, specified immoveable assets and Corporate guarantee of Accel Limited (Promoter) and personal guranatee of the Managing Director)					
3. Letter of Credits - Accepted for payment	200.67	99.76	104.48	150.09	94.49
(Secured by hypothecation of Current Assets Moveable properties, specified immoveable assets and Corporate guarantee of Accel Limited (Promoter) and personal guranatee of the Managing Director)					
II TERM LOANS	-	3.43	10.84	18.46	25.66
(Secured by specific Lease rental receivables and respective assets acquired and certain moveable assets)					
III FOR MOTOR VEHICLES	3.91	1.76	2.26	2.12	1.30
(Secured by Hypothecation of underlying motor vehicles)					
TOTAL - A	**423.58**	**277.66**	**406.30**	**432.66**	**323.43**
B. FROM OTHERS	-	-	-	-	-
1. TERM LOANS	71.17	110.95	22.73	31.72	20.00
(Secured by specific Lease rental receivables and respective assets acquired)					
TOTAL - B	**71.17**	**110.95**	**22.73**	**31.72**	**20.00**
TOTAL (A+B)	**494.75**	**388.62**	**429.02**	**464.38**	**343.43**

(Rupees in millions)

As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
UNSECURED LOANS					
Fixed deposits	3.02	-	-	-	-
Short Term Loans					20.00
TOTAL - C	**3.02**	**-**	**-**	**-**	**20.00**
TOTAL (A+B+C)	**497.76**	**388.62**	**429.02**	**464.38**	**363.43**

Notes:

(a) The figures disclosed are based on restated summarystatements of Accel Frontline limited

(b) Interest on cash credit facilities was in the range of 10.5% to 16% during the years ended March 31,2006, March 31,2005,March31, 2004, March 31, 2003, & March 31, 2002

(c) Interest on term loan facilities from bank was 14% P.A and others was from 14% to 16%, availed during the last 5 years

(d) Loans for motor vehciles were taken in the range of 6 to 11%

Note

The above summary statement is to be read with notes to the consolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXTURE E- DETAILS OF INVESTMENTS, AS RESTATED

(Rupees in Millions)

	As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
1.	SUBSIDIARY COMPANIES (UNQUOTED) 274,982 Shares of Singapore dollar, 1 each fully paid in ACL Systems & Technologies Pte Limited	7.57	7.21	7.21	5.11	4.41
	1 Share of AED 150,000 fully paid in Accel Infotech FZE Sharjah	-	-	-	1.97	1.97
	1Share of AED 150,000 fully paid in Accel Infotech FZE Dubai	12.15	-	-	-	-
	Less: Provision for decline in value of Investment	-	-	-	(1.97)	-
	TOTAL - A	**19.72**	**7.21**	**7.21**	**5.11**	**6.37**
2	Elcaro Technologies Pvt. Limited (Formerly India Automotive.com Private Limited) 120,000 Shares of Rs. 10 each	-	-	-	-	1.20
	Less: Provision for decline in value of Investment	-	-	-	-	(1.20)
	TOTAL - B	**-**	**-**	**-**	**-**	**-**
	Aggregate book value of unquoted investments (A+B)	19.72	7.21	7.21	5.11	6.37

Note

The above summary statement is to be read with notes to the unconsolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE IV F - SUMMARY OF ACCOUNTING RATIOS, AS RESTATED

As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Basic and diluted earnings per share	4.45	2.25	(2.06)	2.31	4.08
Cash Earnings Per share	6.07	4.98	(0.57)	5.21	6.72
Return on Networth (%)	12.92	6.92	(8.59)	8.86	16.19
Net asset value per equity share	34.45	31.14	23.98	26.04	24.30
Weighted average number of equity shares used in	17,333,333	16,611,111	13,000,000	13,000,000	12,524,317
calculating basic and diluted earnings per share					
Total number of equity shares outstanding at the end of the year/period	17,333,333	17,333,333	13,000,000	13,000,000	13,000,000

The ratios have been computed as follows:

$$\text{Basic earnings per share} = \frac{\text{Net profit/(loss) after tax, attributable to equity shares}}{\text{Weighted average number of equity shares outstanding during the period/year}}$$

$$\text{Cash earnings per share} = \frac{\text{Net Profit /(loss) after current tax, before depreciation/amortisation, deferred taxes and provision for diminution in investments attributable to equity share holders}}{\text{Weighted average number of equity shares outstanding during the period/year}}$$

$$\text{Return on Networth} = \frac{\text{Net profit/(loss) after tax, as per profit and Loss account}}{\text{Networth at the end of the period/year}}$$

$$\text{Net asset value per equity share} = \frac{\text{Networth at the end of the period/year}}{\text{Number of equity shares outstanding at the end the period/year}}$$

ANNEXURE IV G - STATEMENT OF TAX SHELTER, AS RESTATED

(Rupees in millions)

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Profit as per Profit & Loss Account	1,123.97	547.99	(395.88)	490.61	670.91
Income Tax Rate R	33.66%	36.59%	35.88%	36.75%	35.70%
Tax at Notional Rate A	**378.33**	**200.52**	**(142.02)**	**180.30**	**239.51**
Adjustments:					
Permenant Differeneces	-	-	-	-	-
Non Taxable overseas Subsidiary Income	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**
Temporary Differences					
Difference between book depreciation and Tax Depreciation	(479.85)	(763.13)	(162.98)	(459.30)	(325.41)
Dedcutions under Chapter VI-A	(39.61)	(33.69)	(42.51)	(83.80)	(303.25)
Adjustments allowed	(488.13)	(444.40)	(222.49)	(250.64)	(282.20)
Adjustments disallowed	761.09	786.36	917.58	595.99	239.94
Total C	**(246.50)**	**(454.86)**	**489.60**	**(197.75)**	**(670.92)**
Net Adjustments D=B+C	(246.50)	(454.86)	489.60	(197.75)	(670.92)
	877.47	93.13	93.72	292.86	(0.01)
Tax Saving Thereon E=D*R	(82.97)	(166.44)	175.64	(72.67)	(239.52)
Net Tax Impact F=A-E	**295.36**	**34.08**	**33.62**	**107.63**	**(0.00)**
Tax Under MAT					**51.13**

Note :

The above summary statement is to be read with notes to the unconsolidated restated summary statements and significant policies as appearing in Annexure III

ANNEXURE IV H - ADJUSTMENTS FOR RESTATED SUMMARY STATEMENTS

(Rupees in millions)

Impact on profit due to restatements and other material adjustments made to the audited financial statements

Year ended	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Net profit after tax as per audited profit & loss Account	70.98	35.75	(38.00)	20.42	59.92
Deferred tax charge as per Accounting Standard 22	-	-	1.30	(2.13)	(9.61)
including prior period adjustment					
Impact of charging off deferred revenue expenditure in the period/year in which were incurred	-	-	3.54	5.80	(1.38)
Prior Period Income/Expenditure now adjusted in the respective financial years.	(8.85)	(2.32)	(19.44)	10.43	2.21
Total Adjustments	**(8.85)**	**(2.32)**	**(14.59)**	**14.09**	**(8.78)**
Tax impact of the adjustments	(2.70)	(0.71)	(3.36)	(4.53)	-
Adjustment net of tax impact thereof	**(6.15)**	**(1.62)**	**(11.23)**	**9.57**	**(8.78)**
Net profit as per restated financial statements	**77.12**	**37.36**	**(26.77)**	**29.99**	**51.14**

Note :

The above summary statements is to be read with notes to the unconsolidated restated summary statements and significant policies as appearing in Annexure III

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS OF FINANCIAL STATEMENTS

You should read the following discussion of our financial condition and results of operations together with our audited/examined consolidated restated financial statements prepared in accordance with Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear on page 164 of this Red Herring Prospectus. You should also read the section titled 'Risk Factors' beginning on page xii of this Red Herring Prospectus which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The following discussion relates to Accel Frontline Limited and its subsidiaries and associates on a consolidated basis. Our financial statements have been prepared in accordance with Indian GAAP and the accounting standards referred to in Section 211(3 C) of the Companies Act, 1956. The following discussion is based on internally prepared statistical information. Unless otherwise stated, the financial statements used in this section are derived from our audited consolidated financial statements based on Indian GAAP, as restated.

All references to a particular fiscal are to the 12-month period ended March 31 of that year. In this section, any reference to 'we", "our", or "us" refers to Accel Frontline Limited and our subsidiaries on a consolidated basis.

Overview

We are an Information Technology services provider specialising in consulting, infrastructure, applications, outsourcing and support services. We offer a spectrum of information technology solutions that helps organisations gain a competitive edge in their business. We have organised our business into four strategic business units to help enterprises to boost performance and enhance operational efficiency through optimal use of information technology by our clients. The strategic business units are aimed at giving customers the ability to choose from the best services available while our Company stays focused in its various practice domains. These strategic business units are IT Infrastructure Solutions, IT Infrastructure Management Services, Enterprise Software Solutions and Business Process Outsourcing Services.

IT Industry has been witnessing consistent growth over the past several years, the turnover of the various industry segments where we are operating has been as follows:

	Estimated Market size (in Rs. millions)	**Estimated growth rate (in %)**
IT Infrastructure Solutions	226,000	20
IT Infrastructure Management services	45,890	46
Enterprise Software Solutions	203,680	30
BPO Services (Domestic Warranty Outsourcing)	2,000	30

Source: Dataquest: Vol. XXIII No. 14 Special Issue Dated July 31, 2005 and management estimates

The functional currency of our Company is the Indian Rupee. The monetary items denominated in foreign currency at the year-end are translated at the closing exchange rates on the date of the balance sheet. For the Profit and Loss entries, we use the yearly average exchange rates for recording.

Factors that might affect Results of the Operations

Several factors have a bearing on our operations, financial condition and cash flows significantly:

- General economic conditions in India and global markets
- Changes in the demand for IT products and services, particularly for IT infrastructure services and enterprise software solutions.
- Fluctuations of the Indian Rupee as against the major foreign currencies like the US Dollar, Euro, Singapore Dollars, AED.
- Competition in India, the Asia Pacific, United States and other international markets from other IT product and services

companies, especially the effect of such competition on our ability to penetrate such markets

- Demand for the products and services of our principals and major clients in the Indian market.
- Time to market and pricing pressures on our software products and services
- Intense competition in hiring and retention of skilled manpower
- Our ability to expand international operations and increase our customer base across strategic business units.
- Strategic acquisitions and alliances
- Acceptance of products and services in the domestic and international markets
- Changes in interest rates
- Changes in net working capital
- Changes in the Government levies through notifications related to our business

Other Industry and Company specific information

Significant dependence on a few entities across our business units

For our IT Infrastructure solutions business, we are dependent on our principals viz., Sun Microsystems, IBM, and HP. These principals contribute to about 43.19% of our revenues (including direct U.S.Dollar denominated sales) from this business unit as on March 31, 2006. For the BPO division we are dependent on two multinational customers and about 59% of our revenues in this division come from these select clients. For our other business units we do not have any significant dependence on any specific client(s).

Known trends and uncertainties that have or are expected to have a material adverse impact on sales, revenues or income from operations

We have been dealing with many public sector and government organisations in our IT infrastructure solutions and infrastructure management services. Our winning of these contracts depends on being able to quote competitive rates, which may have an impact on winning these type of orders consistently.

Relationships between costs and revenues

IT services in general and IT Infrastructure management services in particular is a manpower intensive business. As we increase the turnover requirement of manpower and cost of recruitment and infrastructure cost and salary cost will go up proportionately.

Seasonality/Trends in business

Since we are predominantly a national IT player and the dependence on government public sector units are substantial in our current business turnover. Our turnover shows an uneven trend among quarters. Generally the last quarter of the fiscal year account for nearly 32% of the annual turnover. Similarly, first quarter of the fiscal year account for 20% of the turnover.

Competitive conditions

With the growth in the IT services industry and infrastructure services, the sector has seen an influx of many players. On the higher end of the service spectrum, we face competition from the large MNC players and on the lower end we face competition from local players in various geographies, including the unorganized sector players.

Results of Operations

The following table sets forth certain financial information as a percentage of our total income for the periods indicated:

(In percentages to Total Income)

	As on				
	Fiscal 2006	**Fiscal 2005**	**Fiscal 2004**	**Fiscal 2003**	**Fiscal 2002**
Income					
Sales - IT Products	54.86%	51.70%	63.33%	71.75%	73.67%
Income from services	44.54%	47.46%	35.95%	27.47%	25.79%
Other income	0.59%	0.84 %	0.72%	0.79%	0.54%
Expenditure					
Cost of sales & services	57.03%	55.60%	63.92%	64.55%	67.62%
Employees' remuneration and benefits	19.00%	18.69%	13.69%	12.19%	10.76%
General and administration expenses	11.77%	15.94%	17.56%	14.10%	12.94%
EBITDA	12.20%	9.77%	4.83%	9.15%	8.68%
Financial charges	2.91%	3.11%	5.34%	4.27%	3.30%
Depreciation	1.57%	2.30%	2.51%	1.82%	1.43%
Profit before tax	**7.72%**	**4.36%**	**-3.03%**	**3.06%**	**3.95%**
Tax Provisions	2.02%	1.27%	-0.89%	1.26%	0.94%
Profit after tax	**5.70%**	**3.08%**	**-2.13%**	**1.81%**	**3.00%**

Income

Our income sources can be classified into the following categories:

Income from Sale - IT products

This includes the proceeds from our IT System Integration business and captures the revenues earned by the sale of computers, peripherals, networking equipments, packaged software, and other accessories used for integration projects.

Income from Services

This includes revenues from services rendered by our Company such as IT infrastructure management services (IT infrastructure maintenance, facility management and managed services), software solutions and products and warranty fulfillment.

Other Income

Under the Other income head, we are including income from the following sources:

Interest Income – This is the interest income we earn from the loan we have provided to our holding company, Accel Limited and interest earned on security/margin money deposits from the banks. This also includes interest portion of lease rentals and the maintenance services component of the assets under the lease, which cannot be segregated and is not significant. This is as under rental contracts recognized as per AS 19 issued by the Institute of Chartered Accountants of India.

i. Miscellaneous receipts

ii. Exchange fluctuation/translation gain/(loss)

iii. Bad debts recovered

iv. Provisions no longer required/liabilities written back

Expenditure

Major heads under the section and a brief description of the major line items under this category have been rearranged into the following heads:

Cost of sales and services: This includes the raw materials, spares and components consumed, purchase of equipments for integration business, Increase/Decrease in inventory of finished goods, and consumption of service spares.

Employees' remunerations and benefits: This includes salaries, wages and allowances, contribution to employee benefit plans and staff welfare expenses.

General and Administrative expenses : This includes the remaining cost heads of the company salient being, rent, lease rentals, rates and taxes, Service tax , sales tax , bad debts provided or written off and liquidated damages, sales and advertisement costs, clearing and forwarding expenses among others.

Results of operations – fiscal 2006 compared with fiscal 2005

(in Rs. million, except for percentages)

	Fiscal 2006	Fiscal 2005	Change %
Income			
Sales – IT Products	935.06	707.35	32.19%
Income from services	759.16	649.39	16.90%
Other income	10.08	11.45	-11.93%
Expenditure			
Cost of sales & services	971.88	760.75	27.75%
Employees' remuneration and benefits	323.85	255.70	26.65%
General and administration expenses	200.61	218.07	-8.01%
EBITDA	**207.95**	**133.67**	**55.57%**
Financial charges	49.64	42.60	16.52%
Depreciation	26.68	31.46	-15.19%
Profit before tax	131.62	59.60	120.84%
Tax Provisions	34.51	17.43	97.92%
Profit after tax	97.12	42.17	130.32%

Unusual or Infrequent events or transactions

There have been no unusual or infrequent transactions of substantial value, which will have an extraordinary effect on the financial results of the company

New products or services

We have not introduced any new products or services in the period under discussion.

Income

Our income from sale of IT products was Rs. 935.06 million in fiscal 2006 as against Rs. 707.35 million in fiscal 2005. This was an increase of 32.19% from fiscal 2005 to fiscal 2006. Over the past two fiscals, due to working capital constriants and in order to better the fiancial metrics related to this business, we had conciously taken steps to contain our exposure in this business. In the fiscal 2006, with a better control on the working capital manaement in the company decided to increase this business activity in order to increase its customer base.

Income from services in fiscal 2006 was Rs. 759.16 million as compared to Rs. 649.39 million in fiscal 2005. This increase of 16.90% was primarily due to the growth in our IT Infrastructure services, BPO services and ESS businesses. We have acquired more customers in the IT infrastructure division and in the BPO services division, and this has been a major contributor to the growth.

Our other income in fiscal 2006 was Rs. 10.08 million as against Rs. 11.45 million in fiscal 2005. This was a decrease of 11.90%.

Expenditure

The cost of sales and services were Rs. 971.88 million in fiscal 2006 and in fiscal 2005 it was Rs. 760.75 million. This increase of 27.75% was due to a corresponding increase in the business levels of the IIS business. Primary cost of the IIS business is the purchase of IT products for integration business.

Employees' remuneration and benefits in fiscal 2006 was Rs. 323.85 million as against Rs. 255.70 million in fiscal 2005. The increase of 26.65% was due to an induction of additional manpower deployed in each of the strategic business units to meet our increasing business requirements.

General and administrative expenses in fiscal 2005 was Rs. 200.61 million and was Rs. 218.07 million in fiscal 2005. This decrease of 8.01% was due to a reduction in the lease rentals payable by us for the various lease arrangements we had entered. These arrangements no longer exist.

EBITDA

In fiscal 2006 EBITDA was Rs. 207.95 million as against an EBITDA of Rs. 133.67 million as in fiscal 2005. This increase of 55.57% can be attributed to a growth in the services business, better management of variable costs inspite of increase in manpower due to expansion in services business.

Financial Charges

Our financial charges in fiscal 2006 was Rs. 49.64 million as compared to Rs. 42.60 million in fiscal 2005. This increase of 16.52% was due to a corresponding increase in the working capital requirements in the IIS business.

Depreciation

Our depreciation expense in fiscal 2006 was Rs. 26.68 million as compared to Rs. 31.46 million in fiscal 2005. This was a decrease of 15.19% and can be attributed to a decrease in the opening net block.

Profit before tax

Profit before tax in Fiscal 2006 was Rs. 131.62 million as against Rs. 59.60 million in fiscal 2005. This was an increase of 120.84% due to an increase in services business with higher margins, improvement in the quality of business mix, a reduction in finance costs, improved cash flow management and better control on current assets.

Tax Provisions

We have provided for taxes to the tune of Rs. 34.51 million in fiscal 2006 as against a tax provision of Rs. 17.43 million in the fiscal 2005. This increase was due to a corresponding increase in our recorded profits.

Profit after tax

We have earned a net profit of Rs. 97.12 million in fiscal 2006 as against a net profit of Rs. 42.17 million for the fiscal 2005. This is an increase of 130.32% over the previous fiscal and can be attributed to an increase of 32.19% in income from IT products and an increase of 16.90 % in sale of services.

Results of operations – Fiscal 2005 compared to Fiscal 2004

(in Rs. million, except for percentages)

	As on		Change %
	Fiscal 2005	Fiscal 2004	
Income			
Sales – IT Products	707.35	891.91	-20.69%
Income from services	649.39	506.18	28.29%
Other income	11.45	10.10	13.31%
Expenditure			
Cost of sales & services	760.75	900.13	-15.49%
Employees' remuneration and benefits	255.70	192.82	32.61%
General and administration expenses	218.07	247.27	-11.81%
EBITDA	**133.67**	**67.95**	**96.70%**
Financial charges	42.60	75.23	-43.37%
Depreciation	31.46	35.34	-10.97%
Profit before tax	59.60	(42.61)	239.88%
Tax Provisions	17.43	(12.59)	238.47%
Profit after tax	42.17	(30.02)	240.47%

Unusual or Infrequent events or transactions

During the fiscal 2004 our Company made a provision for bad & doubtful debts of Rs. 36 million

New products or services

We did not introduce any new products or services in this period.

Income

Our income from sale of IT products was Rs. 707.35 million in fiscal 2005 as against Rs. 891.91 million in fiscal 2004. The decrease of 20.69% from fiscal 2004 to fiscal 2005 was primarily due to a conscious decision adopted by the management to reduce the dependence on IT products as the service business provided better margins compared to the IT products and to have better control of the financial metrics associated with this business.

The income from services in fiscal 2005 was Rs. 649.39 million as against Rs. 506.18 million in fiscal 2004. This increase of 28.29% was primarily due to the growth in our IT Infrastructure services, BPO services and ESS businesses. This growth was as a result of the reorganized business division in three service sectors, i.e., Infrastructure Management Services, Enterprise Software Services and BPO services, all of them having major growth potential in domestic as well as in international markets.

Our other income in fiscal 2005 was Rs. 11.45 million as against Rs. 10.10 million in fiscal 2004. This increase in other income by 13.31% is due to an increase in the finance charges recognized as per AS-19 on a new equipment leasing business concluded with a leading public sector electrical equipment manufacturing company in October, 2004.

Expenditure

Cost of sales and services was Rs. 760.75 million in fiscal 2005 as compared to Rs. 900.13 million in fiscal 2004. This decrease of 15.49% was due to a corresponding drop in the business levels of the IIS business. Primary cost of the IIS business is the purchase of IT products for integration business.

Employees' remuneration and benefits was Rs. 255.70 million in fiscal 2005 as against Rs. 192.82 million in fiscal 2004. The increase of 32.61% was due to an induction of additional manpower deployed in each of the strategic business units to meet our increasing business requirements.

General and administration expenses in fiscal 2005 was Rs. 218.07 million as against Rs. 247.27 million for the fiscal 2004. This was a decrease of 11.81% over the previous fiscal due to a provision for bad debts being created by us.

EBITDA

EBITDA for the fiscal 2005 was Rs. 133.67 million as against Rs. 67.95 million during the fiscal 2004. This increase of 96.70% can be attributed to a substantial growth in the services business, better management of variable costs inspite of increase in manpower due to expansion in services business. Also the one time provision taken in the previous year for bad and doubtful debts was not there in fiscal 2005.

Financial Charges

Financial charges were at Rs. 42.60 million in fiscal 2005 as against Rs. 75.23 million in fiscal 2004. The decrease of 43.36% year-on-year can be attributed to the retirement of loans of about Rs. 14.78 crores from various banks. Also, the amount outstanding during the year carrying interest towards the borrowings for assets given on rental to certain public sector companies were less as compared to the previous fiscal due to the repayments during this fiscal.

Depreciation

Depreciation expense was Rs. 31.46 million in fiscal 2005 as compared to Rs. 35.34 million in fiscal 2004. The decrease of 10.97% was due to the reduction in the opening net block.

Net profit before tax

Our net profit before tax for the fiscal 2005 was Rs. 59.60 million as compared to a net loss before tax of Rs. 42.61 million in fiscal 2004.

We were able to achieve a net profit before tax and prior period items in the fiscal 2005 due to an increase in services business with higher margins, improvement in the quality of business mix, a reduction in finance costs, improved cash flow management and better control on current assets. However, the loss figures in fiscal 2004 were due to provisioning of Rs. 36 million towards bad and doubtful debts and other business related provisions.

Tax Provisions

We provided for taxes an amount of Rs. 17.43 million in fiscal 2005 as our Company recorded profits, while in fiscal 2004 we had a provision of Rs. (12.59) million, which included a deferred tax credit of Rs. 15.95 million.

Profit after tax

We had a net profit of Rs. 42.17 million in fiscal 2005 as compared to a net loss of Rs. 30.02 million in fiscal 2004. This was primarily due to 29.21% increase in income from services and a decrease in financial charges to an extent of 43.37%, owing to repayment of high cost borrowings made out of fresh equity inflow from one of our Promoters.

Results of Operations – Fiscal 2004 compared to Fiscal 2003

(in Rs. million, except for percentages)

	As on		Change %
	Fiscal 2004	Fiscal 2003	
Income			
Sales - IT Products	891.91	1087.18	-17.96%
Income from services	506.18	416.19	21.62%
Other income	10.10	11.93	-15.33%
Expenditure			
Cost of sales & services	900.13	978.11	-7.97%
Employees' remuneration and benefits	192.82	184.78	4.35%
General and administration expenses	247.27	213.70	15.71%
EBITDA	**67.95**	**138.72**	**-51.01%**
Financial charges	75.23	64.71	16.24%
Depreciation	35.34	27.56	28.22%
Profit before tax	**(42.61)**	**46.44**	**-191.75%**
Tax Provisions	(12.59)	19.07	-166.01%
Profit after tax	**(30.02)**	**27.37**	**-209.68%**

Unusual or Infrequent events or transactions

During fiscal 2004 , there was a one time provision of Rs. 36 million towards bad and doubtful debts of the previous years

Income

Our income from sale of IT products was Rs. 819.91 million in fiscal 2004 as against Rs. 1,087.18 million in fiscal 2003. The decrease of 17.96% from fiscal 2003 to fiscal 2004 was primarily due to a conscious decision of reducing the exposure to long gestation and relatively lesser margin business at certain segments of the industry and to have better control of the financial metrics associated with this business.

The income from services in fiscal 2004 was Rs. 506.18 million as against Rs. 416.19 million in fiscal 2003. This increase of 21.62% was primarily due to the growth in our IT Infrastructure services, BPO services and ESS businesses. The Company focused on increasing and consolidating the IT Infrastructure Management Services business with more value added offerings.

Our other income in fiscal 2004 was Rs. 10.10 million as against Rs. 11.93 million in fiscal 2003. This decrease in other income by 15.33% is due to a tapering of recognition of finance income, as per the AS-19 requirements from the financial leases.

Expenditure

Cost of sales and services was Rs. 900.13 million in fiscal 2004 as compared to Rs. 978.11 million in fiscal 2003. This decrease of 7.97% was due to a corresponding drop in the business levels of our IIS business division.

Employees' remuneration and benefits was Rs. 192.82 million in fiscal 2004 as against Rs. 184.78 million in fiscal 2003. This increase of 4.35% was due to an increment provided to our employees during this fiscal.

General and Administrative expenses were at Rs. 247.27 million in fiscal 2004 as compared to Rs. 213.70 million in fiscal 2003. This increase of 15.71% was due to a rise in the communication expenses and travel expenses related to the increased activity in our IMS business division and also owing to the new initiatives being undertaken in other strategic business units. Also, there was an increase in the rent expenses as we had taken up a new premises for expansion of our operations.

EBITDA

EBITDA for the fiscal 2004 was Rs. 67.95 million as against Rs. 138.72 million during the fiscal 2003. This decrease of 51.01% can be attributed to an increase in expenses and consolidation in our IIS business. Also, a one time provisioning for bad and doubtful debts to an extent of Rs. 36 million, contributed to the reduction in the EBITDA.

Financial Charges

Financial charges were at Rs. 75.23 million in fiscal 2004 as against Rs. 64.71 million in fiscal 2003. The increase of 16.24% was due to increased borrowings to fund the expansion of our services businesses and to fund a large equipment rental order with a leading electrical equipment manufacturing company in the public sector.

Depreciation

Depreciation expense was Rs. 35.34 million in fiscal 2004 as compared to Rs. 27.56 million in fiscal 2003. The increase of 28.22% was because of an increase in capital expenditure on the new premises for expansion of our operations.

Profit/Loss before tax

Our net loss before tax for the fiscal 2004 was Rs. 42.61 million as compared to a profit before tax of Rs. 46.44 million in fiscal 2003. There was a decrease of 191.75% mainly due to the one time provisioning made for bad and doubtful debts and a conscious reduction in the IIS business.

Tax Provisions

In fiscal 2004 we had a provision of Rs. (12.59) million, which included a deferred tax credit of Rs. 15.95 million as compared to a provision of Rs. 19.07 million in fiscal 2003. This was primarily due to loss reported and the depreciation benefits available to the company.

Profit/Loss after tax

We had a net loss of Rs. 30.02 million in fiscal 2004 as compared to a net profit of Rs. 27.37 million in fiscal 2003 due to a one time provision made for bad and doubtful debts pertaining to earlier years.

Significant developments subsequent to the last financial year

There was no significant development affecting the value of its assets and the ability to service debts.

MATERIAL DEVELOPMENTS

Apart from the changes mentioned elsewhere in this Prospectus, including in the share capital as mentioned below, which have occurred since the date of the last financial statements disclosed (i.e., March 31, 2006) in this Red Herring Prospectus, the Board of Directors are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of our Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

CERTAIN FINANCIAL INDEBTEDNESS

Our Company has availed of various loan facilities from specific banks to meet their financial requirements from time to time. As on the date of filing this Red Herring Prospectus, the fund based and non-fund based limits that we avail of have been detailed below:

I. Fund Based

Sl.No	Name of bank	Total amount sanctioned (in Rs. millions)	Total amount outstanding as on August 31, 2006 (in Rs. millions)	Interest (%)
1.	Citibank, N.A	100.00	78.19	10.75
2.	ICICI Bank	20.00	15.24	0.50% per annum over the sum of I-Bar and cash credit risk premium prevailing each day. Currently the rate of interest is 12%
3.	State Bank of India	145.00	138.9*	2% over the State Bank of India Advance Rate (SBAR) Currently the rate of interest is 12.25%
	TOTAL	**265.00**	**232.33**	

* Book balance as on the specified date is higher than the bank balance, due to late clearance of cheques.

Restrictive covenants: Some of the loan agreements entered into with the banks mentioned above have restrictive covenants, which require the prior permission of the banks, including in relation to (i) prior to any change in the equity, management and operating structure of our Company (ii) issue of any guarantee of any kind (iii) any future borrowings (iv) issue of any personal guarantee (v) formulating any scheme of amalgamation (vi) investment by way of share capital or lend or advance funds to any other concern.

Insurance cover: The Company should ensure that all the assets given as security are covered as under a comprehensive insurance cover. The Banks also have the right to cover any shortfall in the insurance cover, by debiting the account of our Company with the Bank. A penalty is imposed by the banks, for any uninsured period.

Periodic submissions: The banks are required to file periodic returns and comply with the terms and conditions as laid down by the banks. Any failure to do the same will attract a penalty.

Security: The Company is required to create security in favor of the Bank to secure the loan, including (i) pari passu charge on stock and book debts of our Company and on present and future fixed assets of our Company; (ii) Corporate Guarantee of Accel Limited amounting to Rs. 240 million; (iii) Personal guarantee of Mr. N.R. Panicker amounting to Rs. 240 million; (iv) Charge created on immovable properties owned by Accel Limited of the following descriptions:

1. First pari-passu charge by way of Equitable mortgage on Commercial flat of 3600 sq. ft. at No.176, 3rd Floor, Valluvar Kottam High Road, Chennai – 600 034 owned by Accel Limited.
2. First pari-passu charge by way of Equitable mortgage on Commercial flat of 951 sq. ft. at No.177, 3rd Floor, Valluvar Kottam High Road, Chennai – 600 034 owned by Accel Limited.
3. First pari-passu charge by way of Equitable mortgage on commercial flat of 911 sq. ft. No.179, 3rd Floor, Valluvar Kottam High Road, Chennai – 600 034 owned by Accel Limited.
4. First pari-passu charge by way of Equitable mortgage on commercial flat of 880 sq. ft. No.178, 3rd Floor, Valluvar Kottam High Road, Chennai – 600 034 owned by Accel Limited.

5. Equitable mortgage of Factory premises of Accel Limited located at Murugapakkam Revenue Village, Mukhailpet Commune, Pondicherry measuring 6 Kuzhis and 3 Veesams.
6. Equitable mortgage by way of First pari-passu charge along with State Bank of India & ICICI Bank on immovable property located at Survey No.14/2E, TS. No.27, Block No.15, Plot Nos.1, 2A and 2B and situated at Vadaagraharam village bearing door New No. 75 (Old No.124), Nelson Manickam Road, Amjikarai, Kodambakkam, Egmore – Nungambakkam Taluk, Chennai, Tamil Nadu owned by Accel Limited.
7. Equitable mortgage by way of first pari-passu charge on property located at RS No.11680 and 1168/1, bearing portion of the property commonly known as Madras Christian College High School, George town bearing Municipal door No.164 (Old No.320-323) Linghi Chetty Street, Chennai owned by Accel Limited.

Personal Guarantee: Mr. N.R. Panicker and Accel Limited have given a personal guarantee and corporate guarantee respectively in favour of the banks in order to secure the fund based limits.

II. Non Fund Based

Sl.No	Name of bank	Total amount sanctioned (in millions)	Total amount outstanding as on August 31, 2006	Validity
1.	ICICI Bank			12 months
	- Letter of Credit (LC)	202.10	Nil	
	- Bank Guarantee	150.00	114.47	
	- Specific bank Guarantee	5.90	Nil	
	- One time LC	202.80	Utilised / Nil	
2.	State Bank of India			12 months
	- Letter of Credit	150.00	30.46	
	- One time LC	5.00	Nil	
	- Bank Guarantee	100.00	73.6	
	- Adhoc LC limit (one time)	100.00	98.68	
	TOTAL	**915.8**	**317.21**	

III. Agreement with Hewlett-Packard Financial Services (India) Private Limited ("HP Financial")

The Company has entered into a Master Rental and Financing Agreement dated April 28, 2004 with HP Financial, in relation of to the lease of certain hardware and software.

Equipments: As per the terms of the Agreement, hardware and software relating of our Company; namely 799 desktops, 126 laptops, 13 work stations, 53 servers, 427 ups, 22 monitors, 6 storage devices and laser jet printers are leased to our Company. After the expiry of the lease term, the said equipments are to be returned to HP. The equipments leased under this Agreement shall solely be the responsibility of our Company and it shall be responsible for the maintainence and repair of the same. The total cost of the equipment is Rs. 9,730,6368.

Charge: The Company has hypothecated and created a charge in favour of equipments mentioned above. In the event of a default, HP has the following rights including the right to take possession of the equipments and/or sell the same without the intervention of the court. Further our Company is not allowed to create any charge in relation to the equipments in favour of anyone without the prior written consent of HP.

Term: The term of the agreement shall be for a term of 36 months for certain equipment and 60 months for the remaining part.

Assignment: The Company is not allowed to assign or novate any right, title or interest in or to the equipment in favour of any party.

Return of Equipments: Upon the expiry of the term and as provided for in the Agreement the equipments shall have to be returned to HP, as instructed by HP. HP shall at all time retain the ownership of the equipments.

Insurance: The Company shall be required to maintain an insurance of not less Rs. 10,000,000 (Rupees Ten Million Only) in relation to the equipment.

As on the date of filing of this Red Herring Prospectus, a total of Rs. 79,298,785 is outstanding and payable to HP.

IV. Loans from ICICI Bank Limited (the "Bank") for financing purchase of Company owned vehicles

The Company has entered into loan agreements ("Agreement/s") with ICICI Bank Limited for financing purchase of a total of 10 (ten) vehicles.

Mode of Payment: The Company is required to make the payments as per the schedule of payment (time being the essence of the contract). The Bank may in its sole discretion increase or decrease the rate of interest in case of unforeseen and extraordinary changes in the money markets.

Warranties by our Company: Company has undertaken to keep the vehicles in good condition and not to remove them outside the territorial borders of state, permit inspection by the Bank during the pendency of the loan. Further, the Bank has paramount charge, lien and right of set off on all securities, deposits, other properties of our Company standing to its credit with the Bank. The Company is required to indemnify the Bank against all liabilities which the Bank may suffer in relation to the hypothecated vehicles. The Company has also executed an irrevocable power of attorney in favour of the Bank.

Insurance: The Company is required to keep all vehicles insured covering comprehensive risks.

Security: All the vehicles under the Agreement stand hypothecated in favour of the Bank. The Company is required to deposit a security deposit and the same is liable to be applied towards outstanding amounts owed to the Bank or its group companies.

Events of Default: In case of happening of any of the following events, namely, failure to make timely payments, breach of terms of the Agreement, misrepresentations to the Bank, notice of insolvency or bankruptcy to our Company, defaults under other agreements with the Bank, the Bank may demand immediate repayment of the sums due.

Rights and Remedies of the Bank: Upon failure to pay the amounts due or in any event of default, the Bank is entitled to take possession, sell, give on hire and to apply the proceeds towards amounts outstanding. Further, the Bank is entitled to sell, assign, transfer its rights under the Agreement and bind our Company accordingly.

As on the date of filing of this Red Herring Prospectus, a total of Rs. 4,200,157 is outstanding and payable to ICICI Bank Limited.

V. Loan from Life Insurance Corporation of India against the keyman insurance policy (policy in the name of N R Panicker as a keyman of our Company) and the present amount outstanding is Rs. 2,646,700.

SECTION VI: LEGAL & REGULATORY INFORMATION

Outstanding Litigation and Defaults

Except as stated herein, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part 1 of Schedule XIII of the Companies Act) or litigation for tax liabilities against our Company, its Subsidiary, Promoters, Group Companies or Directors and there are no defaults, non payment or overdues of statutory dues, institutional or bank dues or dues towards holders of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of our Company or its Subsidiary and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, Subsidiaries, Promoters, Group Companies or Directors.

Further, except as stated herein, the Promoters, our Company or the Promoter Group companies are not, and have not been detained as willful defaulters by RBI or Government Authorities and there are no violations of securities laws committed by them in the past or pending against them.

Cases filed against our Company

Civil Cases

1. A suit (C.S. No. 211 of 2004) has been filed by Mr. Jyoti Prakash Mondal, proprietor of Cygnus Information Services, against our Company in the High Court, at Kolkata stating that the termination of contracts by our Company vide its letter dated March 12, 2002 is wrongful, illegal and be set aside and that the High Court pass a decree for a sum of Rs. 2,134,387, ad-interim interest and interest at the rate of 18% on the amount mentioned above. Written statement challenging the allegations in the said suit has been filed by our Company on August 19 2005. The next date of hearing is not yet determined.
2. A suit (No. 1193 of 2005) has been filed against our Company in the Court of Small Causes, Karnataka by Mr. Doreswamy, proprietor of M/s Swamy Enterprises, franchise of Blaze Flash Courier Services Private Limited ("Blaze Flash"), regarding non-payment of dues amounting to Rs. 18,051 for availment of services by our Company for the month of February 2005. The Company has complained of non-delivery of its parcel containing spare parts worth Rs. 25,000 vide letters dated November 15, 2004 and January 31, 2005 to Blaze Flash. Summon dated February 8, 2006 was issued to our Company in this regard to appear befor the court on March 8, 2006. Company has filed its reply on May 29, 2006. Hearing was held on July 31, 2006 pursuant to which notice has been served on Blaze Flash to show cause as to why they should not be impleaded in this case. The next date of hearing is September 2, 2006.

Employee cases

1. A suit (T.S No. 1942 of 2004) has been filed by a former employee of our Company, Mr. Santanu Das at the 5th Bench City Civil Court, Kolkatta against our Company challenging his termination of services. The Company has filed its written statement contesting the same. The next date of hearing is September 14, 2006.

Consumer Cases

1. A complaint (No. 704 of 2005) has been filed by Mr. Sanjiv Malhotra before the District Consumer Disputes Redressal Forum, New Delhi against M/s. Seema Palace and our Company claiming deficiency of services against both of them, alleging that the phone purchased for a sum of Rs. 33,000 from M/s. Seema Palace was defective and the errors could not be rectified by both of them. A total of Rs. 236,300 (Rs. 33,000 being the cost of the phone plus Rs. 200,000 as damages plus Rs. 3,300 as the cost of proceedings) has been claimed. The Company has been asked to submit 'Evidence by way of Affidavit'. The next date of hearing is September 6, 2006.
2. A complaint (No. 271 of 2005) has been filed by Mr. Sanjay Goyal before the Consumer Disputes Redressal Forum X, New Delhi against our Company and M/s. Utkarsh Infotech. A notice has been issued to our Company and M/s. Utkarsh Infotech asking them to appear before the Forum on March 24, 2006. The Company is in the process of filing its reply .The next date of hearing is November 29, 2006.

3. A complaint (C.O.P No. 5 of 2006) has been filed by Mr. P. Srinivas before the District Consumer Disputes Redressal Forum, Coimbatore against our Company and M/s Mobile World, alleging that the phone purchased for a sum of Rs. 8,750 from M/s. Mobile World was defective and although the phone was replaced it continued to give problems. The Company has been asked by the complainant to replace the phone or pay a sum of Rs. 8,750 and Rs. 90,000 as compensation for damages. The next date of hearing is to be notified.
4. A complaint (C.O.P No. 574 of 2005) has been filed by Mr. Sundaramurthy before the District Consumer Disputes Redressal Forum, Chennai against M/s/ Vibrant Technologies and our Company alleging that he had placed an order for a computer (costing Rs. 33,865) for his son's use but the same was faulty and although it was rectified, continued to have problems. The Company has been asked by the complainant to replace the computer for the same value or in the alternative to pay a sum of Rs. 33,865 with interest at 18% from December 26, 2002. Further, the complainant has also asked for a compensation of Rs. 40,000 as loss of his son's education and Rs. 20,000 towards mental agony. The next date of hearing is September 18, 2006 for filing proof affidavit.

Potential Litigation

1. The Company, Sony Ericsson Mobile and Greetwell Cellular Point, has received a legal notice dated July 27, 2005 from Mr. I. Sundaram stating that the phone purchased was defective and was not functioning properly. Further, certain parts of the phone were replaced and the phone continued to have defects. The Company has replied to the notice vide its letter stating that the phone was replaced and has also stated that the copy of the signed acknowledgement by the customer in the register is available. The Company is therefore not aware as to why the notice has been issued to it, as it has fulfilled it obligations.
2. The Company, SGJ Info Tech Private Limited, Xerox Europe, Xerox India Limited, have received a legal notice dated February 4, 2006 from Rural Upliftment Centre, Kanyakumari, for selling the Xerox copier machine containing the set of moving parts not being of the quality as specified in the written quotation submitted by the authorised dealer, SGJ Info Tech Private Limited. The impugned machine is said to be defective and is not able to perform its functions of scanning, printing and copying. The Company has received notice in the capacity of the authorised service franchisee. The customer seeks refund of the price of the product, along with interest and damages upto Rs.1,00,000.

Cases filed by our Company

Criminal Cases

1. A complaint (CC No. 3579 of 2002) has been filed by our Company against Mr. Ravi Agarwal, proprietor of Classic Enterprises at the 13th Metropolitan Magistrate, Kolkata under section 138 of the Negotiable Instruments Act, 1881. The summons has been served on him but he has not appeared before the Magistrate and till date no execution report has come out. The next date of hearing is September 19, 2006.
2. A complaint (C.C. No. 1687 of 2000) has been filed by our Company in the XIV Metropolitan Magistrate Court Egmore, Chennai against M/s. Lotus Solutions India Private Limited and Mr. R. Ravichandran, Director of Lotus Solutions India Private Limited for the recovery of a sum of Rs. 300,000 which is due to our Company. The Company had supplied computers and allied equipment and was issued a cheque for a sum of Rs. 300,000. However, prior to the cheques being honoured the account was closed. The next date of the hearing for executon of warrant is November 27, 2006.
3. A complaint (C.C. No. 1107 of 2003) has been filed by our Company in the Court of the XIV Metropolitan Magistrate, Chennai against M/s. SARC Exports Private Limited, Mr. Albert Raj, the Managing Director and others, since certain cheques amounting to Rs. 860,750 given to our Company as payment for the supply of certain computer parts, were dishonored. The Company has sought a total compensation of Rs. 960,750 which also includes the expenses incurred towards the prosecution. The next date of hearing for the execution of warrant is September 07, 2006.

Civil Cases

1. A writ petition (W.P. No. 21718 of 2003) has been filed by our Company in the High Court, Kerala against the University of Calicut, for the recovery of Rs. 2,442,830 in relation to the supply of computers by our Company to the University. The Company has been paid some portion and the remaining portion of the amount is still to be repaid. The High Court vide its order dated January 27, 2004 has stated that vigilance enquiry of the University must be completed within two and half months and make payments based on the enquiry. Report by the Vigilance and Anti Corruption Dept was sent to Principal

Secretary (Vigilance & Anti Corruption, Home Department) in December 2005. Further to this the Principal Secretary has issued a No Further Action report regarding our Company to the University. The Company is awaiting release of payment from the University.

2. A suit (O.S. No. 318 of 2001) has been filed by our Company in the court of the subordinate judge, Thiruvanathapuram against M/s. V. Computer Center and The Capital Stock Exchange Kerala Limited for the recovery of Rs. 411,520. The Company had supplied computers based on certain quotations it received. However, after the supply and installation of the computers the total amount that was owed to our Company was not paid. The Company has filed the suit to recover the remaining monies. The the final hearing took place on February 27, 2006 and the suit was dismissed on procedural grounds of non-joinder of necessary parties.

Direct Tax Litigation

The Company has filed an appeal to the Income Tax Appellate Tribunal, Chennai against the order passed by the Deputy Commissioner of Income Tax (Appeals) III, communicated on August 18, 2003 in relation to the total income declared by our Company for the assessment year 2000-01. The Company has appealed against the order passed by the Deputy Commissioner of Income Tax (Appeals) III on the following grounds (i) non compete fees of Rs. 7,500,000 paid by our Company to Accel Limited (Rs. 6,000,000 after adjustment) should be treated as capital expenditure (ii) error in the computation of the claim made under Section 80IA and (iii) interest charged under Section 234B is to be rechecked as there appears to be an error. The Company has also submitted that in the event that the current appeal is allowed then, no interest will be liable to be paid. The case has been returned and our Company is in the process of filing the miscellaneous petition with the ITAT for further hearing.

Sales Tax

1. The Company has filed for a review in the Sales Tax Appellate Tribunal, Ernakulam against the order of the Appellate Tribunal (T.A. No 235 of 2004) dated August 31, 2004 wherein amounts of Rs. 500,000 and Rs. 50,000 stated as turnover and tax, respectively are disputed. Hearing on the review petition has been completed, the Tribunal has heard the matter and Company is awaiting final order.

2. The Company has filed an appeal before the Appellate Assistant Commissioner, Commercial Taxes Ernakulam against the order of the sales tax officer dated July 31, 2004 on the following grounds, (i) the sales tax officer fixed the taxable turnover at Rs. 2,70,391 and taxed the same at 8%, as against the conceded turnover of Rs. 2,05,850 which has resulted in the addition of Rs. 64,540 (ii) the disallowance of transfer to Trichy of Rs. 2,748 and branch transfer of Rs. 37,441, due to non production of evidence as the sales officer did not grant time to produce the evidence (iii) wrongful imposition of tax at the rate of 12% on a computer item ‘CAM’ mistaking it to be a photographic camera, while the actual rate of tax is 4% (iv) imposition of interest on taxable amount of Rs. 28, 675 being incorrect as our Company has already paid the tax on the entire turnover, as reflected in the monthly returns (v) addition of the goods towards turnover for not producing valid evidence and not treating the same as stock transfer. The Company has produced evidence for the same. (vi) total taxable turnover determined as per the order of assessment is Rs. 70,784,710, while the taxable turnover as per the accounts in Rs. 69,712,989. Therefore the turnover is assessed to tax in excess by Rs. 50, 240 (vii) the imposition of additional sales tax has been levied on an amount of Rs. 2,525,115 while it is leviable only on Rs. 2,432,124. The next date of the hearing is yet to be fixed.

3. The Company has filed an appeal before the Deputy Commissioner (Appeal) of Agricultural Income Tax and Sales Tax against the order of the Assistant Commissioner (Assessment) Special Circle, Ernakulam communicated on November 24, 2005 wherein an amount of Rs. 973, 958 as turnover is disputed and an amount of Rs. 51,522 as tax is also disputed. The final hearing has been completed and the order has been passed in the favour of our Company. Based on the order copy, a revised assessement order is expected from the assessing officer.

4. The Company has filed an appeal in the Trade Tax Tribunal, Uttar Pradesh against the order of Joint Commissioner (Appeal)-I, Trade Tax, Lucknow, staying the recovery of only 50% of the amount of disputed tax Rs. 1,49,787.50 till disposal of first appeal No.532 of 2005 filed by our Company against the order of Commissioner (Assessment)-2 dated July 2, 2005. A final order and judgement dated August 3, 2005 has been passed by the Tribunal disposing off second appeal and allowing recovery of upto 90% of the disputed tax amount pending disposal of first appeal. The Tribunal heard the matter and remanded the case to the jurisdiction officer for submission of forms and closure of case.

5. The Company has filed an appeal before the Assistant Commissioner Commercial Tax, Kolkatta (ACCT), against the order of the Assessing Officer dated June 30, 2004 imposing a tax of Rs. 119,115. The ACCT vide its order dated November 2, 2005 has accepted and allowed the production of Form 'C' alongwith consignment note, stock transfer invoices and stock register in support of import of the goods and has held that the goods were found to be imported. Thus on the basis of the submissions, the case was modified on consideration of sale and the total claim arrived at was Rs. 3,072,857 including the claim by the assessing officer for Rs. 1,424,729. The Commercial Tax Officer has been asked to compute the case in light of the above.
6. The Company has filed an appeal before the Assistant Commercial Tax Officer, Kolkata South Circle against the order of the Commercial Tax Officer dated June 30, 2005 stating he had enhanced the gross turnover by a sum of Rs. 525,701 over and above the admitted gross turnover of Rs. 123,250,673.98, without any reason or justification. The next date of the hearing has not been fixed as yet
7. The Company filed an appeal before the Assistant Commissioner of Sales Tax, against the order of the Sales Tax Officer imposing a tax of Rs. 28,760 against our Company. Vide an order dated June 27, 2005 the Assistant Commissioner of Sales Tax has directed the assessing officer to compute the tax payable by our Company after verification of the claims of our Company regarding the deposits made for the year 2002-03. The matter has been remanded to the assessing officer to make fresh assessments.
8. The Company has filed an appeal before the Joint Commissioner of Commercial Taxes (Appeal), Central Division, Patna contesting the penalty of Rs. 24,359 imposed on our Company vide the order of the Assistant Commissioner of Commercial Taxes dated December 6, 2003. The next date of the hearing has not been fixed as yet.

Details of past penalties

1. A complaint (No. 572 of 2005) has been filed by Ms. U. Sree before the District Consumer Disputes Redressal Forum, Hyderabad against our Company alleging that the mobile phone she purchased was defective and that the same was replaced with another phone which was not a new phone. The Company had responded and stated that the said handset has been collected by the father of the complainant and that as far as our Company was concerned the matter was closed. Orders were passed against our Company to make payment of Rs. 7,800 against the surrender of mobile phone by the complainant.
2. A complaint (C.D No. 863 of 2005) has been filed by Mr. Rambabu before the District Consumer Disputes Redressal Forum, Hyderabad against the proprietor M/s. R.B. Mobiles, our Company, Sagem Secure and National Insurance Company Limited alleging that the mobile phone purchased by him was not properly repaired and neither was it replaced by the defendants. The Company has filed its reply in relation to the same. He has sought a relief of Rs, 57, 500 (Rs. 2,700 towards the cost of the mobile, Rs. 50,000 towards mental agony and Rs. 5,000 towards the cost of the complaint). Orders were passed against our Company to pay compensation of Rs. 4,000.
3. Information had been sought from our Company to ascertain whether our Company engages in 'financial leasing services', in which case our Company will be liable to pay Service Tax. The Company has in accordance with the ruling of the High Court in W.P. No. 27081 of 2004 and W.P.M.P No. 32981 of 2004 on January 4, 2005, and in response to a letter dated April 7, 2004 made available to the Superintendent of Central Excise certain information sought by them. Based on the relevant High Court orders, our Company reworked the amount payable and paid the liability amount, which has been accepted by the service tax department.

Amounts Owed To Small Scale Undertakings

There are no amounts owed to the small scale undertakings as on the date of filing this Red Herring Prospectus, which are exceeding Rs. 1,00,000 and due for more than 30 days.

Cases involving the Subsidiaries

There are no cases involving the Subsidiaries.

Cases involving our group companies

1. Accel Tele.Net

Potential Litigation

The company has vide its letter dated May 28, 2005, addressed to the Inspector General of Registration has requested the Inspector General to direct the Sub Registrar, Kodambakkam to release the Sale Deed dated March 27, 2003 which was earlier impounded alleging non payment of full duty whereas Accel has paid the stamp duty as per current provisions of law notifying an exemption from payment of the same. Accel Limited, the holding company in this case, had executed Sale Deed dated March 27, 2003 conveying the land measuring 8000 sq.ft and situated at No. 75, Nelsom Manickam Road, Aminjikarai. Pursuant to a notification (G.O. Ms. No. 1224) dated April 25, 1964, as amended in 1995, wherein the said sale was entitled to a remission wherein holding companies holding more than 90% are exempt from paying stamp duty at the time of registration. Inspite, of the benefit as mentioned above being available to the company, the Sub Registrar, Kodambakkam impounded the said sale deed. Director General of Registrations has asked the Registrar to review the documents and register the same.

2. Accel Limited

Cases filed against Accel Limited

Consumer Cases

A revision petition (No. 2100 of 2004) has been filed in the National Consumer Disputes Redressal Commission, New Delhi by Mr. C.R.Minood, Assistant Manager, National Bank for Rural Development in relation to the purchase of computer system by the petitioner. The petitioner complained of the computer system not been supplied as per the order and discrepancy between proforma invoice and the final product supplied, claiming refund of Rs. 84,000 being the cost with interest at 15%. The appeal has been filed against the order of the State Consumer Disputes Redressal Commission, Bangalore dated December 18, 2003 which was decided in favour of the company. Counter statement dated February 8, 2006 has been filed by the company. The next date of hearing is November 07, 2006.

Cases filed by Accel Limited

Consumer Cases

A complaint (No. 303 of 2000) has been filed by the company before Delhi State Consumer Disputes Redressal Commission, New Delhi against M/s Neetin Air (Tpt.) Services Limited for non delivery and loss of the consignments of the company. The company has sought damages of amount Rs.750,000, which is the total value of the consignment. The case is posted for final hearing on October 9, 2006.

Civil Cases

A suit (C.C.No. 7275 of 2000) has been filed by the company before the XIV Metropolitan Magistrate Court, Egmore, Chennai against Mr. K.George, Proprietor, M/s Avions Technology, Kottayam under Section 138 of the Negotiable Instruments Act. The suit has been filed on the ground that the cheque issued by the accused for amount of Rs. 112,360 as part payment for purchase of mobile phones from the complainant was returned with the endorsement 'Funds Insufficient'. The next date of hearing is August 8, 2006 for issue of fresh summons.

Contingent Liabilities

Rs. In Million

S. No.	Nature of liability	Amount
1.	Corporate Guarantee extended against borrowings by our Company	715
2.	Corporate Guarantee extended to Accel Transmatics Limited	55
3.	Outstanding liabilities against performance guarantees to clients, sales tax litigation and car loans	1.31

3. Accel Transmatic

Cases filed against Accel Transmatic

Consumer Cases

Case filed by Moitheen Kunju against Accel Transmatic Limited filed before Consumer Disputes Redressal Forum, Trivandrum. The arguments in this matter have been completed and the Forum is yet to pass an order.

Civil Cases

An appeal has been filed by M/s Telelinks, Kaithamukku against the order of I Class Judicial Magistrate Court dated December 13, 2004 granted in favour of the company for dishonour of cheques issued by the accused as payment of a total consideration of Rs. 474,375 against purchase of STD Call Monitors from the company. The matter has been posted for hearing on August 4, 2006

Contingent Liabilities

Rs. In Million

S. No.	Nature of liability	Amount
1.	Outstanding Bank Guarantees	8.04
2.	Income Tax liabilites	2.93
3.	Sales tax and other demands	1.65

Save as disclosed above, there are no outstanding contingent liabilities against any of our group companies including Accel Systems Private Limited, an entity whose name has been struck off from the register of companies under the Simplified Exit Scheme.

Cases involving our Promoters

There are no cases pending involving the Promoters.

There are no cases pending in respect of companies/ with which the promoters were associated in the past but are no longer associated, but whose names continue to be associated with the case.

There have been no cases in the past in which penalties were imposed by the concerned authorities on our Promoters

Cases involving our Directors

There are no cases pending involving our Directors.

Economic offences

There are no pending cases initiated for economic offences against our Company or its Directors.

Penalties Imposed

Except as stated in this section, there have been no cases in the past in which penalties were imposed by the concerned authorities on our Company or its Directors.

MATERIAL DEVELOPMENTS

Except as stated herein, there has been no material development since March 31, 2006 in relation to outstanding litigations and defaults against our Company, its Subsidiary, Promoters, Group Companies or Directors.

Regulatory and other Approvals

On the basis of the indicative list of approvals below, we are permitted to carry on our business activities and no further major approvals are required to be obtained by us from any government authorities/RBI to continue these activities. All the relevant approvals for carrying on our business are valid and subsisting as of the date of this Red Herring Prospectus. Wherever applicable, relevant renewal applications have been made and are pending approval.

Approvals for the Business

In India, the approvals obtained and/or required to be obtained relate to our facilities and offices located in Tamil Nadu, Kerala, Pondicherry, Karnataka, Andhra Pradesh, West Bengal, Delhi, Maharashtra, Rajasthan, Uttar Pradesh, Jammu and Kashmir, Himachal Pradesh, Punjab and Haryana

In relation to our overseas offices and subsidiaries, we have obtained the necessary approvals and registrations for conduct of business in Singapore and Dubai.

RBI/FIPB

The Company has obtained necessary approvals from FIPB and/or RBI from time to time in relation to (i) foreign equity investment into our Company, including issue of bonus shares; (ii) overseas investment by our Company; (iii) transfer of shares of our Company between residents and non residents.

STPI

The Company has obtained approval from the the Director of Software Technology Park of India, Chennai for operating as a 100% export oriented unit with respect its ESS division located at 54 (Ground Floor), 55 (First Floor), 56 (Second Floor) and 57 (Third Floor), Greams Road, Chennai.

Miscellaneous

We have also obtained necessary approvals and registrations from the tax authorities, labour department, etc. which include:

- Importer-Exporter Code Number under the Foreign Trade Development and Regulation Act, 1992
- Registration under the Central Sales Tax Act, 1956 and various state sales tax legislations.
- Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961
- Service Tax Registration under the relevant Service Tax Rules and Regulations
- Central Excise registration under the Central Excise Rules, 2002
- Registration under the various state shops and commercial establishments legislations, including registrations in relation to its facilities located in Kerala (Ernakulum, Pallakad, Kottayam, Calicut, Trichur), Pondicherry, Karnataka (Bangalore), Andhra Pradesh (Hyderabad), West Bengal (Calcutta), Maharashtra (Mumbai, Pune)
- Registration with the Employees' State Insurance Corporation under the Employees' State Insurance Act, 1948, including registrations for employees in its facilities in Tamil Nadu (Chennai, Madurai), Pondicherry, Andhra Pradesh (Hyderabad), West Bengal (Calcutta, Jamshedpur), Maharashtra (Mumbai), Delhi, Chandigarh, and Madhya Pradesh (Jabalpur, Bhopal, Indore, Gwalior).
- Registration under the various state taxes on professions, trades, callings and employments legislations, including registrations at its facilities located in Tamil Nadu (Chenna, Salem, Coimbatore, Madurai), Pondicherry, Karnataka (Bangalore), Andhra Pradesh (Hyderabad, Vizag), Maharashtra (Mumbai, Pune), Madhya Pradesh (Bhopal) and in West Bengal (Calcutta).
- Recognition of Employee Provident Fund and Approval of Superannuation Scheme under the Income Tax Act, 1961
- Licence under the Factories Act, 1948 for its facilities located in Chennai and Pondicherry.
- Registration as Permanent Small Scale Industry (Number 59/03/05836 dated September 14,1997) with respect to its facility located in Pondicherry. The said Certificate was valid upto September 13, 2002 and our Company has not obtained any renewal on the same.

All the aforesaid approvals are valid or pending renewal, as the case may be, as of the date of this Red Herring Prospectus and will be renewed from time to time, as and when it becomes necessary.

There are no major government approvals applied for but not yet received and no major government approvals not yet applied for.

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

From our Company

The Board of Directors has, pursuant to a resolution passed at its meeting held on January 18, 2006, authorised the Issue and pursuant to a resolution passed at its meeting held on December 12, 2005 authorized a committee of directors, referred to as the IPO Committee to take decisions on behalf of the Board in relation to the Issue. Our shareholders have authorised the Issue vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on February 18, 2006. The Board vide resolution dated August 23, 2006 has approved and authorized this Red Herring Prospectus.

From the Selling Shareholder(s)

The Selling Shareholder has obtained all requisite corporate approval for the Offer for Sale as evidenced by its Secretary's Certificate dated April 11, 2006 (and September 11, 2006). The Selling Shareholder is required to deposit the Equity Shares to be sold by them in an escrow account opened with the Registrar to the Issue for this purpose. The eligible Equity Shares received in this account shall be a part of the Offer for Sale in this Issue.

Regulatory Approvals for the Issue

Pursuant to the application dated April 10, 2006 made by our Company in relation to the 460,283 Equity Shares being offered by Intel as part of the Offer for Sale in this Issue, RBI vide its letter dated May 4, 2006 has advised that in terms of A.P.(Dir Series) Circular No. 16 dated October 4, 2004, our Company may approach the Authorized Dealer with necessary documents (including documentary proof for change of name) to put through the transaction, subject to complying with the reporting requirements of the Authorised Dealer. The Company and Intel have been advised by the Authorised Dealer that Form FC TRS be submitted at the time of remittance of the proceeds of the Equity Shares transferred, duly mentioning the name of the transferees and the value of shares, to enable the authorized dealer to permit the remittance. In view of this, we propose to file the duly filled Form FC TRS on behalf of Intel (as transferor) and the relevant transferees alongwith the basis of allotment.

Prohibition by SEBI

Our Company, our Directors, our Promoter, our subsidiaries and affiliates, and companies with which our Directors are associated with as directors or promoters, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

- Our Company is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:
- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- Our Company has a pre-Issue net worth of not less than Rs. 10 million in each of the three preceding full years;
- Our Company has a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- The proposed Issue size would not exceed five times the pre-Issue net worth of our Company as per the audited accounts for the year ended March 31, 2006;
- The name of our Company was changed from Accel ICIM Frontline Limited to Accel Frontline Limited on November 03, 2005. However, it does not represent any change in business line or activity.

The distributable profits as per Section 205 of the Companies Act and net worth for the last five years as per our restated unconsolidated financial statements are as under:

(All amounts are in Rs. million except 'monetary assets as a % of Net Tangible Assets' which is a percentage)

Particulars	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Distributable Profits(1)	**77.1**	**37.36**	**(26.77)**	**29.99**	**51.14**
Net Worth (2)	**597.08**	**539.73**	**311.74**	**338.51**	**315.86**
Net Tangible Assets (3)	**1,486.77**	**1,226.89**	**1,049.76**	**1,224.12**	**1,056.54**
Monetary Assets(4)	**78.63**	**34.54**	**32.22**	**60.92**	**64.42**
Monetary Assets as a % of Net Tangible Assets	**5.29**	**2.82**	**3.07**	**4.98**	**6.10**

(1) *Distributable profits have been defined in terms of section 205 of the Companies Act.*

(2) *Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.*

(3) *Net tangible assets means the sum of all net assets of our Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India.*

(4) *Monetary assets comprise of cash and bank balances, public deposit account with the Government.*

We undertake that the number of allottees, i.e., Persons receiving Allotment in the Issue shall be at least 1,000, otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest (on a pro rated basis) on the application money at the rate of 15% per annum for the period of delay.

Our Company, the Promoter and the Promoter Group companies are not defined as wilful defaulters by the RBI/ GoI authorities and there are no violations of securities laws committed by them in the past or pending against them. No penalty has been imposed by SEBI and other regulatory bodies against our Company, the Directors, the Promoter and the Promoter group companies.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, AND THE SELLING SHAREHOLDER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL INFORMATION RELATING TO ITS SHARES IN THE CAPACITY AS THE SELLING SHAREHOLDER, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, DUE DILIGENCE CERTIFICATE DATED MAY 2, 2006, IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS, IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

3. **WE CONFIRM THAT:**

   (i) **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

   (ii) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

   (iii) **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**

4. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**

5. **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.**

6. **WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THE SECURITIES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION, SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMTOERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS."**

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

Disclaimer from our Company, the Selling Shareholder, the BRLM and the Co-BRLM

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to our Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. The Company, the Selling Shareholder and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

Our Company, our Directors, the Selling Shareholder, the BRLM and the Co-BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our Company's website, being www.accelfrontline.in, would be doing so at his or her own risk.

The BRLM and Co-BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM, the Co-BRLM, Intel Pacific, Inc. as a Selling Shareholder and our Company and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and our Company.

All information shall be made available by the BRLM, Co-BRLM our Company and the Selling Shareholder to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports or at bidding centres.

Please also refer to section titled "Disclaimer by the Selling Shareholder" beginning on page 17 of this Red Herring Prospectus.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families ("HUFs"), companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, scheduled commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted Non Residents, including Eligible NRIs and FIIs.

This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any jurisdiction other than India or and to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus was filed with SEBI for observations SEBI has given its observations, and the Red Herring Prospectus will be filed with the Stock Exchanges and the RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

Disclaimer Clause of the NSE

As required, a copy of the Red Herring Prospectus has been submitted to NSE. NSE has vide its letter no. NSE/LIST/22533-9 dated June 1, 2006 and letter dated September 6, 2006 given permission to us to use NSE's name in this Red Herring Prospectus as one of the stock exchanges on which the securities of the Company are proposed to be listed. The NSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any of the securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of the Red Herring Prospectus has been submitted to the BSE. The BSE has, vide its letter no. DCS/SG/SM/2006 dated June 2, 2006, given permission to the Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. The BSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

The BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or
- warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the BSE.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC. We are under the jurisdiction of RoC Tamil Nadu which has its office at Shastri Bhavan, Haddows Road, Chennai 600 006.

Listing

Applications have been made to the NSE and the BSE for permission to deal in and for an official quotation of the Equity Shares. The National Stock Exchange Limited shall be the Designated Stock Exchange.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company shall forthwith cause repayment, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company, with the assistance of the BRLM, shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(i) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(ii) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

Consents

Consents in writing of: (a) the Directors, our Company Secretary and Compliance Officer, the Auditors, Legal Advisors, and (b) BRLM, Co-BRLM, Escrow Collection Bankers and Bankers to the Issue and the Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus and the Prospectus with the Registrar of Companies, Tamil Nadu located at Chennai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus or Prospectus for registration with the RoC.

K.S. Aiyar & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

K.S. Aiyar & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The estimated Issue expenses are as under:

Sl. No.	Expenses incurred	Percentage of total Issue expenses	Percentage of total Issue size
1.	BRLM and Co-BRLM	[●]	[●]
2.	Registrar to the Issue	[●]	[●]
3.	Advisors (Legal Counsel and Auditors)	[●]	[●]
4.	Bankers to the Issue	[●]	[●]
5.	Marketing Costs	[●]	[●]
6.	Others (Printing, stamp duty, listing fees, depository fees and other related expenses)	[●]	[●]
	Total	100	

The total expenses of the Issue are estimated to be approximately Rs.[●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

All expenses incurred in connection with the Issue, including without limitation listing fees, printers’ and accounting fees, fees and disbursements of counsel for our Company (but excluding underwriters’ discounts and commissions), shall be borne by our Company. The Selling Shareholder will bear its proportionate share (based on the number of shares sold by the Selling Shareholder over the total number of shares offered for subscription and sale by our Company and the Selling Shareholder in the Issue) of all discounts and commissions payable to underwriters or brokers in connection with such offering provided that the total amount payable by the Selling Shareholder shall not exceed 3.25% (not including the service tax payable on the same) of the total proceeds received by the Selling Shareholder from the shares sold in the Offer for Sale.

Fees Payable to the Book Running Lead Manager and Co-BRLM.

The total fees payable by our Company and the Selling Shareholder to the BRLM and Co - BRLM, including underwriting fees, brokerage and selling commission for the Issue, will be as per the engagement letter dated February 8, 2006 with SBI Capital Markets Limited and letter dated August 28, 2006 with Bajaj, respectively, a copy of which is available for inspection at our corporate office.

Fees Payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue will be as per the Memorandum of Understanding signed between the Registrar to the Issue and us, a copy of which is available for inspection at our corporate office

The Registrar to the Issue shall be re-imbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue by us to enable them to send refund orders or Allotment advice by registered post.

Particulars regarding Public or Rights Issues during the last five years

We have not made any public or rights issue of Equity Shares during the last five years.

Promise versus performance

As on the date of filing this Red Herring Prospectus, our Company has not made any previous rights and public issues.

Promise versus performance for listed ventures of the Promoters

Accel Transmatic Limited under the previous management had made a public issue of 1,440,000 shares of Rs. 10 each at a premium of Rs. 15 per share, aggregating Rs. 36 million in September 1994. The primary object of the issue was expansion and diversification of the product lines in telecommunication and electronic equipment areas to augment long term working capitals of the company. To the best of the company’s information, the erstwhile management met the objects of the issue.

Frontline had made a public issue vide prospectus dated February 22, 2001of 190 million shares of Sing$ 0.05 each, at a premium of Sing$ 0.17 per share, aggregating Sing $ 41.8 million. The purpose of the issue was to (i) enhance its public image and provide an alternative source of capital, (ii) to acquire or invest in complementary businesses and /or make strategic investments in new technologies, (iii) to develop component based tool kits for ongoing projects as well as to sytematise its consulting strategy methodology and process into reusable package solutions offering; (iv) for working capital and general corporate purposes; and pending deployment of the net proceeds as aforesaid, to invest in money market instruments. Frontline has completed all the formalities as required under the laws of the issue and has used the proceeds of the issue for various purposes as listed in the offer document.

Outstanding Debentures or Bond Issues or Preference Shares

As on the date of filing this Red Herring Prospectus, our Company has no outstanding debentures or bond issues or preference shares.

Previous issues of shares otherwise than for cash

Our Company has not made any previous issues of shares otherwise than for cash, except as stated in the Notes to Capital Structure under the section titled “Capital Structure” beginning on page 18 of this Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved we will seek to redress these complaints as expeditiously as possible.

We and the Selling Shareholder have appointed Mr. R. Neelakantan as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. R. Neelakantan
Accel Frontline Limited
III Floor, New No. 75 (Old No. 124),
Nelson Manickam Road,
Aminjikarai, Chennai 600 029.
Tamil Nadu.
Tel: +91 44 4225 2000
Fax: +91 44 2374 1271
E-mail: neel@accelfrontline.in

Similar mechanisms have been evolved for the listed companies under the same management within the meaning of Section 370(1)(B). For more details please refer to the section titled "Financial and other information for our Group Companies" beginning on page 103 of this Red Herring Prospectus.

Commission and Brokerage paid on Previous Issues of our Equity Shares

Since this is the initial public offer of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Companies under the same management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, other than our Subsidiaries, Promoter and Promoter Group companies, details of which are provided in the sections titled "History and Corporate Matters" beginning on page 73, "Promoters" beginning on page 98 and "Promoter Group" beginning on page 103 of this Red Herring Prospectus.

Changes in Auditors

The auditors of our Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

There has been following changes in the auditors in the last three years as per following details:

Sl. No.	Name of Auditors	Date of appointment	Date of change	Particulars of change
1	M/s. K.S. Aiyar & Company	February 11, 2006	-	Continuing
2	M/s. S.R. Batliboi & Associates	September 28, 1998	February 11, 2006	Resigned

The previous auditors M/s. S.R.Batliboi & Associates resigned with effect from February 11, 2006. This was done to keep in line with our Company policy to change its auditors who have been engaged for more than 5 years.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits, except by way of an issue of bonus shares. For details, please refer to the Notes to Capital Structure under section titled "Capital Structure" beginning on page 18 of this Red Herring Prospectus.

Revaluation of Assets in the last five years

We have not revalued our assets in the last five years.

Purchase of Property

No property which our Company has purchased or acquired or propose to purchase or acquire, is a property which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material.

Except as stated in the section titled "Business- Facilities and Infrastructure" beginning on page 70 of this Red Herring Prospectus, our Company has not purchased any property in which any of its promoters and/or Directors, have any direct or indirect interest in any payment made thereof.

SECTION VIII: ISSUE RELATED INFORMATION

Terms of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, the RBI, the RoC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Chennai, India.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction

Rights of the Equity Shareholders

Subject to applicable laws, regulations, rules and guidelines and the Memorandum and Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and

Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and the Memorandum and Articles of Association.

For a detailed description of the main provisions of the Articles of Association of our Company dealing with voting rights, dividend, forfeiture, surrender and lien, transfer and transmission and/ or consolidation/ splitting, please refer to "Main Provisions of our Articles of Association" beginning on page 242 of this Red Herring Prospectus.

Market Lot and Trading Lot

Under existing SEBI DIP Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form in multiples of one Equity Share subject to a minimum allotment of 70 Equity Shares.

Arrangements for disposal of odd lots

There are no arrangments for disposal of odd lots.

Restrictions on transfer of shares

There are no restrictions on transfer and transmission of shares/debentures and on their consolidation/splitting, except as provided in our Articles, under section "Main Provisions of our Articles of Association" beginning on page 242 of this Red Herring Prospectus.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death the of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

(i) to register himself or herself as the holder of the Equity Shares; or

(ii) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicants would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the extent of the amount including devolvement of the underwriters, if any, within 60 days from the Bid/ Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest as per Section 73 of the Companies Act.

The requirement of minimum subscription is not applicable to the Offer for Sale.

Further, in accordance with clause 2.2.2 A of the SEBI DIP Guidelines, our Company shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be available for allocation to Qualified Institutional Buyers on a proportionate basis, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allottment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through Syndicate Members. In case of QIB Bidders, the Company in consultation with the BRLM and Co-BRLM may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company and the Selling Shareholder to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, NRIs applying on a non repatriation basis	White
Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue

Who can Bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable.;
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;

- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FII registered with SEBI.
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As permitted by the applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Multilateral and Bilateral Development Financial Institutions;

Note: The BRLM and Co-BRLM shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM and Co-BRLM may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

The information below is given for the benefit of the Bidders. The Company, the Selling Shareholder, the BRLM and the Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 140,899 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

1. Bid cum-Application Forms have been made available for NRIs at our registered /corporate office, Members of the Syndicate and the Registrar to the Issue.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 2,250,900 Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route. As of now, the aggregate FII holding in us cannot exceed 24% of our total issued capital. With the approval of the Board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only upto 33.33% of the investible funds by way of subscription to an initial public offer.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 70 Equity Shares and in multiples of 70 Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 70 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/ Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 1,00,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at ‘Cut-off’.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) The Company and the Selling Shareholder will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The Companythe BRLM and the Co-BRLM shall declare the Bid/ Issue Opening Date, Bid/ Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Tamil). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

(c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate and should approach the BRLM or the Co-BRLM or their authorized agent(s) to register their Bids.

(e) The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

(g) The Bidding/ Issue Period shall be for a minimum of three working days and not exceeding seven working days.

(h) The Price Band has been fixed at Rs. 75 to Rs. 90 per Equity Share of Rs. 10 each, Rs. 75 being the lower end of the Price Band and Rs. 90 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Rs. 1 (One).

(i) The Company in consultation with the BRLM and Co-BRLM, reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(j) In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Tamil newspaper, and also by indicating the change on the websites of the BRLM and Co-BRLM and at their terminals.

(k) The Company in consultation with the BRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(l) This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its Equity Shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Method and Process of Bidding

(a) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels and Revision of Bids" on page 223 of this Red Herring Prospectus within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(b) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Bids at Different Price Levels and Revision of Bids" on page 223 of this Red Herring Prospectus.

(c) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(d) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 228 of this Red Herring Prospectus.

Bids at Different Price Levels and Revision of Bids

(a) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB, Non-Institutional Bidders and such Bids shall be rejected.

(b) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Amount based on the higher end of the Price Band in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(c) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 1,00,000, if such Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Price plus additional payment) exceeds Rs. 1,00,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, such Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.

(d) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(e) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 70 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

(f) During the Bidding/ Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(g) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(h) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(i) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(j) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(k) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White colour for Resident Indians, Blue colour for NRIs and FIIs and applying on repatriation basis).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 70 Equity Shares and in multiples of 70 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100,000 and in multiples of 70 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 70 Equity Shares thereafter that the Bid Amount exceeds Rs. 100,000.

(f) Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(h) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLM and Co-BRLM on a regular basis.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid Amount.
- Bid cum Application Form number.
- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/Allotment either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed in the section titled "Grounds for Rejections" on page 231 of this Red Herring Prospectus.

(h) The permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLM and Co-BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, our Promoter, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

(j) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM and Co-BRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the applicable Bid cum Application Form;

(c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialised form only;

(d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(e) Ensure that you have been given a TRS for all your Bid options;

(f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(g) Where Bid(s) is/ are for Rs. 50,000/- or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

(h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;

(i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/ revise Bid Amount to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, Co-BRLM or the Registrar or the Escrow Collection Banks nor the Company nor the Selling Shareholder shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS

SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Selling Shareholder, the Registrar, Escrow Collection Bank(s) nor the BRLM and Co-BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parametres, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company or the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

An approval of the RBI is required for the transfer of Equity Shares to FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs pursuant to the Offer for Sale. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

The Company in its absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that the Company, the BRLM and the Co-BRLM may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

The Company, the Selling Shareholder and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Selling Shareholder, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph titled “Payment into Escrow Account” on page 228 of the Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under the section titled “Issue Structure” on page 37 of the Red Herring Prospectus. The maximum Bid Amount has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.
2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated/Allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two)

days from the date of communication of the allocation list by the BRLM and Co-BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of Resident QIB Bidders: "Escrow Account – Accel Public Issue – QIB Resident"
   - In case of non-resident QIB Bidders: "Escrow Account – Accel Public Issue – QIB NR"
   - In case of Resident Bidders: "Escrow Account – Accel Public Issue – Resident"
   - In case of Non Resident Bidders: "Escrow Account – Accel Public Issue – NR"
4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.
7. On the Designated Date and no later than 15 days from the Bid/ Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.
8. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/ are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/ her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/ quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

GROUNDS FOR REJECTIONS

In case of QIB Bidders, the Company in consultation with the BRLM and Co-BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, the Company has a right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders
- Bids for number of Equity Shares which are not in multiples of 70 Equity Shares;
- Category not ticked;
- Multiple Bids as defined in this Draft Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLM or Co-BRLM;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids by OCBs;

- Bids by US persons; and
- Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels.

(b) The Company in consultation with the BRLM, shall finalise the "Issue Price".

(c) The allocation to QIBs will be upto 50% of the Issue and allocation to Non-Institutional and Retail Individual Bidders will be up to 15% and 35% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of the Company in consultation with the BRLM and Co-BRLM. However, if the aggregate demand by Mutual Funds is less than 140,899 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be Allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, undersubscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLM and Co-BRLM and the Designated Stock Exchange.

(e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject applicable law and the terms and conditions stipulated by the RBI.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the Selling Shareholder, the BRLM and the Co-BRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company and the Selling Shareholder would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

(c) The Company and the Selling Shareholder will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

(d) The Company and the Selling Shareholder will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM, the Co-BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/ Allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM and Co-BRLM would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/Allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

(d) The Issuance of CAN is 'Subject to "Allotment Reconciliation and Revised CANs" as set forth herein.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to October 13, 2006, indicating the number of Equity Shares that may be Allotted to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. It is not necessary that a revised CAN will be sent. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. The Selling Shareholder will make the Equity Shares being offered for sale available for transfer in a timely manner. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of Allotment.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued, and Allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/Allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,972,582 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 1,972,582 Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of 70 Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 845,393 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 845,393 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 70 Equity Shares. For the method of proportionate Basis of Allotment refer below.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

(i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

(i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall be upto 2,817,975 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

A. Issue Details

Sr. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (50%)	100 million equity shares
	Of which:	
	a. Allocation to MF (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details Of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	9.5	0
A2	20	0	3.8	0
A3	130	0	24.7	0
A4	50	0	9.5	0
A5	50	0	9.5	0
MF1	40	1	7.6	8.6
MF2	40	1	7.6	8.6
MF3	80	2	15.2	17.2
MF4	20	0.5	3.8	4.3
MF5	20	0.5	3.8	4.3
	500	**5**	**95**	**43**

Please note:

1. The illustration presumes compliance with the requirements specified in the section titled "Issue Structure" beginning on page 37 of this Red Herring Prospectus.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.

3. The balance 95 million Equity Shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
   - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 95 / 495
   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95 / 495
   - The numerator and denominator for arriving at allocation of 95 million shares to the 10 QIBs are reduced by 5 million shares, which have already been Allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM, and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than 70 Equity Shares per Bidder, the Allotment shall be made as follows:
   - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
   - Each successful Bidder shall be Allotted a minimum of 70 Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than 70 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

PAYMENT OF REFUND

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholder, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM or Co-BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes as given hereunder:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allocation. Applicants residing at 15 centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Bid/ Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

The Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- The Company shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- That the complaints received in respect of this Issue shall be attended to by us expeditiously;
- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time; and
- That no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Selling Shareholder undertake that:

- The Equity Shares being sold pursuant to the offer to the public, have been held by us for a period of more than one year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;
- The Selling Shareholder has authorised the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors; and

The Company and the Selling Shareholder shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue proceeds

Our Board certifies that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;

Withdrawal of the Issue

The Company in consultation with the BRLM and Co-BRLM reserves the right not to proceed with the Issue at anytime including after the Bid/ Issue Opening Date, without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated April 28 , 2006 with NSDL, the Company and the Registrar to the Issue;

b) Agreement dated June 9, 2006 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

Restrictions On Foreign Ownership Of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the information technology sector is permitted under the automatic route.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

The cost of transfer of the Equity Shares being offered in the Offer for Sale to the investors in the Issue will be borne by the Selling Shareholder, provided that the total amount payable by the Selling Shareholder shall not exceed 3.25% (not including the service tax payable on the same) of the total proceeds received by the Selling Shareholder from the shares sold in the Offer for Sale.

Subscription by foreign investors (NRIs/FIIs)

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholder, the BRLM and the Co-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION IX: MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company

The regulations contained in Table 'A' of Schedule I to the Companies Act (Act I of 1956) shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of our Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of our Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, 1956, be such as are contained in these Articles.

Pursuant to Schedule II of the Companies Act and the SEBI DIP Guidelines, the main provisions of the Articles of Association of our Company are detailed below:

Article No.	Heading	Details
		CALLS ON SHARES
25	Calls	The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (not by circular resolution); make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and the member(s) and place(s) appointed by the Board. A call may be made payable by installments.
26	When call deemed to have been made.	A call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed and due notice thereof has been posted or delivered to the Shareholders.
27	Liability of joint holders in a call	The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
28	Board to extend time to pay call:	The Board may from time to time at its discretion extend the time fixed for the payment of any call and may extend such time to all or any of the members. No member shall be entitled to such extension save as a matter of grace and favour.
29	Restriction on power to make calls	No call shall exceed one fourth of the nominal amount of share or be made payable within one month after the last preceding call was payable.
30	Notice of call	Not less than 14 days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.
31	When interest on call or installment payable	(i) If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof the holder for the time being of the share in respect of which the call shall have been made or the installment shall be due, shall pay interest as fixed by the Board, from the day appointed for the payment thereof to the time of the actual payment as the Directors may determine.

Article No.	Heading	Details
		(ii) The Directors shall be at liberty to waive payment of any such interest wholly or in part.
32	Amount payable at fixed time or by installments payable as call.	Any sum, which by the terms of issue of a share become payable on allotment or on a fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of the Articles be deemed to be call a duly made and payable on the date on which the same becomes payable and in case of nonpayment all the relevant provisions of these Articles as to payment of interest and expenses forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
33	Partial payment not to preclude forfeiture	Neither a judgment nor a decree in favour of the Company, for call or other moneys due in respect of any share nor any part payment or satisfaction there under, nor the receipt by the company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares either by way of principal or interest, not any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce forfeiture of such shares as hereinafter provided.
34	Evidence in action by Company against shareholders	On the trial or hearing of any action or suit for the recovery at any money due for any call it shall be sufficient to prove that the name of the persons sued is or was when the claim arose, on the Register of Members of the Company as a holder or one of the holders of the number of shares in respect of which such claim is made, that the amount claimed is not entered as paid in the books of accounts of the Company that the resolution making the call is duly recorded in the minute book of the Company and that the notice of such call was duly given to the person sued, in pursuance of these presents, and it shall not be necessary to prove the appointment of the Directors who made such call or any other matters whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debts.
35	Payment of calls in advance	The Board may, if they think fit, subject to the provisions of Section 92 of the Act, receive from any Member willing to advance the same, all or any part of the monies due upon the shares held by him beyond the sums actually called for and upon the amount so paid or satisfied in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the Shares in respect of which such advance has been made, the Company may pay interest at such rate as the Member paying such sum in advance and the Board agree upon, provided, that the money made in advance of calls shall not confer a right to participate in profits or dividends. The Board may at any time repay the amounts so advanced.

Article No.	Heading	Details
		The Members shall not be entitled to any voting rights in respect of the monies so paid by them until the same would, but for such payment become presently payable. The provisions of these Articles shall apply mutatis mutandis to the calls on debentures of the Company. FORFEITURE AND LIEN
36	If call or installment not paid notice may be given	If any Member fails to pay any call or installment on or before the day appointed for the payment of the same the Board may at any time thereafter during such time as the call or installment remain unpaid serve a notice on such Member requiring him to pay the same forthwith within a further stipulated period together with any interest that may have accrued thereon from the date on which the same fell due and all expense that may have been incurred by the Company by reason of such non payment.
37	Form of notice	The notice shall name a day (not being less than 14 days from the date of notice) and a place or places on and at which such call or installment, and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of nonpayment on or before the time and at the place appointed, the shares in respect of which such call was made or installment is payable will be liable to be forfeited.
38	If notice not complied with, shares may be forfeited.	If the requisitions of any such notice as aforesaid are not complied with any shares in respect of which such notice has been given may at any time thereafter, before payment of all calls or installment, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
39	Notice after forfeiture	When any shares shall have been so forfeited notice of the resolution shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
40	Forfeited shares become property of Company	Any share so forfeited shall be deemed to be the property of the Company and the Board may sell, re-allot or otherwise dispose of the same in such a manner as they think fit.
41	Power to annul forfeiture	The Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.
42	Arrears to be paid not withstanding forfeiture	Any Member whose shares shall have been forfeited shall, notwithstanding anything contained above, be liable to pay and shall forthwith pay to the Company all calls, installments, interest

Article No.	Heading	Details
		and expenses, owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment, and the Board may enforce the payment thereof without any deduction or allowance for the value of the shares at the time of forfeiture which they shall not be under any obligation to do so.
43	Effect of forfeiture	The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incident to the share except such of those rights as by these Articles are expressly saved.
44	Evidence of forfeiture	A declaration in writing that the declarant is a Director or Secretary of the Company and that certain shares in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.
45	Effecting sale of shares	Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinafter given, the Board may appoint some person to execute an instrument of transfer of the shares sold, cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damage only and against the Company exclusively.
46	Company's lien on shares/debentures	The Company shall have a first and paramount lien upon all the shares/debentures (other than fully-paid shares/debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Board may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this Article.
47	Notice to be given	For the purpose of enforcing such lien the Board may sell the shares subject thereto in such a manner as it thinks fit but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such Member, his executors or, administrators or his committee, curator bonis, or other legal curator, and default shall have been made by him or them in the payment fulfillment, or discharge of such debts, liabilities or engagements until the expiry of seven days after such notice.

Article No.	Heading	Details
48	Application of proceeds of sale	The net proceeds on any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of the debts and liabilities of such Members or engagements and the residue (if any) shall be paid to such Member, his heirs, executors, administrators, committee or curator.
49	Certificates of forfeited shares to be void	Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate of certificates in respect of the said shares to the person or persons entitled thereto.
		TRANSFER AND TRANSMISSION OF SHARES
50	Endorsement of Transfer	In respect of any transfer of shares registered in accordance with the provision of these Articles, the Board may, at their discretion direct an endorsement of the transfer and the name of the transferee and other particulars, on the existing share certificate and authorize any Director or officer of the company to authenticate such endorsement on behalf of the company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate in the name of the transferee.
51	No fee on transfer or transmission	No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certification of death or marriage, power of attorney or similar other document.
52	Transmission of shares	The legal representative of a deceased Member shall be entitled to be recognized by the Company as having title to the shares of the deceased Member on production of probate or letters of administration or a succession certificate from a competent court of law, provided that the Board may dispense with the production of such probate letters of administration or succession certificates on the legal representative furnishing such indemnity as the Board may require.
53	Rights on Transmission	A person entitled to a share by transmission shall retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the share.
54	Instrument of transfer	The instrument of transfer shall be in writing and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.
55	Registration of transfer	Every instrument of transfer duly stamped and executed shall be left at the Office of the Company for registration, accompanied by the certificates of the shares to be transferred and such other

Article No.	Heading	Details
		evidence as the Company may require to prove the title of the transferor or his right to transfer the shares. The Company shall retain all instruments of transfer, which shall be registered, but any instrument of transfer, which the Board may decline to register, shall, on demand be returned to the person depositing the name.
56	Board may refuse to register transfer	Subject to the provisions of Section 111 of the Act the Board may, at its own absolute discretion and by giving reasons thereof, decline to register or acknowledge any transfer of shares whether fully paid or not provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.
57	Title to the shares of a deceased Member	The executors or administrators of a deceased Member (not being one of several joint-holders) shall be the only persons recognized by the Company, as having any title to the shares registered in the name of such deceased Member and in the case of death of any one or more of the joint-holder of any registered share the survivors shall be the only persons recognized by the Company as having any title to or interest in such shares. Provided however, that if the deceased Member was a Member of a joint Hindu family and the Board on being satisfied that the shares standing in such name in fact belonged to the joint family may recognize the survivor or the Karta thereof as having title to the shares registered in the name of such Members. In any case it shall be lawful for the Board in their absolute discretion to dispense with production of probate or letter of administration or other legal representation upon such terms as to indemnity or otherwise as the Board may deem expedient and justified. In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognized by the Company, subject to the provisions of the clause on right to nomination, as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him with any other person.
58	Registration of transmission	Any person, becoming entitled to shares in consequence of the death or bankruptcy of any Member upon producing such evidence that he sustains the character in respect of which he proposed to act under this Article or his title as the Board may think sufficient, may with the consent of the Board (which they shall not be under any obligation to give) be registered as a Member in respect of such shares subject to Article 47 (Transmission of Shares).

Article No.	Heading	Details
59	Board right to refuse registration of transmission	The Board shall have the same right to refuse a person entitled by transmission to any share or his nominee, as if he was the transferor named in an ordinary transfer for registration.
60	No transfer to minor etc	No share shall in any circumstances be transferred to any infant, minor, insolvent or person of unsound mind, except fully paid shares through a legal guardian.
61	Application for transfer	a) An application for registration of a transfer of the shares in the Company may be made either by the transferor or the transferee. b) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice. c) For the purpose of clause (b) above, notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered in the ordinary course of post.
62	Execution of transfer	The instrument of transfer of any share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be attested, if required. The transferor shall be deemed to remain the holder of such shares until the name of the transferee shall have been entered in the Register of Members in respect thereof. The instrument of transfer shall be in respect of a specific class of shares and should be in the form prescribed under the Act.
63	Register of Members when closed.	The Board shall have the power on giving not less than seven days previous notice by advertisement in some newspaper circulating where the Registered Office of the Company is situated to close the Register of Members and/or Register of Debenture Holder at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.
64	Company not liable for discharge of a notice prohibiting registration of a transfer	The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof as shown or appearing in the Register of Members to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice , or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability

Article No.	Heading	Details
		whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless, be at liberty to regard and attend to any such notice, and give effect thereto if the Board shall so think fit.
65	Compliance with rules, regulations and requirements of stock exchanges, etc.	The Company shall comply with the rules, regulations and requirements of the Stock Exchange or the rules made under the Act, or the rules made under the Securities Contracts (Regulation) Act, 1956 or any other law or rules applicable, relating to the transfer or transmission of shares or debentures.
		INCREASE, REDUCTION AND ALTERATION OF SHARE CAPITAL
66	Increase of capital	The Company may, by a resolution passed in a General Meeting, from time to time increase the share capital by the creation of new shares of such amount as may be deemed expedient and specified in the resolution, subject to compliance with the provision of the Act and of any other laws that may be in force.
67	On what conditions new shares may be issued (whether preferential or not)	New shares shall be issued upon such terms and conditions and with such rights and privileges attached thereto as are consistent with provisions of the Act and which the General Meeting, resolving upon the creation thereof shall direct and if no direction be given, as the Board shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting.
68	Provision relating to issue	Before the issue of any new shares, the Company in General Meeting may make provisions as to the allotment and issue of the new shares, and in particular may determine that the same shall be offered in the first instance either at par or at a premium and, in default of any such provisions, or so far as the same shall not extend, the Company shall comply with the provisions of Section 81 of the Act.
69	How far new shares to rank with shares in original capital	Except so far as otherwise provided by the condition of issue or by these presents, any capital raised by the creation of new subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien and otherwise.
70	Power to issue preference shares	Subject to the provisions of Section 80 of the Act, the Company shall have the powers to issue preference shares which are or at the option of the Company are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.
71	Rights Issue of shares and renunciation or Further issue of Capital	Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares made for the first time or after incorporation, whichever is earlier, it is proposed to increase

Article No.	Heading	Details
		the subscribed capital of the Company by allotment of further shares whether out of unissued share capital or out of increased share capital, then such further shares, shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company in proportion as nearly as circumstances admit, to the capital paid up on those share at that date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less that 15 days from the date of offer within which the offer, if not accepted will be deemed to have declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declined to accept the shares offered, the Board may dispose them off in a manner permitted by law.
72	Issue of shares to others	Notwithstanding anything contained in the preceding Articles , the Company may: By a Special Resolution; or By an Ordinary Resolution and with the consent of the Central Government issue further shares to any person or persons, and such person, or person may not include the persons who at the date of the offer are the holders of the equity shares of the Company, in addition that "option or right to call of shares shall not be given to any person except with the sanction of the Company in General Meeting"
73	Rights to convert loans into capital	Notwithstanding anything contained in the Articles above, but subject, to section 81(3) of the Act , the Company may increase its subscribed capital on exercise of an option attached to the debentures or loans raised by the Company to convert such debentures or loans into shares or to subscribe for shares in the Company.
74	Inequality in number of new shares	If, owing to any inequality in the number of new shares to be issued and the number of shares held by Members entitled to have the offer of such new shares, any difficulty shall arise in the apportionment of such new shares or any of them amongst the Members, such difficulty shall, in the absence of any direction in the resolution creating the shares or by the Company in General Meeting, be determined by the Board, keeping in view the provisions of Section 81 of the Act.
75	Consolidation, subdivision and cancellation of shares	(1) The Company may by Ordinary Resolution: Consolidate and divide its shares or any of them into shares of larger amount than its existing shares Subdivide its existing shares or any of them into shares of smaller amount than is fixed originally by the Memorandum of Association, so however that in the subdivision the proportion between the amount paid and the amount, if

Article No.	Heading	Details
		any unpaid on each reduced share be the same as it was in the case of the share from which the reduced share is derived and other conditions, if any laid down by these Articles. Cancel any shares which at the date of the passing of the ordinary resolution, have not been taken or agreed to be taken by any person and also may diminish the amount of its share capital by the amount of the shares so cancelled. (2) The Company shall file with the Registrar notice of exercise of any power referred to in sub clauses (a), (b) or (c) of Clause (1) of this Article within 30 days from the exercise thereof.
76	Sub-division into preferred and ordinary share capital	The resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital, voting or otherwise over or as compared with others, subject, nevertheless, to the provisions of Section 94 of the Act. The Board may, from time to time subject to the consent of the Members in General Meeting, reclassify or convert the preference share capital into equity share capital or vice versa, as may be permitted by law.
77	Reduction of capital	The Company may, from time to time, by special resolution reduce its share capital or any share premium account in any manner and with, and subject to any incident authorized and consent required by law.
78	Surrender of shares	Subject to the provisions of the Act the Board may accept from any Member the surrender of all or any of his shares.
79	Issue at discount etc. or with special privileges	Subject to the provisions of Section 79 of the Act any debenture, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with the right of conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting. MODIFICATION OF RIGHTS OF SHARE HOLDERS
80	Power to modify rights to shareholders	If at any time the capital by reason of the issue of preference shares of otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may be raised subject to the provisions of Sections 106 and 107 of the Act and all the provisions hereinafter contained as to General Meetings, shall apply mutatis mutandis, as regards meeting, if any, to be held for the purpose.

Article No.	Heading	Details
		DIRECTORS
116	Board's maximum strength	Unless otherwise determined by General Meeting, the number of Directors shall not be less than three and not more than twelve.
117	First Directors	The First Directors of the Company are: N.R. PANICKER P. UNNIKRISHNAN S. TRIVIKRAMA PRABHU
118	Power of Board to appoint Additional Directors	The Board shall have power at any time and from time to time to appoint any person as a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. Any Director so appointed shall hold office only until the next Annual General Meeting of the Company and shall then be eligible for re-election.
119	Qualification Shares not required	A director shall not be required to hold any qualification shares.
120	Director's fees remuneration and expenses	Unless otherwise determined by the Company in General Meeting each Director shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or of a committee of the Board, such sum as may be fixed by the Board not exceeding the amount specified in this regard under the provisions of the Act, for each meeting of the Board or committee of the Board attended by him. All other remuneration, if any payable by the Company to each Director whether in respect of his services as a Managing Director or a Director in whole or part time employment of the Company shall be determined in accordance with and subject to the provisions of the Act. The Directors shall be entitled to be paid their reasonable traveling and hotel and actual expenses incurred in consequence of their attending at Board and committee meeting and actually incurred in the execution of their duties as Directors. The company may pay to non Executive Directors (including independent Directors), remuneration by way of commission, such percentage of the net profits of the company for each year computed in accordance with the provisions of the Companies Act, 1956 as amended from time to time and subject to approvals as may be required from the Central Government.
121	Remuneration for extra service	If any Director, being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his home for any of the purposes of the Company or in giving special attention to the business of the Company or as Member of a Committee of the Board then, subject to the provisions of the Act, the Board may remunerate such Director either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.

Article No.	Heading	Details
122	Board may act notwithstanding vacancy	The continuing Directors may act notwithstanding any vacancy in their body, if the number falls below the minimum above fixed, the Board shall not, except for the purpose of filling vacancies act so long as the number is below the minimum.
123	Office of the Director	The Office of a Director shall be deemed to have been vacated under the circumstances enumerated under Section 283 of the Act
124	Directors not to hold office of profit under the Company or its subsidiary	Except in accordance with provisions of Section 314 of the Act, no Director, partner or relative of a Director, firm in which a Director or his relative is a partner, private company of which a Director is a director or member and no director, secretaries manager of such a private company shall, without the previous consent of the Company accorded by a special resolution hold any office or place of profit under the Company or under any subsidiary of the Company (unless the remuneration received from such subsidiary in respect of such office or place is paid over to the Company or its holding company insofar as such remuneration is over and above remuneration to which he is entitled as a Director of such subsidiary) except that of a managing director, secretaries, manger, legal or technical adviser, banker or trustee for the holders of debentures.
125	Director may contract with the Company	(1) Subject to the provisions of the Act, Directors including the Managing Director, if any shall not be disqualified by reason of their office contracting with the Company either as vendor purchaser, lender, agent, broker, or otherwise and shall not apply to any contract or arrangement entered into by or on behalf of the Company with any Director the Managing Director or with any company or partnership of or in which any Director or Managing Director shall be a member or otherwise interested by avoided nor shall any Director or the Managing Director, so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director or the Managing Director holding that office or of the fiduciary relation thereby established, but the nature of the interest must be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined on, if the interest then exists or in any other case at the meeting of the Board after the acquisition of the interest.
126	Disclosure of a Director's interest	Every Director who is in any way whether directly or indirectly, concerned or interested in any contract or arrangement, entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act.

Article No.	Heading	Details
127	Which Directors to retire	The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day those to retire shall in default of being subject to any agreement among themselves, be determined by lot.
128	Retiring Director to remain in office till successors appointed	Subject to the provisions of the Act, if at any meeting at which an election of Directors ought to take place, the place of the vacating Director(s) is not filled up and the meeting has not expressly resolved not to fill up the vacancy, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of the returning Director(s) is not filled up and the meeting has also not expressly resolved not to fill up the vacancy, then the retiring Director(s) or such of them as have not had their places filled up shall be deemed to have been reappointed at the adjourned Meeting
129	Increase or reduction in the number of Directors	Subject to the provisions of Sections 252, 255 and 259 of the Act, the Company in General Meeting may by ordinary resolution increase or reduce the number of its Directors within the limits fixed by these Articles.
130	General Meeting to fill up vacancies	The Company at the Annual General Meeting at which a Director retires by rotation in manner aforesaid may fill up the vacated office by appointing the retiring Director or some other person thereto. If the place of the retiring Director is not so filled up and the General Meeting has not expressly resolved not to fill the vacancy, the General Meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place. If at the adjourned General Meeting also, the place of the retiring Director is not filled up, the retiring Director shall be deemed to have been re-appointed at the adjourned General Meeting unless: At the General Meeting or at the previous General Meeting a resolution for the re-appointment of such Director has been put to the vote and lost; The retiring Director has by notice in writing addressed to the Company or the Board expressed his unwillingness to be appointed; He is not qualified or is disqualified for appointment; A resolution, whether special or ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act, or The provisions of sub-section (2) of Section 263 is applicable to the case.

Article No.	Heading	Details
131	Power to remove Director by ordinary resolution on special notice	The Company may, subject to the provisions of Section 284 of the Act, by ordinary resolution, of which special notice has been given, remove any Director before the expiration of his period of office and may, by ordinary resolution of which Special Notice has been given appoint another person in his stead, if the Director so removed was appointed by the Company in General Meeting or by the Board. The person so appointed shall hold office until the date up to which his predecessor would have held office if he had not been so removed. If the vacancy created by the removal of a Director under the provision of this Article is not so filled by the General Meeting at which he is removed, the Board may at any time thereafter, fill such vacancy.
132	Board may fill up casual vacancies	Any casual vacancy occurring in the Board of Directors may be filled up by the Directors, and the person so appointed shall hold office upto the date upto which Director in whose place he is appointed would have held office if it had not been vacated as aforesaid.
133	When Candidate for office of Director must give notice	No person not being a retiring Director shall be eligible for appointment to the office of the Director at any General Meeting unless he or some Member intending to propose him has, not less than 14 days before the General Meeting, left at the Registered Office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such Member to propose him as a candidate for that office, as the case may be. The Company shall inform its Members of the candidature of a person for the office of Director or the intention of a Member to propose such person as a candidate for that office, by serving individual notices on the Members not less than seven days before the General Meeting provided that it shall not be necessary for the Company to serve individual notice upon the Members as aforesaid if the Company advertise such candidature or intention not less than seven days before the General Meeting in at least two newspapers circulating in the place where the Registered Office of the Company is located, of which one is published in the English language and the other in the regional language of that place.
134	Director elected by minority shareholders	The Company may have a director elected by minority shareholders in such manner as may be prescribed in this behalf by the government or any other statutory authority from time to time.
135	Alternate Directors	The Board may appoint an alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director from the State in which the meetings of the Board are ordinarily held for a period of not less than three months. An alternate Director so appointed shall vacate office if and when the original Director returns to the State in which meetings of the Board are ordinarily held if the term of office of

Article No.	Heading	Details
		original Directors is determined before he so returns to the state aforesaid, any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the alternate Director.
136	Meeting of Directors	The Board of Directors shall meet at least once in every four calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held in every year.
137	Quorum	The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher.
138	Resolution by circulation	Subject to the provisions of Section 289 of the Act, a resolution by circulation signed by the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.
139	How question to be decided	Save as otherwise expressly provided in the Act, a meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the regulations of the Company for the time being vested in or exercisable by the Directors generally and all questions arising at any meeting of the Board shall be decided by a majority of the Board. Any questions arising at a meeting shall be decided by a majority of votes and, in case of any equality of votes, the Chairman shall have a second or casting vote.
140	Right of continuing Directors when there is no quorum	The continuing Directors may act notwithstanding any vacancy in the Board but if and so long as their number is reduced below three, the continuing Directors or Director may Act for the purpose of increasing the number of Directors to three or of summoning a General Meeting of the Company but for no other purpose.
141	Debenture Directors	Any Trust Deed for securing debentures or debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustees thereof or by the holders of debentures or debenture stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time remove any Directors so appointed. A Director appointed under this article is herein referred to as a “Debenture Directors” and the Debenture Director means a Director for the time being in office under this Article. A debenture Director shall not be bound to hold any qualification shares not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained.

Article No.	Heading	Details
142	Nominee Directors	So long as any moneys remain owing by the Company to any All India Financial Institutions, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any Non Banking Financial Company controlled by Reserve Bank of India or any such Company from whom the Company has borrowed for the purpose of carrying on its objects by themselves and each of the above has granted any loans / or subscribes to the Debentures of the Company or so long as any of the aforementioned companies of financial institutions holds or continues to hold debentures /shares in the company as a result of underwriting or by director subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished by the Corporation or financial institution on behalf of the Company remains outstanding the corporation shall have a right to appoint form time to time any person or persons as a Director or Directors whole time or non whole time (which Director or Director/s is/are hereinafter referred to as “Nominee Directors/s) on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his /their place(s). The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the company. The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/shares in the company as result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall it so fact vacate such office immediately the moneys owing by the Company to the Corporation are paid off or in the corporation ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the company arising out of the guarantee furnished by the Corporation. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which Nominee Director/s is//are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes. The Company shall pay the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees commission, monies or remuneration in any form is payable to the Directors of the

Article No.	Heading	Details
		Company the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s Provided that if any such Nominee Director/s an officer of the Corporation, the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and same shall accordingly be paid by the Company directly to the Corporation. Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as the usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director in the management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration commission, and monies as may be approved by the Corporation.
143	Election of Chairman of Board	The Board may elect a Chairman of its meeting and determine the period for which he is to hold office. If no such Chairman is elected or at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting the Directors present may choose one among themselves to be the Chairman of the Meeting.
144	Question how determined	A committee may meet and adjourn as it thinks proper. Questions arising at any meeting of a committee shall be determined by majority of votes as the members present as the case may be and in case of an equality of vote the Chairman of the Committee shall have a second or casting vote, in addition to his as a member of the committee.
145	Power to appoint Committees and to delegate	The Board may, subject to the provisions of the Act, from time to time and at any time delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit, and may from time to revoke such delegation, Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.
146	Proceedings of Committee	The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and to are not superseded by any regulations made by the Board under the last preceding Article.

Article No.	Heading	Details
147	Validity of Acts done by Board or a Committee	All Acts done by any meeting of the Board or a committee thereof, or by any person Acting as a Director shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person Acting as aforesaid or that they or any of them were disqualified be as valid as if even such Director or such person has been duly appointed and was qualified to be a Director.
148	When acts of a Director valid not withstanding defective appointment etc.	Acts done by a person as a Director shall be valid not withstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provisions contained in the act or in these Articles. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
149	Retirement of Directors	Not less than two-thirds of the total number of Directors shall (a) be persons whose period of office is liable to terminate by retirement of Directors by rotation and (b) save as otherwise expressly provided in these Articles be appointed by the Company in General Meeting. Subject to the provision of Section 256 of the Act at every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three the number nearest to one-third shall retire from office. Till such time that Mr. N.R.Panicker and Accel Limited jointly holds 10% in the Company, Mr. N.R.Panicker shall not be liable to retirement by rotation of Directors.
150	Eligibility for re-election	A retiring Director shall be eligible for re-election.
		POWERS OF THE BOARD
151	General power of Company vested in the Board	Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorized to exercise and do. The Board shall be entitled to pay all expenses incidental to the formation of the Company and in particular, expenses incurred by the promoters for the purpose. Provided that the Board shall not exercise any power or to do any act or thing which is directed or required whether by the Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise, or be exercised or done by the Company in General Meeting. Provided further that in exercising any such power or doing any such act thing the Board shall be subject to the provisions contained in the Act or any other statute or in the Memorandum of the Company or in these Articles or in any regulations not inconsistent therewith, including regulations made by the Company in General Meeting, but no regulation made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Article No.	Heading	Details
152	Powers to be exercised by Board only by Meeting	The Board of Directors shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolution passed at the meeting of the Board: Power to make calls on shareholders in respect of moneys unpaid on their shares; Power to issue debentures; Power to borrow money otherwise than on debentures: Power to invest the funds of the Company; Power to make loans. Power to authorize the buyback of shares The Board of Directors may by a meeting delegate to any committee o the Directors or to the Managing Director the powers specified in sub clauses (iii), (iv) and (v) above. Every resolution delegating the power set out in sub clause (iii) above shall specify the total amount up to which moneys may be borrowed by the said delegate. Every resolution delegating the power referred to in sub-clause (iv) above shall specify the total amount, up to which the fund may invested and the nature of the investments which may be made by the delegate. Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount up to which the loans may be made by the delegate the purposes for which the loans may be and the maximum amount of loans which may be made for each such purpose in Individual cases.
		DIVIDEND
170	Dividend to be declared in General Meeting	The Company in General Meeting may declare dividends to be paid to the Members according to their respective right and interest in the profits. No dividend shall exceed the amount recommended by the Board, but the Company may declare a smaller dividend in a General Meeting.
171	Interim dividends	The Board may from time to time pay the Members such interim dividends as appear to them to be justified.
172	Dividends out of profit only	No dividend shall be paid otherwise than out of the profits of the Company arrived at in the manner provided for in Section 205 of the Act. The declaration of the Board as to the net profits of the Company shall be conclusive.
173	Division of profits	The Profits of the Company, subject to any special rights relating thereto created or authorized to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the Members in proportion of the amount of capital paid-up or credited as paid-up on the shares held by them respectively.

Article No.	Heading	Details
174	Debts may be deducted	The Board may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
175	Capital paid up in advance at interest not to earn dividend	Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right, to dividend or to participate in profits.
176	Dividends in proportion to amount paid up.	All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms, providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly. No Member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereof. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however either alone or jointly with any other person or persons) and the Board may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.
177	Effect of transfer of shares	A transfer of shares shall not pass the right to any dividend declared therein before the registration of the transfer.
178	Dividend to joint holders	Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such share. A person entitled to a share by transmission shall subject to the right of the Board to retain such dividends or money as is hereafter provided be entitled to receive dividend without being registered as a Member and may give a discharge for any dividends or other moneys payable in respect of the share.
179	Notice of Dividends	Notice of any dividend that may have been declared shall be given to the persons entitled to share thereto in the manner mentioned in the Act.
180	Dividend how remitted	The dividend payable in cash may be paid by transfer to bank account or by cheque or warrant sent through post direct to registered address of the share-holder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders which is first named on the Register of Members or to such person and to such address

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		as they may direct in writing. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.
181	Dividend to be paid within time prescribed by the Act.	The Company shall pay the dividend or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within the time prescribed by the Act, from the date of the declaration unless: where the dividend could not be paid by reason of the operation of any law; where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; where there is a dispute regarding the right to receive the dividend; where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder, or where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
182	Unclaimed dividend	No unclaimed dividend shall be forfeited by the Board and the Board shall comply with provisions of Sections 205A and 205B of the Act, as regards unclaimed dividends.
183	No interest on dividends	Subject to the provisions of Section 205 A of the Act no dividend shall bear interest as against the Company.
184	Dividends in cash	No dividend shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalization of the profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by Members of the Company.
		DEMATERIALIZATION OF SECURITIES
188	Dematerialization of securities	Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialize its securities, rematerialize its securities held by the depositories and/or to offer its fresh securities in the dematerialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any.
189	Option given to investors	Every person shall have the option to hold the securities with a Depository. Such a person who is a beneficial owner of the securities can at any time opt out of a Depository in respect of such security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time

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		prescribed, issue to the beneficial owner the required certificate of securities. If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.
190	Securities in Depository to be in fungible form	All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372A of the Act shall apply to a Depository in respect of securities held by it on behalf of the beneficial owners. No certificate shall be issued for the securities held by the Depository.
191	Voting rights of Depository and beneficial owner	The Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of a beneficial owner. Save as otherwise provided here in above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it. Every person holding securities and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a Member of the Company. The beneficial owner shall be entitled to all the rights and benefits and shall be subject to all the liabilities in respect of such of his securities that are held by the Depository.
192	Allotment of securities by the Depository	Notwithstanding anything contained in the Act or the Articles, where the Depository holds the securities, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
193	Register and Index of beneficial owners	The register and index of beneficial owners maintained by the Depository under the Depositories Act shall be deemed to be the Register and Index of Members and security holders for the purpose of these Articles except as is mentioned in the provisions of Section 150, 151 and 152 of the Act.
194	Transfer of securities	Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.
195	Beneficial owner deemed as absolute owner	Except as ordered by the Court of competent jurisdiction or by law required the Company shall be entitled to treat the person whose name appears on the register of members as the holders of any share or whose name appears as the beneficial owner of the shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami. Trust Equity, equitable contingent, future, partial interest

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		other claim to or interest in respect of such shares or (except only as by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof but the Board shall at their sole discretion register any share in the joint names of any two or more persons or the survivor or survivors of them.
196	Cancellation of Certificates upon surrender by person	Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificates and shall substitute in its record the name of the depository as the Registered owner in respect of the said securities and shall also inform the Depository accordingly.
197	Service of documents	Notwithstanding anything contained in the Act, or these Articles, to the contrary, where securities are held in a depository, the record of the beneficial ownership may be served by such depository on the company by means of hard copies or through Electronic mode or by delivery of floppies or discs.
198	Distinctive number of securities held in a depository	The shares in the capital shall be numbered progressively according to their several denomination, provided, however that the provisions relating to progressive numbering shall not apply to the share of the Company which are Dematerialized from. Except in the manner provided under the Articles, no share shall be sub-divided. Every forfeited or surrendered share be held in material form shall continue to bear the number by which the same was originally distinguished.
199	Provisions of Articles to apply to shares held in depository	Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provision of Depository Act, 1996.
200	Depository to furnish information	Every Depository shall furnish to the Company Information about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by laws and the company in that behalf.
201	Option to opt out in respect of any such security	If a beneficial owner seeks to opt out of a Depository in respect of any security, he shall inform the Depository accordingly. The Depository shall on receipt of such information make appropriate entries in its records and shall inform the Company. The Company shall within 30 (Thirty) days of the receipt of intimation from a Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

SECTION X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Tamil Nadu at Chennai for registration and also the documents for inspection referred to hereunder, may be inspected at our corporate office situated at New No. 75 (Old No. 124), Nelson Manickam Road, Aminjikarai, Chennai 600 029, India from 10.00 am to 4.00 pm on working days from the date of filing of this Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Engagement letter dated January 19, 2006 for appointment of SBI Capital Markets Limited as the BRLM.
2. Engagement letter dated August 28, 2006 for appointment of Bajaj Capital Limited as the Co-BRLM.
3. Memorandum of understanding amongst our Company, the Selling Shareholder and the BRLM dated April 27, 2006 (revised to include the Co-BRLM vide MOU dated September 11, 2006).
4. Memorandum of understanding executed by our Company and the Selling Shareholder with the Registrar to the Issue dated April 27, 2006.
5. Escrow Agreement dated April 27, 2006 between our Company, the Selling Shareholder and the Registrar to the Issue in relation to the Equity Shares offered by the Selling Shareholder as part of the Offer for Sale.
6. Escrow Agreement dated September 11, 2006 between our Company, the Selling Shareholder, the BRLM, the Co-BRLM the Escrow Collection Banks and the Registrar to the Issue.
7. Syndicate Agreement dated September 11, 2006 between our Company, the Selling Shareholder, the BRLM, and the Co BRLM.
8. Underwriting Agreement dated [·] between our Company, the Selling Shareholder, the BRLM, and the Co BRLM.

Material Documents

1. Our Memorandum and Articles of Association, as amended till date.
2. Our certification of incorporation dated June 8, 1995 and consequent to change of name dated October 21, 1999, August 27, 2004 and November 3, 2005.
3. Certificate of Change in the registered office dated April 3, 2000 of our Company indicating the change in registered office from SFI Complex, No.179 Valluvarkottam High Road, Nungambakkam, Chennai 600 034 to III Floor, No. 124, Nelson Manickam Road, Aminjikarai, Chennai 600 029.
4. Certificate of commencement of business dated June 22, 1995.
5. Secretary's Certificate from Intel dated April 11, 2006 approving the Offer for Sale of up to 460,283 Equity Shares.
6. Resolutions of our Board (dated January 18, 2006) approving the Issue.
7. Resolutions of our Board approving the appointment of and fixing the terms of remuneration/commission payable to the Directors.
8. Shareholders' resolutions dated February 11, 2006 in relation to this Issue and other related matters.
9. Application to the RBI vide its letter (Ref. No. AFL/IPO/034/RN) dated April 10, 2006 for the transfer of Equity Shares held by the Selling Shareholder as part of an Offer for Sale in this Issue to investors resident in India and outside India.
10. Reports of the statutory auditors, being K.S.Aiyar & Co., dated June 21, 2006 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus.

11. Statement of Tax Benefits available to our Company and its members issued by the statutory auditors, being K.S.Aiyar & Co., dated August 23, 2006.
12. Agreement dated March 29, 2006 between Frontline and our Company relating to the use of the Frontline logo
13. Agreement dated March 15, 2006 beween Accel Transmatic Limited and our Company relating to transfer of employees and intellectual property connected with Prodigy.
14. Letter dated September 4, 2006 from M/s S.K.Ram Associates, Chartered Accountants on the deployment of funds as of August 31, 2006 in relation to the objects of the Issue.
15. Copies of annual reports of our Company and our Subsidiaries for the relevant past five financial years.
16. Documents pertaining to the appointment and compensation of all Directors.
17. Secretary's certificate dated April 11, 2006 and September 11, 2006 issued by the Selling Shareholder evidencing the authority of the persons specified therein to endorse stock powers or other instruments effecting the transfer, endorsement, sale, assignment or delivery of shares of stock outstanding in the name of or owned by the Selling Shareholder in relation to the Offer for Sale in this Issue.
18. Consents of the Auditors, the Bankers to our Company, the BRLM, the Co BRLM, the Registrar to the Issue, the Escrow Collection Banks, the Bankers to the Issue, the Legal Counsel to the Issue, the Directors of our Company, our Company Secretary and Compliance Officer, as referred to, in their respective capacities.
19. Initial listing applications dated May 16, 2006 and May 19, 2006 filed with the NSE and the BSE, respectively.
20. In-principle listing approval dated June 1, 2006 (and letter dated September 6, 2006) and June 2, 2006 from the NSE and the BSE, respectively.
21. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated April 28, 2006.
22. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated June 9, 2006.
23. Shareholders Agreement dated January 27, 2004 between our Company, Frontline Technologies Corporation Limited, Accel Limited, Mr. N.R. Panicker, Intel Pacific, Inc, TCW/ICICI India Private Equity Fund, LLC, TCW/ICICI India Private Equity AMP Fund, LLC and ICICI Emerging Sectors Fund
24. Call Option agreement dated January 27, 2004 between the Frontline Technologies Corporation Limited, Accel Limited, Intel Pacific, Inc, TCW/ICICI India Private Equity Fund, LLC, TCW/ICICI India Private Equity AMP Fund, LLC and ICICI Emerging Sectors Fund.
25. Due diligence certificate dated May 2, 2006 and [●] to SEBI from SBI Capital Markets Limited.
26. SEBI observation letter no. CFD/DIL/ISSUES/7/728/2006 dated July 18, 2006.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act 1956, and the guidelines issued by the Government of India or the guidelines issued the by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We and the signatories mentioned below further certify that all statements in this Red Herring Prospectus are true and correct.

SIGNED BY ALL DIRECTORS

Sl. No.	Name of Director	Signature
1	Mr. N.R. Panicker, Chairman & Managing Director	Sd/-
2	Mr. K.R.Chandrasekaran, Chief Financial Officer	Sd/-
3	Mr. Steve Ting Tuan Toon, Non Executive Director	Sd/-
4	Mr. Lim Chin Hu, Non Executive Director	Sd/-
5	Dr. Harrison Wang Hong She, Independent Director	Sd/-
6	Mrs Lakshmi G Menon, Independent Director	Sd/-
7	Mr. R. Sinnakaruppan, Independent Director	Sd/-
8	Mr. Suresh K. Sharma, Independent Director	Sd/-

Sd/-

Signed by Mr. N.R.Panicker, Chairman & Managing Director

Sd/-

Signed by Mr. K.R.Chandrasekaran, Chief Financial Officer

SIGNED BY INTEL PACIFIC, INC., THE SELLING SHAREHOLDER

Notwithstanding anything stated in this Red Herring Prospectus, the Selling Shareholder is acting severally and not jointly with our Company in the Issue and takes responsibility for only those statements made by the Selling Shareholder in this Red Herring Prospectus, with respect to the specific warranty on the Equity Shares of our Company held by it and being offered for sale in the Issue and the Selling Shareholder's responsibility under this Red Herring Prospectus is limited to the statements, made in its capacity as a Selling Shareholder, as aforesaid. The Selling Shareholder disclaims all responsibility for all other disclosures and statements made in this Red Herring Prospectus. Without prejudice to the foregoing, the Selling Shareholder neither expresses any opinion with respect to nor assumes any responsibility for the statements and the disclosures made by our Company or any other person, including without limitation all statements relating to our Company, its business, its affairs, its financial information, the Promoters, and any other disclosures. The Selling Shareholder has neither assumed any obligation to conduct, nor conducted, any inspection or independent verification of the statements and disclosures made by our Company.

Sd/-

Signed on behalf of the Selling Shareholder by its authorised representative, Michael Scown

Date:September 19, 2006

Place: Chennai

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