ACCEL FRONTLINE
GLOBAL IT SERVICES

ACCEL

AFL/SES/2012
November 9, 2012

The National Stock Exchange of India Ltd
Exchange Plaza
Bandra Kurla Complex
Bandra East

The Bombay Stock Exchange Ltd
P.J. Towers
Dalal Street
Mumabi 400 001

Dear Sirs,

Sub: Intimation pursuant to clause 31 of the listing Agreement

Pursuant to Clause 31 of the listing agreement, we are forwarding herewith 3 copies of the Chairman's Communication to Shareholders despatched on 9th November 2012

Request you to take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For Accel Frontline Ltd.

Sweena

SWEENA NAIR
COMPANY SECRETARY

Encl: a.a

ACCEL FRONTLINE
GLOBAL IT SERVICES

N R Panicker
Chairman

Dear Shareholder,

It has been a while, since I communicated to our esteemed shareholders regarding the developments and progress in Accel Frontline Ltd. This letter is to appraise you about the recent developments and our transformation initiatives which will enable us to emerge as a full fledged software services company. I am sure that you will be interested in knowing why there has been slow growth in the turnover and profitability of your company, after the IPO in September 2006.

Our company originally had started operation as an IT hardware and System Integration company way back in 1996 with IT Infrastructure Services as our mainstay business. It became a joint venture company between Accel Ltd, and Frontline Technologies Corporation Limited, a company based out of Singapore (FTC), engaged in similar business in the year 2003.

We have been a value added system integrator for SUN Microsystems USA who eventually got acquired by Oracle Corporation, USA in 2008. After the management changes at SUN Microsystems, their business model got changed , making it difficult for system integrators like us to operate in their changed business model in a profitable manner. In 2008, FTC Singapore was acquired by BT PLC , whereby our company became a subsidiary of BT group. However, due to the economic turmoil in the European market from 2008 and IT being a non core business for BT, we thought BT could not give any new thrust or direction for our future growth. We could not utilise our competitive strengths effectively by venturing more aggressively into value added businesses like export oriented software services, remote Infrastructure Management Services, etc and the company started losing momentum.

As the Chairman of the company, I thought it is my responsibility to take charge of the situation, and protect the interest of our stakeholders. It was decided that Accel Limited, the main promoter with its subsidiaries will acquire the shareholding from BT and pursue new growth initiatives. The discussions for acquisition started in May 2010 but the transactions got completed only in August 2011. Immediately on completion of this transaction, as a strategy to build shareholder value, we acquired a software business, with good customer base and profit margin into AFL. We also amalgamated all IT related services business in the group into AFL through a court merger process which got completed only in September 2012.

Now that the past is behind us, we are in the thick of a transformation process, which will transform AFL from a predominantly domestic focussed System Integrator a year ago to a company offering software and technology services to overseas clients. Though this initiative was kick started in October 2011, the full impact is expected to be seen only by FY14-15 as it is a slow process. We expect to start seeing changes for the better starting from Q3 of FY13.

I would like to inform our esteemed shareholders that our company has the following pillars of strength which I am sure will take us into the future as we progress in the transformation process.

- Embedded and Engineering software services with 400 Engineers
- Enterprise Software with focus on Banking and Manufacturing Segments with 300 Engineers
- IT Infrastructure Management services with focus on Remote Infrastructure Management services with 1500 professionals
- Warranty Management Services with Pan India presence with 600 professionals

Each of the business segments in the company is headed by leaders with several years of experience in large Indian and MNC Corporates in IT Industry.

The IT Hardware Integration business, which has been contributing to almost 60% of our turnover and less than 2% of the EBITDA and a drag on our finances because of high receivable cycle, will play a lesser role as we replace the same with high margin technology services business going forward.

Our Overseas Foray

1. Over the last 12 months, we have strengthened our overseas operations, with a new management team in the USA and Japan with a vision to create a USD 100 Million technology software business in the next 3-4 years. The overseas operations have turned profitable after making substantial investments over the last few years. The company expects to realise improved turnover and profitability going forward. We have gained access to some of the Fortune 100 clients in the USA already and good pipeline for new projects have been created.
2. We have recently invested in our subsidiary in Singapore which focuses on high-end IT Security Services, with a very capable management team who have relevant experience in this field for several years. This is expected to turn profitable in FY 14.
3. We have set up a wholly owned subsidiary company in the UK in August 2012, and got breakthrough with our first customer in automotive electronics segment within 30 days of starting the operations. This subsidiary will work towards gaining a strong foothold in the European market.
4. We have a profitably running wholly owned subsidiary company in UAE, by name Accel Frontline JLT, which is in to Systems Integration and Software Services.

Software delivery centres

Our Software Development Centres are located in Techno Park, Thiruvananthapuram, Info Park SEZ Kochi and DLF SEZ, Chennai. A new facility is being set up at KINFRA SEZ, Thiruvanathapuram to cater to the increased business in the software services. SEZ operations will help save on taxation.

Financial Position

As the company has utilised almost Rs 30 Crores, in cash, for acquisitions as mentioned above and has also invested in the Singapore subsidiary in the recent past, our borrowings and interest outgo have gone up to a higher level. This is a conscious decision, considering the substantial benefits that are expected to accrue from this initiative. However, I need to emphasize that we have sufficient liquidity in the company to service our debts. The management is taking all necessary steps to bring down the debt and the interest outgo in the immediate future.

Management

Our company is board governed with strong Corporate Governance practices. We have some of the eminent professionals on our board who take active roles in advising the management. The members of the Board include Mr. A.P Parigi – former CEO of Entertainment Network India Ltd, Mr. R Ramaraj- former CEO of SIFY, Mr. Alok Sharma- former Managing Director of Apple India, Mr. Steve Ting- Former Chairman of FTC, Mr. Sam Santhosh- Founder and former CEO of California Software Company Ltd.

I wish to thank you all for the cooperation and we look forward to your continued support in the future.

With best regards,
Yours sincerely,
N R Panicker
Chairman