# sify

SIFY is a
**BUSINESS
SUPERBAND**

SELECTED
**Superbrand**
INDIA
Industry Validated

**CIOReview**
**COMPANY
OF THE YEAR**
CLOUD & MANAGED
SERVICES VERTICAL

**BEST
ENTERPRISE
DATA
CENTER**
THE ECONOMIC TIMES
**BEST TECH BRANDS**

**CIO
CHOICE
AWARD**

**EXCELLENCE
IN
E-LEARNING**

SILVER
EXCELLENCE IN
LEARNING

**MOST
INNOVATIVE
OFFERING
SMACnet**

VOICE&DATA

**TELECOM
LEADERSHIP
AWARDS**

# enabling digital transformation
# for enterprises
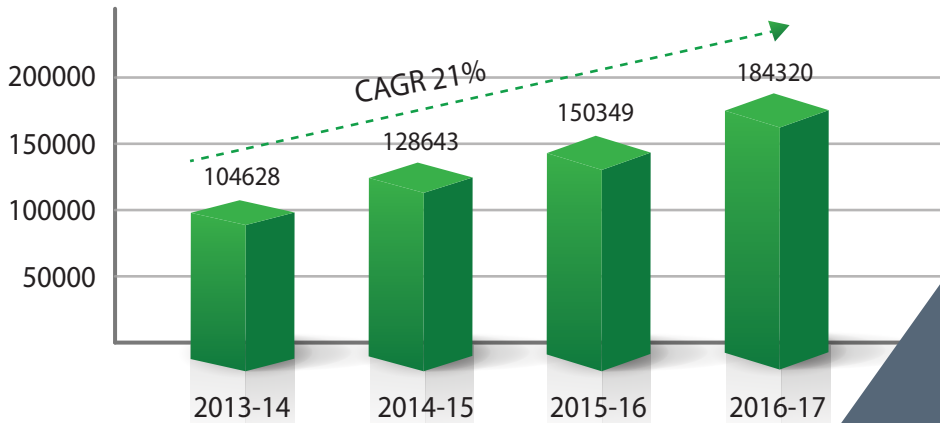
integrated report 2017

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# summary
## financial capital

**Revenue (₹ in Lakhs)**



CAGR 21%

| | | | |
|---|---|---|---|
| 104628 | 128643 | 150349 | 184320 |
| 2013-14 | 2014-15 | 2015-16 | 2016-17 |

- revenue growth 23% YoY, CAGR of 21% *

- EBITDA growth 5% YoY, CAGR of 17%*

- PAT growth 47% YoY, CAGR of 23%*

- dividend distribution to shareholders for four consecutive years

- credit rating : A+ (long-term)
  A1+ (short-term) by CARE and ICRA

- consistent reduction in rate of interest on loans

- prudent debt equity structure (long term debt to equity 0.28 times)

- promoter contribution to equity ₹3,000 lakhs during the year

\* CAGR growth over 4 years
Note : INR 10 Lakhs = INR 1 Million

# manufactured capital
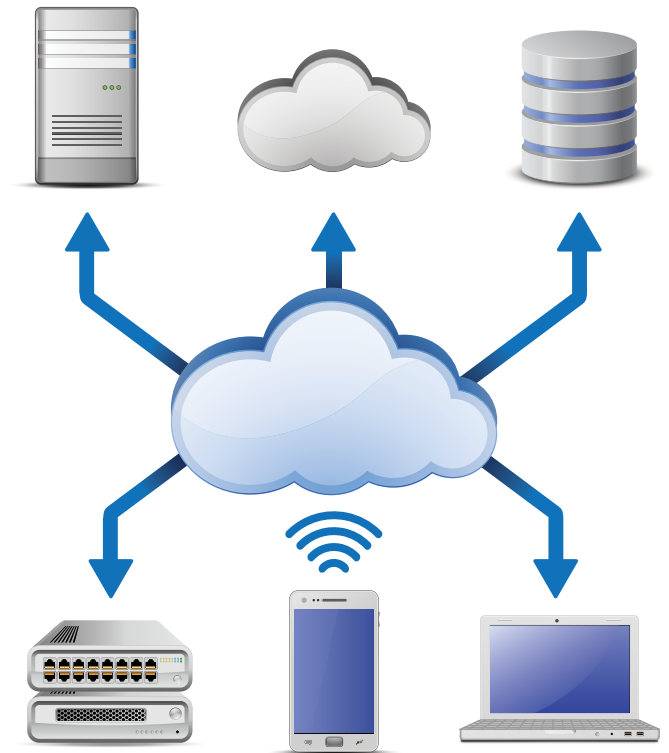


- network span across 1400 towns and cities with POPs of 2800 and 90000+ links

- network connects 43 Data Centers across india.

- 6 tier 3 data centers having 47 MVA capacity and 2 lakhs + sq ft.

- data centers with 99.984% uptime.

- modular based approach for cost efficiency

- first IPv6 ready network in India

- consistent investments in capital expenditure:
  2016-17: ₹ 20,076 lakhs
  2015-16: ₹ 19,849 lakhs

# intellectual capital
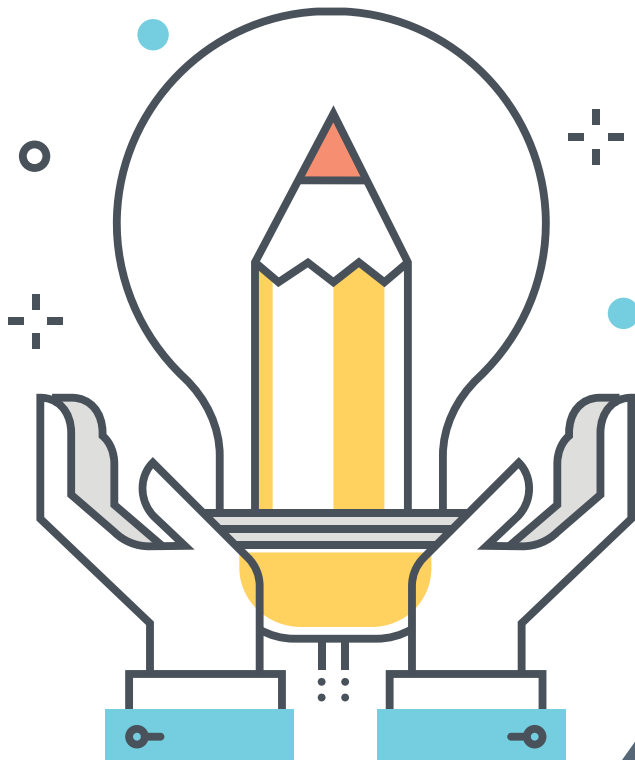


- development of proprietary solutions in all the key businesses

- partnership with centres of excellence data driven decisions

- ahead of time in technology adoption

- license to operate and skill enhancement

- use of best available technology and know how

- SMAC network proprietary tool for networks

- Cloudinfinit, Forum, Beacon and iTest proprietary applications

# human capital

- knowledge management and investment in training  through dedicated learning and development team

- leveraging technology to improve Associate learning

- Associate headcount increased from 2175 to 2318 during FY 2016-17

# natural capital

- reduced dependence on non-renewable energies

- usage of wind energy for power requirements

- adoption of EIA guidelines

- lower carbon footprint

- energy efficiency

# social & relationship capital

- Superbrand -India Selected Industry Validated Business

- National Award -Best Technology for Social Cause for the Department of Posts by CyberMedia

- ICT Company of the year and Most Admired Brand 2017 by VAR India

- CSR contribution of ₹ 84 Lakhs for FY 2016-17

# about this report

This is Sify Technologies Limited's (Sify, the Group or the Company) second Integrated Report. This report details how we created value and opportuinties for our stakeholders in the year 2016-17 and indicates the risks affecting our ability to create value over time. Our stakeholders include providers of financial capital, employees, customers, government and society at large.

The report includes material risks, opportunities and outcomes relevant to the Company and its subsidiaries, namely Sify Technologies (Singapore) Pte Ltd, Sify Technologies North America Corporation and Sify Data & Managed Services Limited.

This report contains information on qualitative and quantitative features of items which are individually or collectively considered to be material to Sify's operations and strategic objectives. Items are considered to be material if they are of significance to our stakeholders and have significant impact on our business.

A multidisciplinary team consisting of representatives from different business segments of the Company was formed, to identify material issues for reporting. The team considered the following aspects to determine material items:

1. Business opportunities

2. Impact on our business

3. Relevance to our stakeholders

4. Our strategy and future plans

5. Various reports submitted to the Board

This Report is supported by comprehensive data available from Sify's Annual Report located at http://www.sifytechnologies.com/investors/financials/. It includes the detailed Annual Statutory Financial Statements prepared under Ind AS and Annual Report in Form 20F filed with the U.S. Securities and Exchange Commission (SEC) for the year ended March 31, 2017. This report has been prepared on a voluntary basis and is not certified.

# forward looking statements

Certain statements contained in this integrated report are forward looking statements that Sify believes are reasonable. Results could, however, differ materially from those set out in the forward looking statements as a result of, amongst other factors, changes in economic and market conditions, changes in regulatory environment and fluctuations in commodity prices and exchange rates. As a result, these forward looking statements are not guarantees of future performance and are based on numerous assumptions regarding Sify's present and future business model, strategy and the environment in which it operates. Undue reliance should not be placed on such forecast or data.

# corporate overview

# vision statement

There is a word in our vision statement

## 'Converged'

For us, it's not merely a word.

We were born when such a business did not exist.

We built the ICT environment in this country because of our foresight that IT and Telecom will mature beyond their demarcations and will eventually cohabit the same space. It is this foresight that guided our Business Model when building the convergence platform. The purpose of our converged ICT eco-system is to deliver the full suite of services that can enable a Digital Transformation for any Enterprise. In doing so, we choose to be relevant, to appeal and to make a difference to the lives of Enterprise over their stated line of objective. To think for the Enterprise, to build ahead for them and to build comprehensively, so that their businesses is their ONLY concern.

"We are building a world in which our **converged ICT eco-system** and our **'bring-it-on attitude'** will be the competitive advantage to our customers"

# genesis

India, in the 1990s, was a world unaffected by the temptations of the Internet. The closest that the Indian got to accessing news across the world was from the world of newspapers and magazines, Television or from relatives domiciled in other countries.

The internet offered to change that.

Yet, with the regulatory bottlenecks, it was not until the late 90s when Sify rose to challenge the status quo, that the effect of the Internet as a socially productive tool was fully explored. The dichotomy of the situation was that the hardware was still out of reach of the common man. With penetration being of one in every 3000 households, Sify's next challenge was how to ensure everybody had access to the Internet.

Sify solved that by introducing the Public Internet Access Points as the first common affordable gateway to the Internet. In common parlance, people could access the Internet at public outlets for a small cost. Unfortunately, regulation governing the internet was slow to materialize and hence difficult to do business in.

Sify quickly changed tracks and expanded the network bandwidth to accommodate smaller burgeoning enterprises who demanded a lot more than 'just browsing'. With time, the potential of the internet began to dawn on the enterprising Indian. And so, we began to see the usage of the internet for more than just personal connectivity. Several small and medium enterprises, most of them small office/home offices (SOHO) began relying on the connected strength to expand their business footprint beyond the localized geography. This led to our second milestone.

Enterprises, who until then, relied on the connectivity of the telephone, were quick to catch on to the trend. Also, since the sanctity of the data was paramount, the demand for Data Centers caught on. And so in year 2000, Sify set up the first

Tier 3 Data Center in the country. That was the first organic, forward integration of a business plan that was to eventually become entirely Enterprise focused.

In the earlier days, India was not seen as Data critical market. Sify moved quickly to set the benchmark with 3 exacting Tier 3 Data Centers in quick succession in Mumbai, Chennai and Bangalore. Realizing the evolving technology, Sify apportioned a part of the Data Center for Cloud data management. This business has hit a stride in recent years with Enterprises opting for the growing volume of transactional data to be parked on the Cloud platform.

In this diversed portfolio, the only missing element was the Applications layer. Sify did not want to be viewed as a traditional Software player, yet wanted to be able to provide the missing link to Enterprises.

The ground realities posed another problem. In their enthusiasm to adopt automation, early Enterprises had signed up for individual applications for their diverse functions. This had created a sea of applications; all islands in themselves with no cohesive output. In a move away from aping the traditional players, Sify's offer was to build an integration fabric that bound all existing applications. This further matured to offering updated versions of these applications on the cloud so that client benefited from a subscription based model.

Two decades hence, Sify has matured to packaging the services and solutions as knowledge services. This move firmly positioned Sify in the consideration bracket as a Strategic partner when Enterprises were looking at a transformation to their IT landscape. Today, Sify's service bouquet spans Telecom centric solutions comprising Network Connectivity and Data Center centric IT solutions comprising DC build and management, Cloud and Managed services, Applications Integration and Technology Integration services.

# keeping you ahead

How do you define a company that enabled the Internet for Indians?

Visionary, Disruptor, Market-mover....All of these epithets fit. And some more.

Behind all that was done in the past and those that will be, in the future, is an unstated mission. That, everything we do should result in both incremental and substantial changes to the present condition of the consumer's life. So, the introduction of the Internet and all activities that can be enabled from it, seeks to making the consumer's life, whether professional or personal, better.

From the initial days, Sify's business mandate has been to ensure that, by using our services, the customer will stay ahead of the technology curve. This mandate found expression in the initiation of

services well ahead of the consumer demand and along an organic extension line-up. Thus, Networks led to Data Center, then on to Cloud and Managed services, Applications Integration services and finally Technology Integration services.

Each of these services carries a singular promise. Talk to us...just us.

By offering all ICT solutions and services under one roof clients eliminate multiple conversations regarding their IT landscape.

# our vision statement

Our vision is a sum of several parts. More specifically, what we offer and how we execute. For a Company of our size, we dream big and have an attitude to boot. All rooted in a strong foresight of becoming a comprehensive player. Not just another also-ran.

Over time, we have built one of the most comprehensive bouquet of services and solutions across the entire spectrum of the ICT landscape. What differentiates us from the rest is the sense of urgency and bring-it-on attitude we impart to every one of our projects.

The current scenario is that clients are engaged with multiple vendors. From an operational standpoint, that is not a smart way. It drains you of effort, time and funds. Instead, we offer to outsource IT off your direct line of supervision, so that you can focus on your core business.

Our competition is the biggest endorser of our attitude, although they might not admit it. But hard-won cases like Department of Posts, SSC and UPPCL tell a different story.

# from the desk of the **Chairman**

Last year, the Government of India, in quick succession, rolled out the Make-in-India, Digital India, Smart cities, Demonetization and the path-breaking Goods and Services Tax programs. All these well-meaning measures were to kick start an economy coming out of period of stagnation and to free Indian business from a labyrinth of stifling government regulations with long term perspective.

Going by the FD inflow since then, these measures have had the desired effect. For the record, India had received more than $56 billion of FDI in 2016-17. That should not be surprising given that the government spent USD 7 Billion buying IT products and services from the private IT Industry. Led by growth in infrastructure, the government spending on software grew by 9.9% in 2016.

All of this points to the upshift in the potential within India. In the next couple of years, India would be the destination where the maximum disruption would happen in the digital sector, the cascading benefits of which will percolate every single business. This augurs well for Sify as we are at the right place at the right time. We are also the best players to enable this Digital Transformation as we offer the entire gamut of ICT services. Sify's unique proposition is a healthy mix of home grown solutions and partnerships with some of the best industry-standard applications. In common parlance, we are able to mitigate the pain-points for MNCs who would like to retain their global alignments when coming into India.

It is said that the best measure of one's success is when the competition begins to ape it. Multiple traditional System Integrators have now started repositioning themselves as Digital Transformation specialists. Towards that end, Sify is riding the right wave. The ace that Sify holds is that we are the only service provider with the whole gamut of both services and knowledge practices in-house.

If the track record over the last five years is anything to go by, Sify is at the right place at the right time.

**It is time to start putting our global ambitions in place.**

**Raju Vegesna**
**Chairman**

> **It is time to start putting our global ambitions in place**

**In the year gone by, Sify has emerged as a front runner to guide Indian Enterprises through their Digital Transformation Journey.**

# from the desk of the CEO

In the last 10 years since it began catering to Enterprises in India, Sify has steadily built a strong portfolio of services that span the entire gamut of ICT.

With time, these services were broad-based to include consultative paradigms that looked at the complete lifecycle of the client's IT. This led to the creation of knowledge practices. Typically, when a service provider is accepted as a knowledge partner, the client is acknowledging the qualitative advantage and the foresight the service provider brings to the table. The advantage Sify held was the availability of an integrated system of services and thereby the visibility across the entire spectrum.

Economic benefit is the other consideration driving clients to opt for service providers with multiple services under one roof. In buying an entire stream of services from one service provider, the client has greater visibility of his OPEX spends over the year and thus is better able to plan for his IT.

The third factor is that most of the Transformation projects are fertile grounds for implementing output-based pricing for our services. The biggest benefit that the client derives is that his capex is no more tied up, awaiting the commissioning of the project. While the onus is on Sify to commission the infrastructure, this also means that revenue billing begins from day one.

## The focus is to go deeper…and broader

Raoul Pal, author of Global Macro Investor, singles out India as the place where the action is emerging. He cites six factors; the Aadhar implementation, banking adoption, building out a mobile infrastructure, the integrated Digital Payment platform, India Stack and finally Demonetization as a well thought out plan that will leapfrog the nation towards a massive technological advancement.

These multiple market disruptors have opened up a new avenue. Previously, IT agnostic industries will now have to adopt automation; atleast the barest essentials to start with. In addition to the upper end of the market that is undertaking a complete Digital Transformation, this opens up the lower segment of the market too.

From the past, we have noticed that once the client steps into our services basket, they see the merits of tapping more than one service, given the width of our services. We could not have asked for a better market opportunity.

On the higher segments, with global alignments driving the demand for industry standard applications and IoT formats of services, Sify is now entering the realm of the 3rd platform of services, machine learning, artificial intelligence and virtual reality. The rub-off effect is that Sify is now an invitee at the strategic discussion levels.

The mission now is to equip ourselves with the right kind of tools to fulfill that trust.

**Kamal Nath**
**CEO**

"The Sify advantage - an integrated system of services and visibility across the entire spectrum"

Sify is now entering the realm of the 3rd platform of services, Machine Learning, Artificial Intelligence and Virtual Reality

# from the desk of the CFO

## *Change before you have to*
### - *Jack Welch*

*Perhaps Mr. Welch was talking about us because it aptly sums up why we did, what we did, when we did it.*

Right from when we shifted focus from Retail to Enterprise and then from infrastructure services to Solutions and Services, Sify has displayed the agility to ride the oncoming wave. With the market opening up, it was quite natural that traditional IT streams will come under pressure to adopt, adapt or replace their revenue streams.

The question in front of us was: How can we stay relevant?

On one side was the influx of mature IT services brought in by the world leaders and on the other were the sudden spurt in the world of startups offering to help Companies navigate the emerging technology landscape.

Sify had built an enviable reputation as an ICT company with the best of the infrastructure. But how do you percolate the business benefits to any Enterprise, immaterial of scale? That was the question in front of us.

We chose to shift focus from Infrastructure to Services and in doing so, were able to deliver the same SLAs across the board to clients, immaterial of size. The benefits to Sify were almost instantaneous. Every single service now available on a subscription model.

While the move to Solutions and Services helped increase the number of revenue generators by creating multiple scale and price points, making available these services on a subscription mode was what helped enlarge the revenue pie.

The proof is in the numbers.

- **15 quarters of continuous profits**
- **EBITDA CAGR of 17%***
- **Revenue CAGR of 21%***
- **PAT CAGR of 23%*.**

In the last year, the events closer home unearthed a huge market potential for us. The compelled push into digital transformation mode makes India the most attractive market for our services. Every strata of society will now become a buyer of some form of IT or the other. The combination of a forced inculcation into IT services and a semi-literate IT population perhaps gives us the biggest market opportunity our solutions and services could ask for.

It's now time to pick up our stride.

**M P Vijay Kumar**

**CFO**

\* CAGR for last 4 years

"Every single service is now available on a subscription model"

Every strata of society will now become a buyer of some form of IT or the other

# India ICT overview

Indian Information and Communication Technologies (ICT) sector played an important role in fostering productivity, providing opportunities for citizens and proving a growth catalyst for the economy, says a World Economic Forum study.

Besides directly impacting the country's economic growth, the sector also has a multiplier effect across industries, wherein it indirectly contributes to the national economy and to better living conditions in a variety of ways. India displays competitive strengths in areas related to human resources, preparation and willingness to use ICT by citizens, businesses and the government. In particular, ICT has increasingly been prioritized in the government development agenda as a key enabler of economic diversification and more universal service provision.

The IT-business process management (BPM) sector in India is estimated to expand at a CAGR of 9.5% to US$ 300 billion by 2020.

According to the Indian Brand Equity Foundation, the Indian IT sector is expected to triple its current annual revenue to reach US$ 350 billion by FY 2025. Total spending on IT by banking and security firms in India is expected to grow 8.6% year-on-year to US$ 7.8 billion by 2017. India's internet economy is expected to touch ₹ 10 trillion (US$ 146.72 billion) by 2018, accounting for 5% of the country's GDP. The public cloud services market in India is slated to grow 35.9% to reach US$ 1.3 billion according to IT consultancy, Gartner. Increased penetration of internet (including in rural areas) and rapid emergence of ecommerce are the main drivers for continued growth of Data Center co-location and hosting market in India. The Indian Healthcare Information Technology (IT) market is valued at US$ 1 billion currently and is expected to grow 1.5 times by 2020. India's business to business (B2B) e-commerce market is expected to reach US$ 700 billion by 2020 whereas the business to consumer (B2C) e-commerce market is expected to reach US$ 102 billion by 2020. Cross-border online shopping by Indians is expected to increase 85% in 2017, and total online spending is projected to rise 31% to ₹ 8.75 lakh crore (US$ 128 billion) by 2018.

India ranks among the top five countries in terms of digitalization maturity as per Accenture's Platform Readiness Index, and is expected to be among the top countries with the opportunity to grow and scale up digital platforms by 2020.

# about us

Sify is one of the largest integrated ICT Solutions and Services companies in India, offering end-to-end solutions with a comprehensive range of products and services.

Our business is categorized into Telecom services and Data Center & IT services.

Our Telecom services delivered over a common telecom data network infrastructure reaching more than 1400 cities and towns in India. This telecom network today connects 43 Data Centers across India, including Sify's six Tier-3 Data Centers across the cities of Chennai, Mumbai, Noida and Bengaluru.

Our DC & IT Services businesses such as Data Center services, Applications Integration services and Technology Integration services are knowledge based practices and hence can be effected beyond geographical boundaries, whether in India or abroad. In each of these knowledge practices, we have built unique home grown IPs like the Sify Data Center Architecture (SDA 4.0) which can be used as

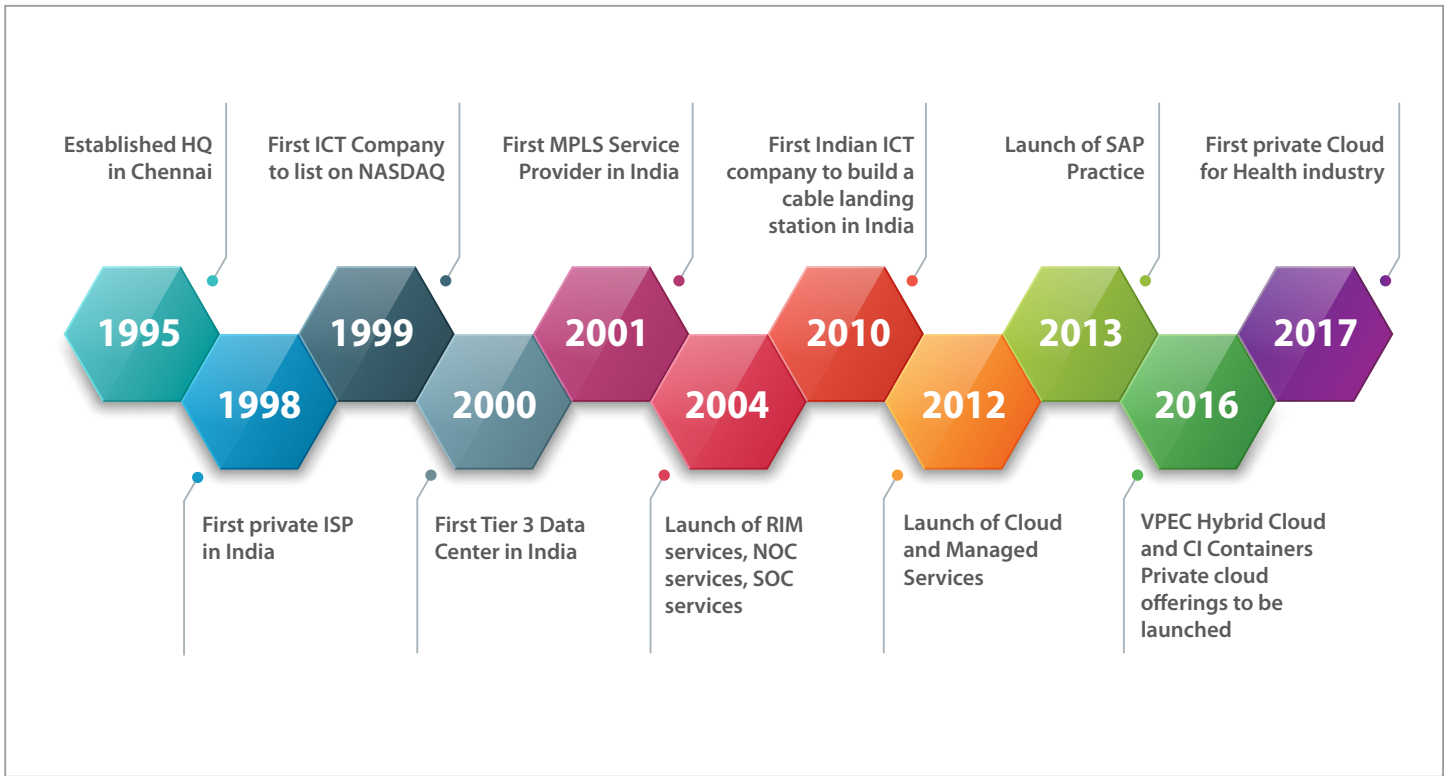a template for offshore Data Center build and maintenance.

We have offices in India, USA, Singapore, UK and Dubai. The focus is on offshore delivery of Managed services, which in some cases, require a small onshore field team to oversee the implementation. Cloud based services is also seeing a firm rising demand. With time, we expect to see more demand for Security and Applications services.

The other business we pursue in USA is the eLearning business. Most it is towards workforce automation and training. We are also moving into Artificial Intelligence and Virtual reality tools. A good part of our business comes from the United Nations and pharma majors in Europe who are also tapping into our eLearning skillsets.

Singapore is showing a lot of interest in our System integration strengths, Managed services and automated learning platforms.

**Telecom Services**
- India Data Business
- Global Data Business
- Wholesale & Retail Voice
- IoT

**Technology Integration Services**
- Data Center Transformation
- Networking Integration
- Information Security Services
- Collaboration Services
- End User Computing Services
- Collaboration Tools

**Data Center Services**
- Colocation Services
- White Labeling
- Hosting

**Applications Integration Services**
- iTest
- eLearning
- App Testing
- Portal
- App Development & Maintenance
- Managed SAP, Oracle & Microsoft Services

**Cloud & Managed Services**
- IaaS, PaaS, Saas
- Managed DC Services
- Managed Security Services
- Managed Network Services

# journey so far



**Timeline:**

- **1995** — Established HQ in Chennai
- **1998** — First private ISP in India
- **1999** — First ICT Company to list on NASDAQ
- **2000** — First Tier 3 Data Center in India
- **2001** — First MPLS Service Provider in India
- **2004** — Launch of RIM services, NOC services, SOC services
- **2010** — First Indian ICT company to build a cable landing station in India
- **2012** — Launch of Cloud and Managed Services
- **2013** — Launch of SAP Practice
- **2016** — VPEC Hybrid Cloud and CI Containers Private cloud offerings to be launched
- **2017** — First private Cloud for Health industry

In 1998, we were the first private ISP in India. Millions experienced the Internet for the first time on the Sify network. We pioneered the Internet café and voice and data services for international call centers.

Today Sify is a pioneer and leader in the ICT space. In fact, Sify is among the largest enterprise service providers on the Indian subcontinent. We have also expanded to the United States, with headquarters in the heart of Silicon Valley.

From the time we launched our services, we have continually upgraded our technology to provide data services to corporate clients. We were the first private Internet service provider in India to make our entire network IP-based and subsequently Multi-Protocol Label Switching (MPLS)-enabled, which permitted us to continue to grow our corporate customer base. As of March 31, 2017, we provide services to over 6,500 corporate clients in industries ranging from information technology, manufacturing, banking and financial services industry, pharmaceuticals, retail distribution and the Government.
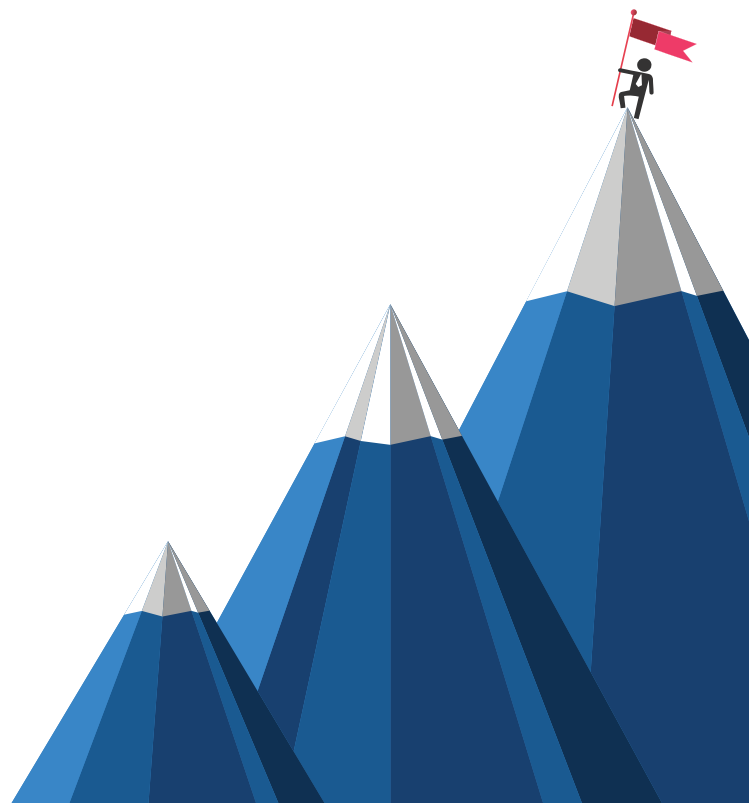
With the launch of our cable landing station, we are able to cater to international carriers as well as domestic voice and data players. Our alliance with world leaders across other services gives us the opportunity to extend these services to customers of our alliance partners.

Sify's global MPLS coverage now spans 130 countries.
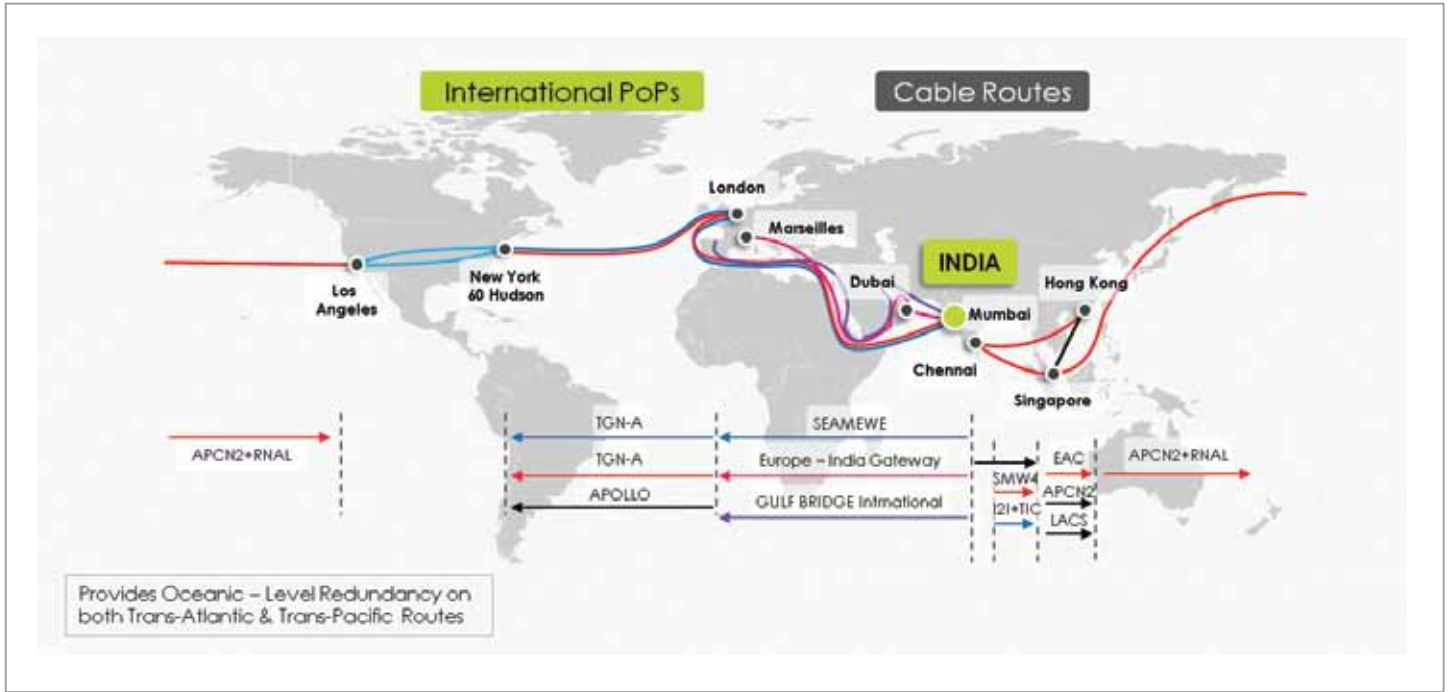


Two decades hence we have reformatted our business model in line with market demands. Today, our business focusses on those that are dependent on the network part of the business and those that can be facilitated out of our DC side of the business.

# edge to meet-me-room (DC)

Edge refers to any part of the client's business that uses either Sifys' or their own network end points to terminate into our DC or in an offshore DC of the client's choice. Services extended would be in transfer and maintenance of the network until a pre-determined time. In most instances, the client would want us to plan out the network architecture, upgrade the existing switches and transfer a dashboard of the services in line with the SLA.

Detailed below is our Business Model.
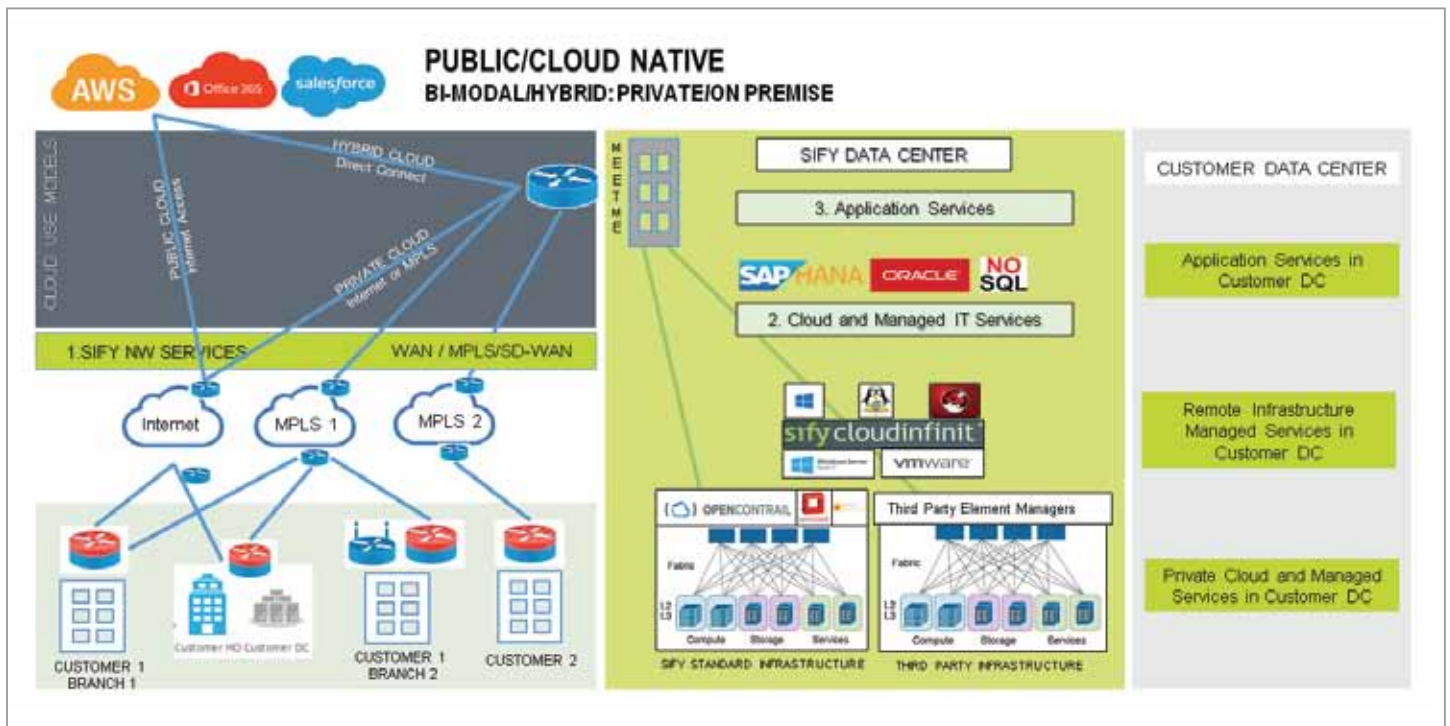


# meet-me-room to applications

The second part of our Business Model oversees the compute, storage and IT assestments of the client's data at our Data Center and the application applied on top of it. These might take the shape of home-grown applications like Forum or industry standard applications like SAP, Oracle or Microsoft. In each of these cases, the client gets the confidence of business continuity and familiarity with the application landscape used.

# our business maturity

Sify's genesis was as a retail-focussed IT player that concentrated on enabling broadband services to the common man.

Sify 2.0 saw the expansion of that target audience to include Enterprise demands like Data Center and Cloud and Managed services.

Sify 3.0 broad based our infrastructure based services into Solutions and Services so a larger audience is served by the same levels of SLAs.
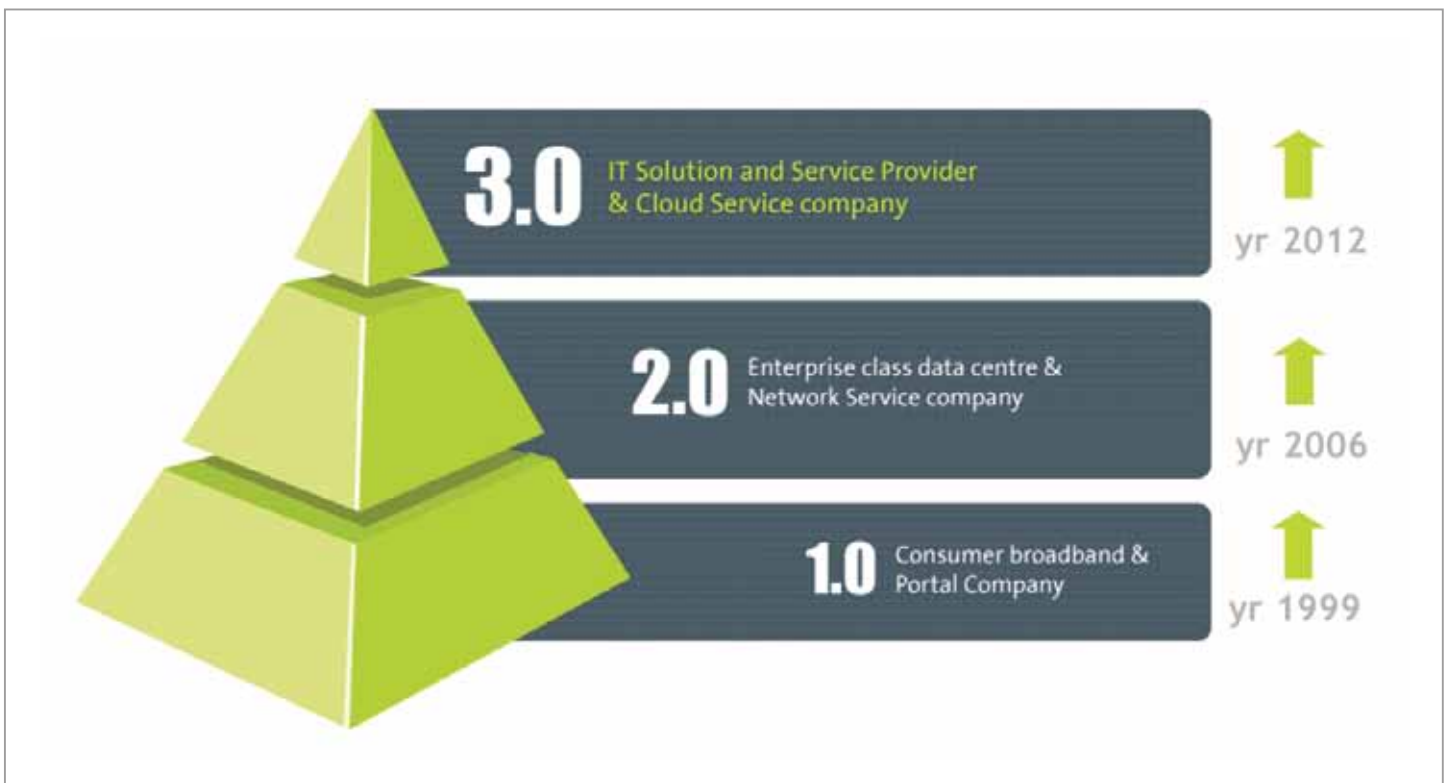


When we started out as India's first Private Internet Player, we promised to the market that we would make the Internet accessible to all. Eventually, having invested in the best of the infrastructure, we chose to expand our market to the growing Enterprise segment which then demanded Data Centers, Applications and Cloud Services.

# our telecom services

This is Sify's DNA. Born as a connectivity provider, Sify best exemplified the category of organisations that build forward their strengths organically to emerge as a converged ICT player of repute. Today, the telecom services offer Domestic and International Data, Wholesale and Retail Voice and the whole spectrum of connectivity solutions for the emerging domain of IoT.



**Europe** London

**USA** Santa Clara

**Dubai**

**India**

**Singapore**

**MPLS network presence of over 1400 Cities 6 Tier 3 Data Centers**

- Presence in 5 countries
- Partnering with enterprises for Business Transformation
- Proven track record of executing complex program
- Over 3425 skilled associates
- Quality benchmarks - CMMi 5, ISO 9001, ISO 27001, SSAE 16 certifications

# our India footprint



1400+ cities coverage

3 tier hierarchical topology for better scalability

100 G access metro rings in 7 cities

2800+ network nodes across India

90000+ enterprise customer circuits

# our international reach

In a world where organizations need to evolve rapidly in keeping with the dynamics of the business world, their communication networks need to keep pace with these dynamics of advanced technology and redundancy.
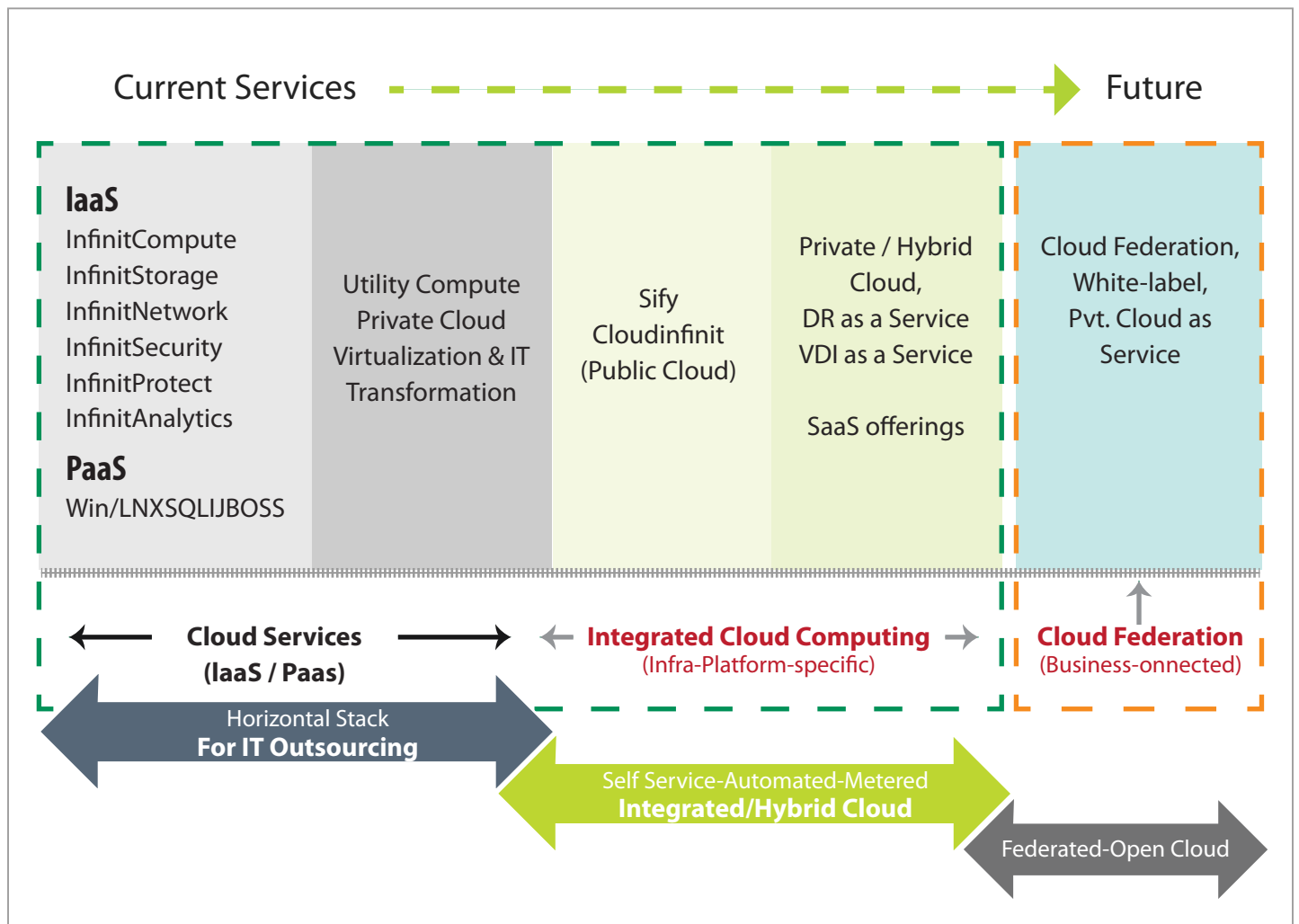
# our Data Centers

Sify is perhaps India's only home grown DC major with a clear understanding of the ground realities of the business. We commissioned our first DC on Sep 08, 2000 when the concept of Tier 3 in the late 90's was still nascent. Sify introduced the Indian Enterprises measurable quadrants like power derived workloads, rack efficiency and optimal partitioning betweek hard and virtual storage. In the 17 years that we have offered the Data Center services, we have been called upon to draw up the DC blue prints for several of our recurring customers.

# our cloud and managed services

The last few years saw the emergence of Cloud or virtual storage as a tangible product offering. Several Emerging Enterprises saw the benefits of buying space-as-you-go as against investing in Capex driven infrastructure. This saw the advent of high quality networks and the promise to remotely store the data immaterial of where it was connected from and plugging into it when the enterprises choses to. This eliminated the need for cumbersome server monitoring and the associated cost of ownership. In order to offer the best-of-breed services, we chose to tie up with the leaders in the business like HP and VMware. Our hosting services are also SAP Gold certified giving the much-needed SLAs to our customers about the quality of our offerings.

To meet the demands of our customers, we have added AWS and Microsoft Azure public cloud services to our portfolio and extended these services branded under GoInfinit suite of products.

Current Services → Future

**IaaS**
InfinitCompute
InfinitStorage
InfinitNetwork
InfinitSecurity
InfinitProtect
InfinitAnalytics

**PaaS**
Win/LNXSQLIJBOSS

Utility Compute
Private Cloud
Virtualization & IT
Transformation

Sify
Cloudinfinit
(Public Cloud)

Private / Hybrid
Cloud,
DR as a Service
VDI as a Service

SaaS offerings

Cloud Federation,
White-label,
Pvt. Cloud as
Service

**Cloud Services**
**(IaaS / Paas)**

**Integrated Cloud Computing**
(Infra-Platform-specific)

**Cloud Federation**
(Business-onnected)

Horizontal Stack
**For IT Outsourcing**

Self Service-Automated-Metered
**Integrated/Hybrid Cloud**

Federated-Open Cloud

# our applications integration services

As with every industry major that chose to offer IT and managed services, several of our clients also demanded Applications. While we chose not to be a core Software player, we enable the integration of multiple technologies and platforms and the cross breeding of existing ones. This way, the clients can slowly transition the maturity cycle with their existing applications before switching over to newer ones. That said, some of our home grown cloud applications like Forum and iTest have found favor with a large number of our clientele.

Over the last couple of years, Sify has signed up with Industry majors like Oracle, SAP and Microsoft to offer their services as industry standard applications to clients who are familiar with this landscape.

The AIS business unit completed one of the biggest online exams for the Government of India – Staff Selection Commission Exams. 65 lakh students took the exams in more than 100 cities.
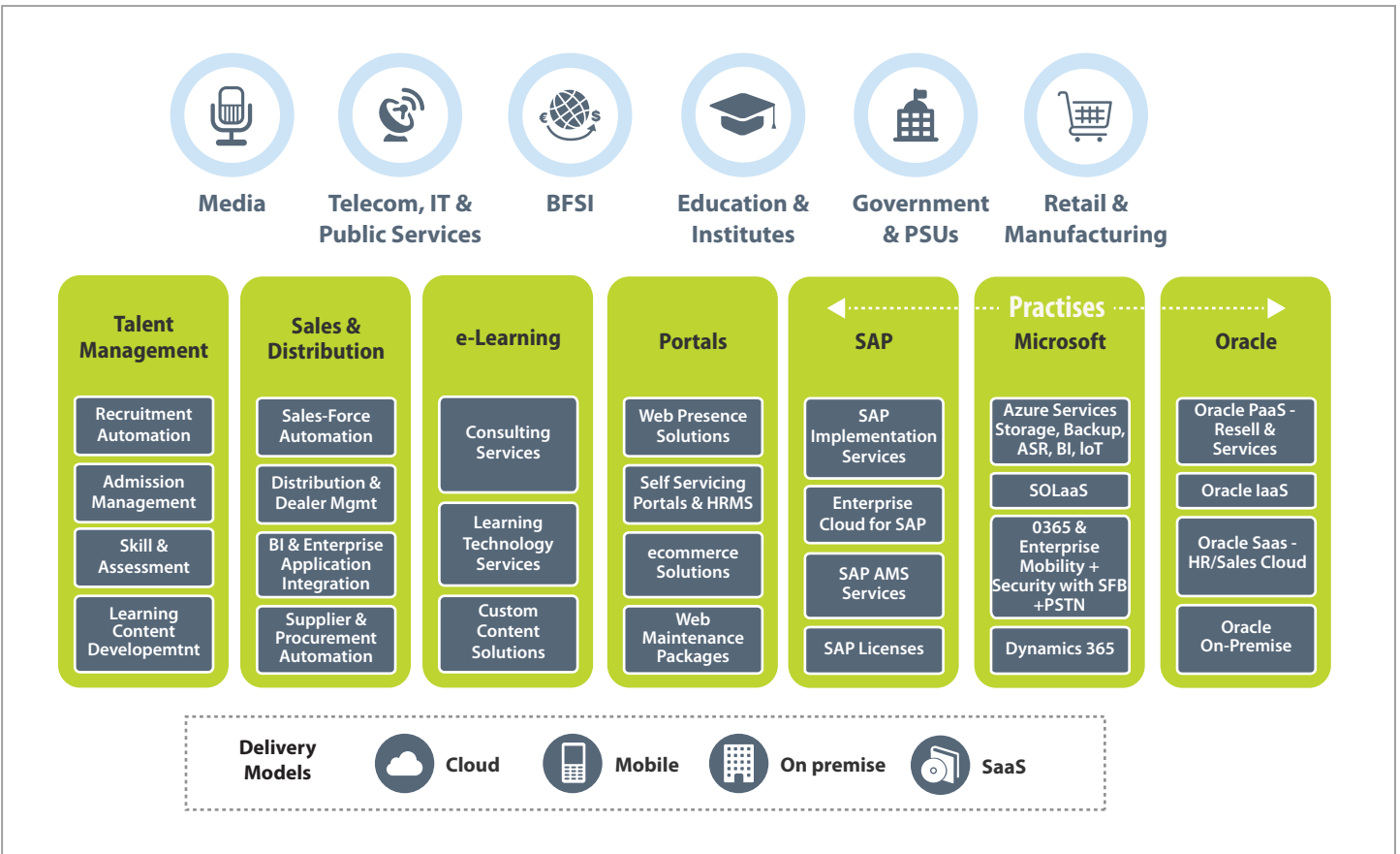


Over the last couple of years, Sify has tied up with industry grade application providers. This has helped to mitigate the pain of clients who are transitioning so that they are not deprived of the familiarity of their current applications.

# our technology integration services

Nearly two decades spent maturing into India's premier ICT player has led to building an enviable knowledge bank of integrating, monitoring, maintaining and upgrading every facet of service as demanded by a quickly converging market. Sify offers turnkey solutions to clients who are new to both technology and technology refreshes. We do this by leveraging our homegrown expertise in design, implementation and maintenance to deliver end-to-end managed IT services across Data Center, Network and Security. As described, this business takes the knowledge developed from building Network Architecture, Unified Communication and Access, Collaborative Tools, Data Center Build, Virtualization, LAN and WAN Architecture and End Point Security and offers them as a complete solution package to customers. This business is also responsible for Sify being part of the biggest deals in ground-up technology refreshes for some of India's prominent private and Government clients. We are looking to strengthen our bouquet of offerings in the years to come.
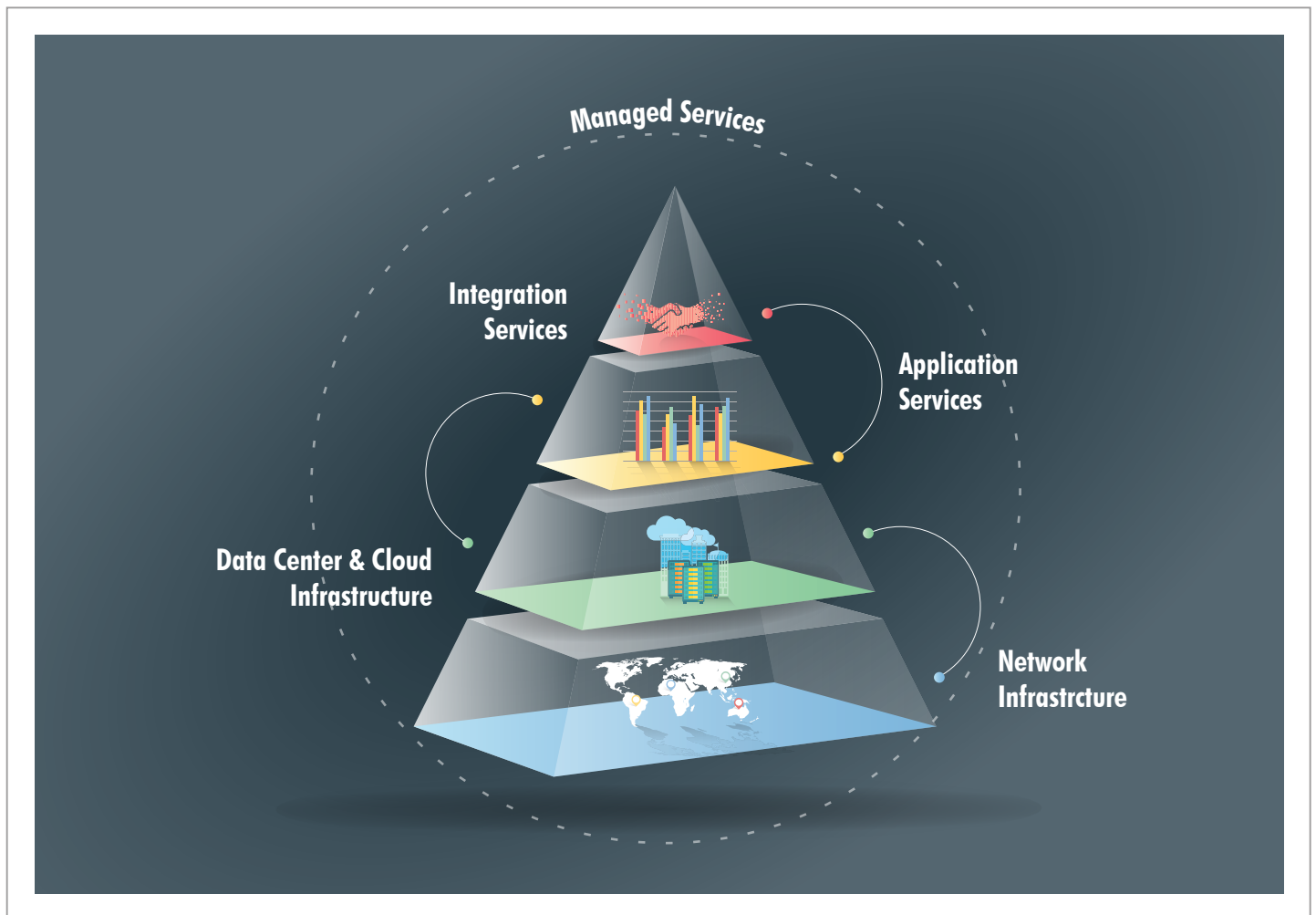
# key performance indicators

Amount in ₹ Lakhs (unless otherwise mentioned)

| PARTICULARS | 2016-17 | 2015-16 | 2014-15 | 2013-14[1] |
|---|---|---|---|---|
| Revenue from Operation | 1,84,320 | 1,50,349 | 1,28,643 | 1,04,628 |
| EBITDA | 25,704 | 24,500 | 20,011 | 16,201 |
| Profit before tax | 6,431 | 4,382 | 3,745 | 3,482 |
| Profit after tax | 6,424 | 4,383 | 3,744 | 3,482 |
| Dividends Paid (Excluding tax)[2] | 1,410 | 1,410 | 1,367 | - |
| Equity | 82,626 | 74,989 | 71,635 | 68,411 |
| Term Debt | 22,844 | 26,448 | 25,680 | 20,428 |
| Earnings per share (Basic) (₹) | 4.45 | 3.11 | 2.65 | 2.54 |
| Earnings per share (Diluted) (₹) | 4.45 | 3.10 | 2.65 | 2.54 |
| Dividend paid per share (₹)[2] | 1.00 | 1.00 | 1.00 | - |

1 Figures as per previous GAAP
2 ₹ 1,734 lakhs proposed as dividend for FY 2016-17 at ₹ 1.2 per share

# key highlights

- Revenue grew by 23% YoY and CAGR of 21% over last 4 years
- EBITDA growth of 5% YoY and CAGR of 17% over last 4 years
- PAT grew by 47% YoY and CAGR of 23% over last 4 years
- Dividend distribution to shareholders for four consecutive years
- Credit Rating of A+ (Long-term) and A1+ (Short-term) by CARE and ICRA for FY 2016-17 based on improved financial stability & Profitability
- Investment in Capital expenditure for ₹ 20,076 Lakhs last year
- Network span across 1400 towns and cities with approximately 2,800 PoPs and 90,000+ links
- Network connects 43 Data centers across India
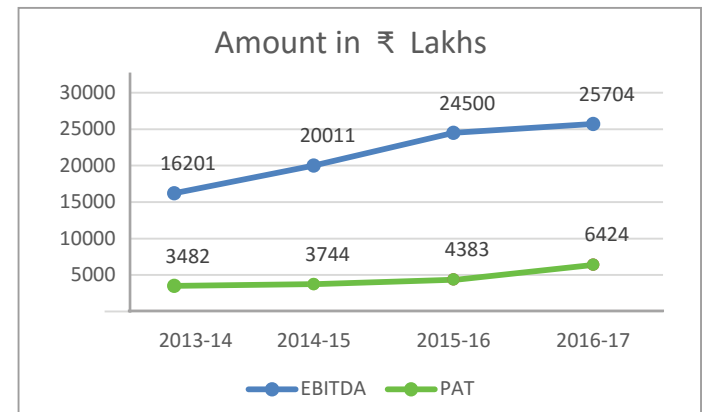
# financial performance

We are proud to announce our fourth year of operating profitably and the year where our revenue crossed the ₹ 180,000 Lakhs mark. It was a major achievement in terms of growth and this achievement has given us a positive financial standing in the market and the confidence to march forward with an unquenchable "Bring-it-on" attitude. The year 2016-17 also holds the privilege of being the fourth year of dividend declaration.
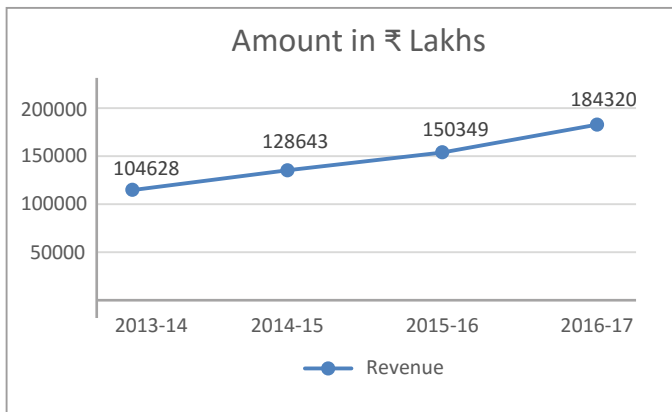
During the year, we have declared a dividend of ₹ 1.2 per share to equity shareholders.

With a sustained focus, we have reached revenues of over ₹ 180,000 Lakhs, with an annual compounded growth rate of 21% over 4 years.

The Revenue, EBITDA and PAT trend of our company since 2013-14 till the year 2016-17 is represented as follows.

**Amount in ₹ Lakhs**

| Year | Revenue |
|------|---------|
| 2013-14 | 104628 |
| 2014-15 | 128643 |
| 2015-16 | 150349 |
| 2016-17 | 184320 |

**Amount in ₹ Lakhs**

| Year | EBITDA | PAT |
|------|--------|-----|
| 2013-14 | 16201 | 3482 |
| 2014-15 | 20011 | 3744 |
| 2015-16 | 24500 | 4383 |
| 2016-17 | 25704 | 6424 |

# operating performance

We have completed the fourth year of achieving profits from operations. Our endeavor is to achieve the same year-on-year. Our Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) also have shown improvement over the years from ₹ 16,201 Lakhs in the year 2013 - 14 to ₹ 25,704 Lakhs in the year 2016-17. The improvement in operating performance over the years is primarily attributed to the increase in revenues and to some extent the optimization of costs. We invest in increasing the economy scale, by utilizing our existing infrastructure to serve new customers. This strategy helps to reduce the cost per customer and also enables us to provide specific services to the customers at competitive rates without compromising on quality.

# Board of Directors

The Board of Directors functions as the supervisory and controlling body for the company. The Board with its exclusive jurisdiction over policies and strategies of the company guides and leads in every phase.

## Raju Vegesna
### Chairman and Managing Director

Mr Raju Vegesna is a serial technology entrepreneur with a multi-decade series of successes. Before he took over as Chairman and Managing Director of Sify, he was the founder and CEO of ServerEngines, an industry leader in network and storage convergence products that grew rapidly from its inception in 2003 to its acquisition by Emulex in 2010. Mr. Raju then served as Chief Strategist for Emulex, responsible for the company's strategic direction and evangelizing the adoption of Emulex products to key customers and partners.

Mr. Vegesna currently serves as the Chairman and Managing Director of Sify Technologies Limited, after having purchased a majority stake in 2005. Prior to ServerEngines, Mr. Vegesna founded ServerWorks Corporation in 1994. He led the company which became the world leader in computer chipsets, commanding a 90% market share in the x86 server chipset market. ServerWorks was acquired by Broadcom Corporation for US$1.8 billion in 2001. Before ServerWorks, Mr. Raju co-founded and served as chief architect of Ross Technology Inc., spearheading the creation of the HyperSparc processor, a CPU used by Sun Microsystems to create its first multiprocessor computer servers. Before joining Ross Technology, Mr. Raju worked as an engineer for Motorola, where he created the microcode for Motorola's 68030 processor and the specification for the 68040 microprocessor.

He received a master's degree in computer engineering from Wayne State University and a bachelor's degree in electronics engineering from Bangalore University. Mr. Raju holds several patents on microprocessors and multiprocessor technologies. The Raju Vegesna Foundation funds programs to address the availability of clean water and education for communities in need.

# Ananda Raju Vegesna
## Executive Director

Mr Ananda Raju Vegesna has been the Executive Director of Sify from June 2007.

He is also the Managing Director of Infinity Satcom Universal Private Limited and Director of Village Inns Limited, Raju Vegesna Infotech & Industries Limited, Raju Vegesna Developers Private Limited and Ramanand Core Investment Company Private Limited.

# Vegesna Bala Saraswathi
## Director

Mrs. Bala Saraswathi Vegesna served as Finance Controller of ServerWorks Corporation and is presently the Director of the Raju Vegesna foundation. Today, she guides the foundation in its multiple welfare activities, both in India and the U.S.

Mrs. Bala is a nominee of M/s Infinity Capital Ventures LP (Infinity), USA on the Board

# Padma Shri. Dr. T H Chowdary
## Director

Padma Shri Dr. Chowdary runs the Center for Telecommunication Management and Studies in Secunderabad. His years of service with the government established him as a consummate advisor and mentor for new age industries.

He was awarded the Padma Shri, the fourth highest civilian award in India, by the Government.

From 1989-1993, he was Chairman of the Bharatiya Vidya Bhavan (the Indian Institute of Culture) Hyderabad, establishing and managing eight public schools in the States of Andhra Pradesh and Karnataka. He was also previously on the Governing Body of the University

College of Engineering, Osmania University and served as member of the Governing Board of the American Studies Research Center (ASRC), Hyderabad.

Mr. Chowdary is a senior member of the IEEE, New York, Fellow of the Institution of Engineers in India, Distinguished fellow of the Institute of Electronics & Telecom Engineers in India and was a past president of IETE in India.  An active philanthropist and community leader, he is Chairman of Pragna Bharati, an association of national intellectuals that publishes articles on different topics in Telugu newspapers.

# Dr. Siripurapu Kesava Rao
## Director

A career bureaucrat, Dr. S. K. Rao is Director General of the Administrative Staff College of India (ASCI), a management training institution for in-service administrators and managers in public and private sectors. Previously, he served as an economic adviser to the Ministry of Commerce in New Delhi.

For over two decades, Mr. Rao served in the Economic Affairs Division at the Commonwealth Secretariat in London in various diplomatic capacities before becoming Director of the Strategic Planning and Evaluation Division. He currently serves on the governing bodies of the National Institute of Public Finance, New Delhi and the National Police Academy, Hyderabad, India. He has been a Director on the Board of Sify from 2005.

# C B Mouli
## Director

Mr. C B Mouli is an expert in taxation and corporate law. He currently chairs the audit committee for Sify in addition to his duties as Director.

Mr. Mouli is a member of the Institute of Chartered Accountants of India and also holds a Bachelor of Law Degree. He is a partner of C.B. Mouli & Associates, a Chartered Accountants firm. He is also a Director on the Board of Ammana Bio Pharma Limited and Ammana Equity Fund Private Limited.

# C E S Azariah
## Director

Mr. C E S Azariah rose through the ranks of India's oldest banking institution, the State bank of India, before retiring as Chief General Manager. He then joined the Fixed Income, Money Markets & Derivatives Association of India (FIMMDA) as CEO. At FIMMDA, he was a member of the High Power Committee on Corporate Bonds and Securitization (R.H.Patil Committee).

He set up the Corporate Bond Trade Reporting Platform and drafted "FIMMDA's Code of Conduct" which has since been mandatorily used by all market participants.

# committees of Board of Directors

Our Board has constituted various committees as below:

## 1. audit committee

Our Audit Committee comprises three independent directors; Mr C B Mouli, Dr S K Rao and Mr C E S Azariah as determined under the applicable NASDAQ rules and Indian Companies Act, 2013.

The Audit Committee has a charter which sets out its responsibilities. The primary objective of the Audit Committee is to monitor and provide effective supervision of our financial reporting process with a view towards ensuring accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. Our audit committee oversees the work carried out in the financial reporting process by our management, including the internal auditors and the independent auditor and reviews the processes and safeguards employed by each. In addition, our audit committee has the responsibility of oversight and supervision over our system of internal controls over financial reporting, audit process and process for monitoring the compliance with related laws and regulations.

The Audit Committee recommends to our Board the appointment of our independent auditors and approves the scope of both audit and non-audit services. All members of the Audit Committee meet the independence requirements and majority of them meet financial literacy requirements as defined by applicable NASDAQ and SEC rules.

## 2. compensation committee

Compensation Committee consists of four Directors, Mr Ananda Raju Vegesna, Executive Director, Padma Shri Dr T H Chowdary, Dr S K Rao and Mr C E S Azariah as determined under applicable NASDAQ rules.

The Compensation Committee has a charter which sets out its responsibilities. The Compensation Committee determines the salaries, benefits and stock option grants for our employees, consultants, directors and other individuals compensated by our Company. It also administers our compensation plans.

The Company has also formed "Nomination and Remuneration Committee" in accordance with the Companies Act. It consists of four Directors, Mr Ananda Raju Vegesna, Padma Shri Dr T H Chowdary, Dr S K Rao and Mr C E S Azariah.

## 3. corporate social responsibility committee

Section 135 of the Indian Companies Act, 2013, requires the company to spend 2% of the average net profits from the three preceding financial years towards Corporate Social Responsibility (CSR) activities. For this purpose, the Board has constituted the Corporate Social Responsibility Committee (CSR).

The CSR Committee of the board consists of Mr Raju Vegesna, Mr Ananda Raju Vegesna and Mr C E S Azariah. The purpose of the CSR Committee is to monitor the implementation of the CSR projects or programs or activities undertaken by the Company and a responsibility statement shall be signed by the CSR Committee confirming compliance with the CSR objectives and Policy of the Company.

The Committee shall submit its report to the Board and the Board shall report the same in its report to the shareholders annually.

# 4. nominating committee

The Nominating Committee of the Board consists exclusively of the following non-executive, independent directors as determined under applicable NASDAQ rules: Dr T H Chowdary, Dr S K Rao and Mr C E S Azariah.

The Nominating Committee has a charter which sets out its responsibilities. The purpose of our Nominating Committee is to oversee our nomination process for our top level management and specifically to identify, screen and review individuals qualified to serve as our Executive Directors, NonExecutive Directors and Independent Directors consistent with criteria approved by our Board and to recommend, for approval by our Board, nominees for election at our annual general meeting of shareholders.

# management team

## David Nishball
### Chief Strategy Officer

Mr. David Nishball is one of the leading experts in building and managing Enterprise telecom operations in the Asia Pacific Region, having led the Enterprise segment for a number of global operators, joint venture companies, and emerging market operators.

He brings over twenty eight years of experience spanning various roles and functions in the telecommunications industry, including 18 years in the Asia Pacific Region.

Most recently, David was President of Airtel Enterprise Services from 2007-2010. Enterprise Services is a strategic business unit of Bharti Airtel Ltd., India's leading telecom service provider.

## Kamal Nath
### Chief Executive Officer

Mr Kamal Nath serves as the Chief Executive Officer of Sify Technologies Limited India operations since August 2012. He is a Graduate in Electronics and Communications from BIT, Sindri. He has an overall experience of 26 years with reputed organizations.

Prior to joining Sify, Kamal Nath had a 17-year tenure at HCL Tech, where he led various transformational engagements with large enterprises, incubated new business services, created innovative business models, and developed new and high-growth vertical customer segments. He was a founding member of HCL Comnet Ltd, the infrastructure services division of HCL Tech. In a career spanning 22 years, he has accumulated in-depth knowledge of systems integration, IT infrastructure management, technology integration and strategic outsourcing services.

## M P Vijay Kumar
### Chief Financial Officer

Mr M P Vijay Kumar serves as Chief Financial Officer since October 2007 and has over 20 years of experience in corporate audits, financial/management consulting, legal advisory services, management audit and investment banking.

He is a Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants of India (ICAI), Fellow Member of the Institute of Company Secretaries of India and Associate member of the Institute of Cost and Works Accountants of India.

He was a partner for over seven years with Yoganandh & Ram, an established chartered accountants firm. Prior to joining Yoganandh & Ram, he was employed with Sundaram Finance Services Ltd, Chennai, the Investment Banking arm of Sundaram Finance Limited. The firm provides a wide range of financial services. His responsibilities there included Head of investment banking, finance, accounts and he served as Company Secretary.

## C R Rao
### Chief Operating Officer

Mr. C R Rao is a Graduate in Commerce and Law and also holds an MBA. He comes with an overall experience of 26 years with around 16 years of rich experience in Strategic Planning and Operations Management.

Prior to joining Sify, he was with GSA Lufthansa as Vice President, responsible for Tamil Nadu and Andhra Pradesh.

## Mark Ryder
### Managing Director – Europe Operations

Mr. Mark Ryder joined us in January 2017 as Managing Director – European Operations to spearhead Sify's expansion plans focusing on supporting European businesses.

He brings a wealth of experience from a strong background in IT and Telecommunications in companies such as Verizon and Level 3. He also helped build European start-ups Colt and Zayo (formerly Geo). Mark has over 20 years of leadership experience across Wholesale, Enterprise, Public sector and Channel markets.

He is mandated with building the European business to help Sify realize its ambition to be a global ICT services company. He is working very closely with the wider teams and leadership in India to support and enable the business in Europe.

# our culture, ethics & values

## our vision

"We are building a world in which our **converged ICT ecosystem** and our **bring-it-on attitude** will be the competitive advantage to our customers"

## our mission

- Seed Entrepreneurial abilities within the organization

- Build convergence technologies

- Deliver cost-effective solutions

## our values

- Sify's success has been driven by its unique culture that values each Sifyite's contribution to its success story. At Sify, our values which we call the Sify Way, drive our Organizational behavior.

- Sify Way is constituted by the following 7 values:

  – Put customer needs first
  – Be accountable
  – Treat others with dignity
  – Be action oriented
  – Have the courage to confront issues
  – Always remember that you are part of the Sify team
  – Protect Sify's interest always

# business model and strategy

Our Business model finds its root in our vision statement; to build a converged ICT eco-system. Immaterial of the size of the Enterprise, they should be able to leverage the same levels of SLAs and gain from the technology. Hence, a small or Large Enterprise gets the same comprehensive bouquet of services.

The tangible part of the vision statement is the promise of all-services-one-service provider. With niche players emerging, an Enterprise has an elephantine task of evaluating multiple service providers. The net result is multiple vendors, all specializing in their fields with no single one who can comprehend the big picture. Sify aims to simplify that, either with the in-house services or in partnership with industry leaders.

Sify's converged eco-system aims to address this anomaly. On one side, we stitch the relevant relationships in place with the best-of-breed service providers and on the other, we front-end the large transformation within the Enterprise. What the Enterprise gets is a System Integrator who brings the latest to the table and holds the mandate to implement and improvise it.
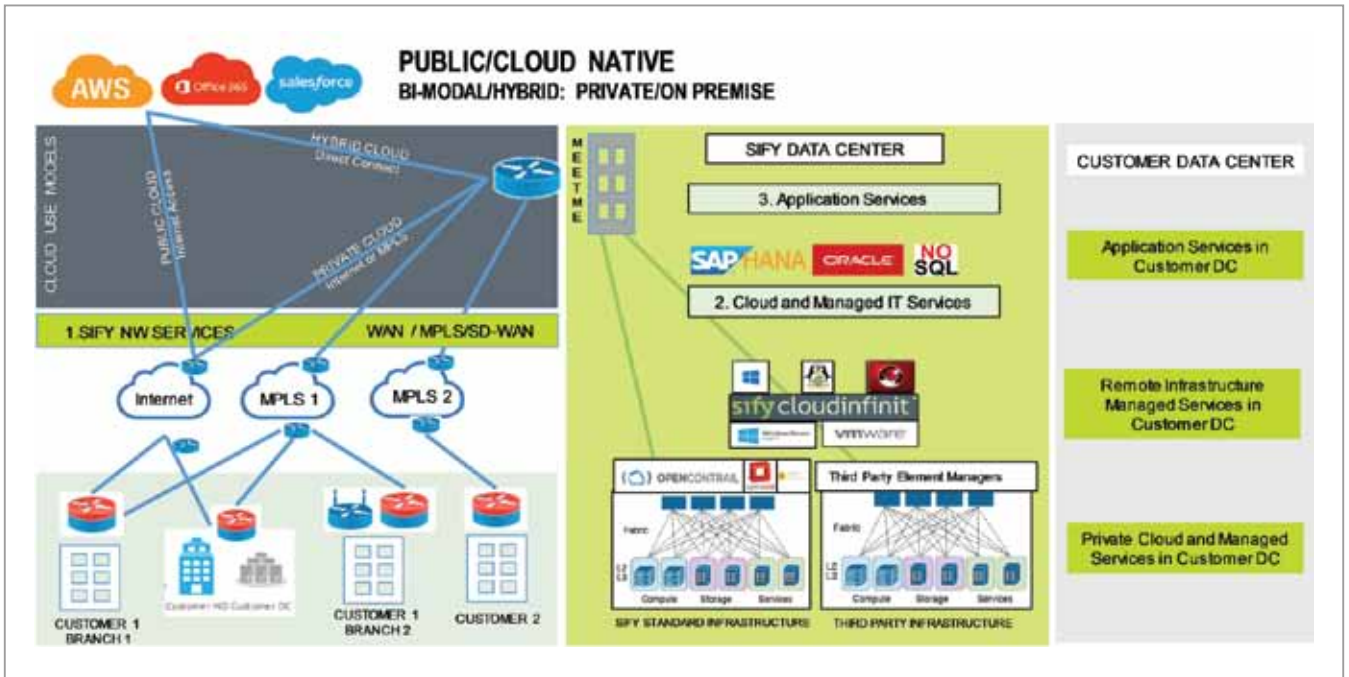
Any Enterprise who is looking for connectivity will also ponder about how his Data is going to be stored and secured, how future increments of this data are going to be accommodated, how his current applications are going to seamlessly integrate with the incoming applications and what would be the overall security apparatus governing it.

Simply put, our Business Model means nothing without the "Promise of Productivity" and the deliverance on that promise.

## inputs

- Financial Capital
- Manufactured Capital
- Intellectual Capital
- Human Capital
- Natural Capital
- Social & Relationship Capital
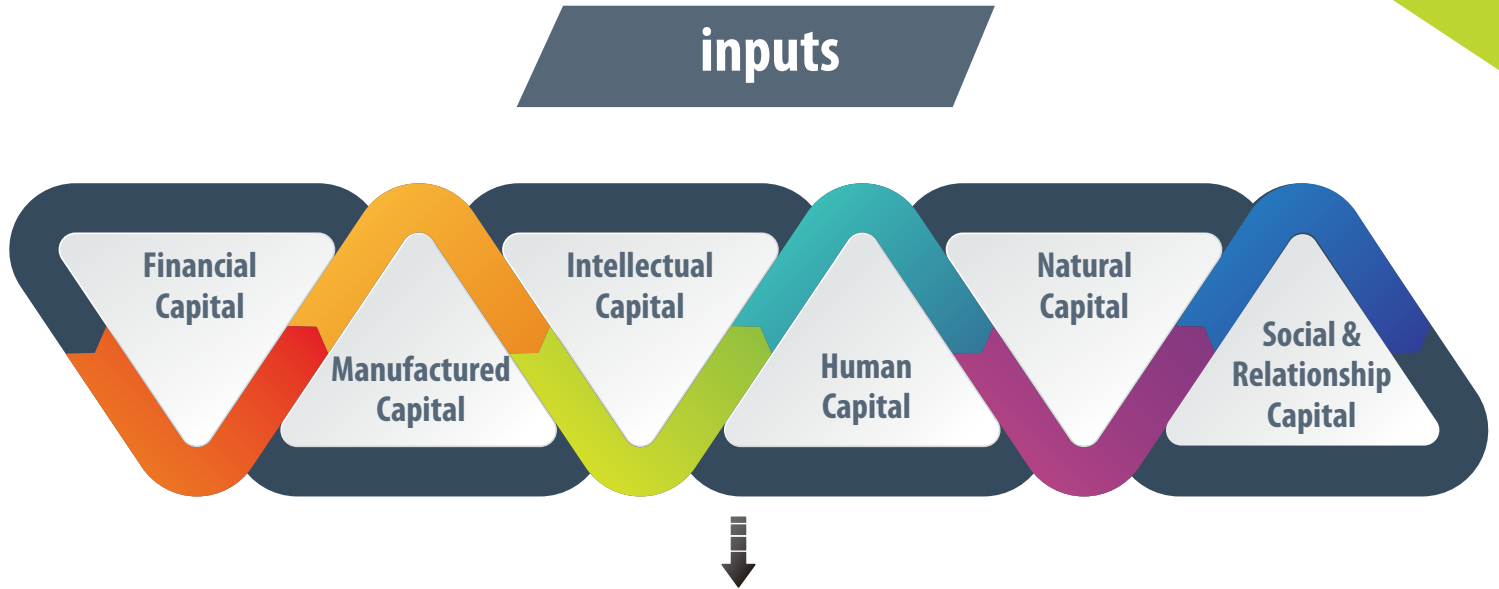
## business activities



## outcomes

- Return to Shareholders
- Rewards to Employees
- Customer satisfaction
- Brand value & Reputation
- Employment Opportunities
- Support to ICT Industry
- Competitive Advantage to our Customers
- Growth of Suppliers
- Positive Social Impact
- Lower Environmental Impact

# inputs

## 1. financial capital

Financial capital consists of pool of funds available to an organization to create value through conversion into other forms of capital.

The company generates financing requirements through equity, surplus generated from operations, short term & long term borrowings from banks and other non-banking financial corporations. The company has credit rating of A+ (long-term) and A1+ (short-term) by CARE and ICRA based on the company's improved stability and financial performance.

During the year, company has raised funds through equity infusion for ₹ 3,000 Lakhs. The company has raised funds through long-term borrowings to the extent of ₹ 12,291 Lakhs and repaid the long-term borrowings to the extent of ₹ 17,582 Lakhs during the year. The company has also increased the short term working capital borrowings by ₹ 5,698 Lakhs during the year.

The companies financial capital requirements are raised through borrowings from Banks and NBFCs.

**Note : INR 10 Lakhs = INR 1 Million**

**Summary of borrowings at the end of financial year are given below:**
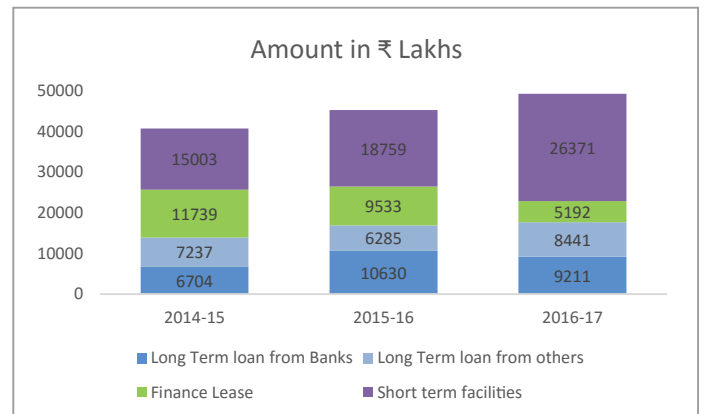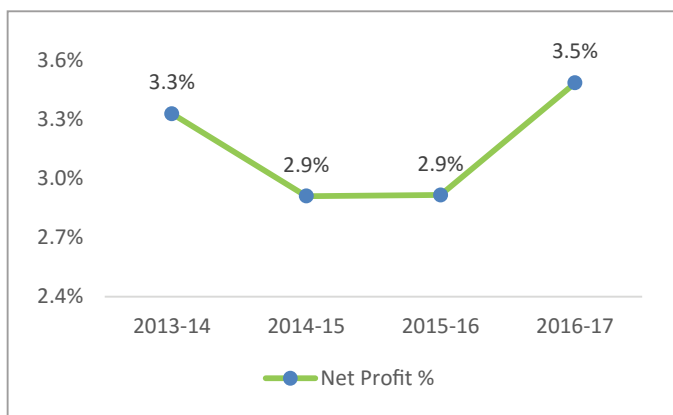


The company periodically reviews the debts requirements and aligns with the market conditions to minimize the Finance cost.
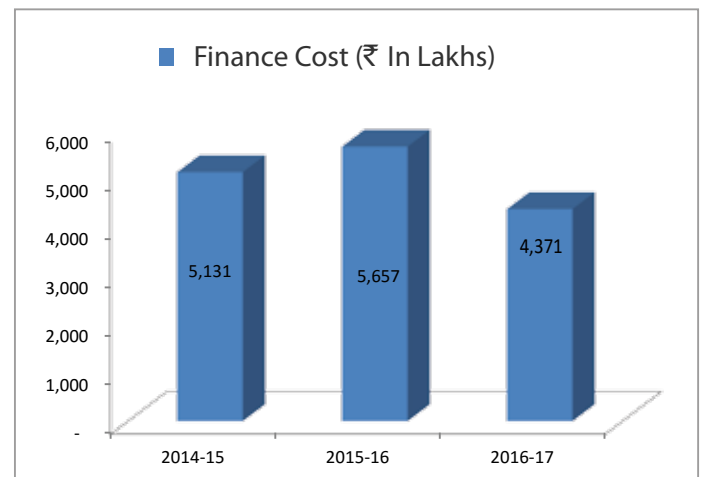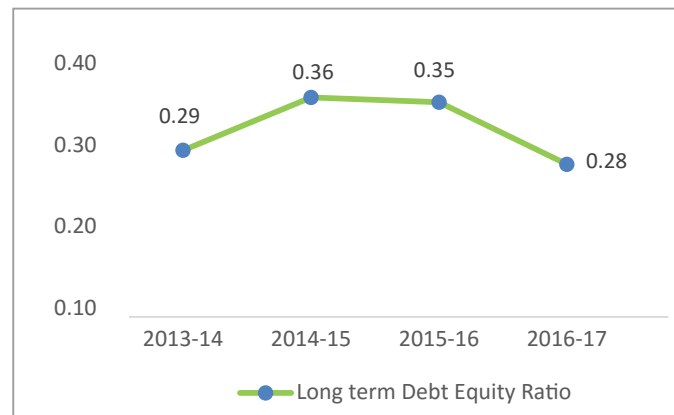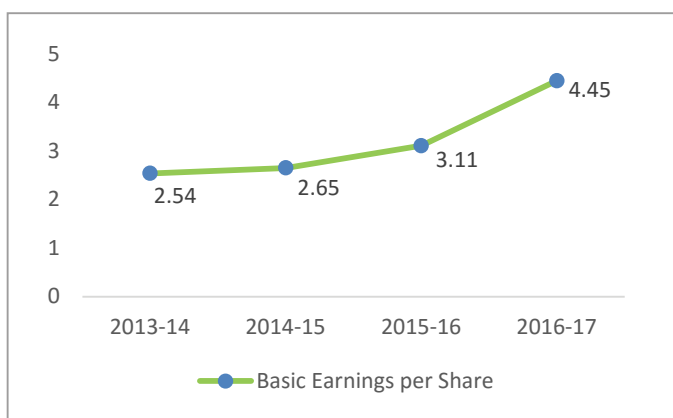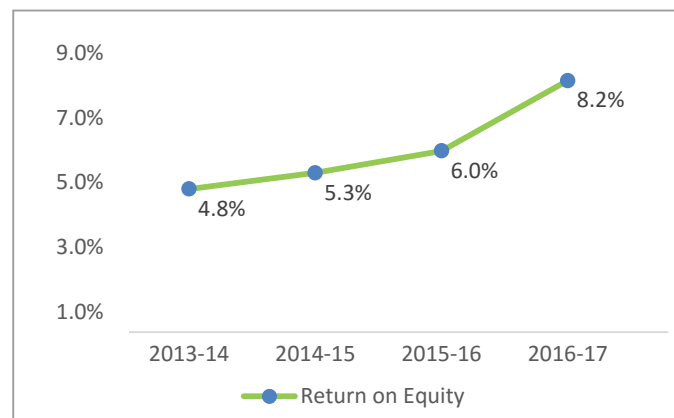
# key ratio trends

## Net profit by turnover

3.6%
3.3%
3.0%
2.7%
2.4%

3.3%
2.9%
2.9%
3.5%

2013-14    2014-15    2015-16    2016-17

—●— Net Profit %

## Long term debt by equity

0.40
0.30
0.20
0.10

0.29
0.36
0.35
0.28

2013-14    2014-15    2015-16    2016-17

—●— Long term Debt Equity Ratio

## Earnings per share

5
4
3
2
1
0

2.54
2.65
3.11
4.45

2013-14    2014-15    2015-16    2016-17

—●— Basic Earnings per Share

## Return on equity

9.0%
7.0%
5.0%
3.0%
1.0%

4.8%
5.3%
6.0%
8.2%

2013-14    2014-15    2015-16    2016-17

—●— Return on Equity

## Fixed assets turnover

3.00
2.50
2.00
1.50
1.00
0.50
-

1.70
1.97
2.17
2.57

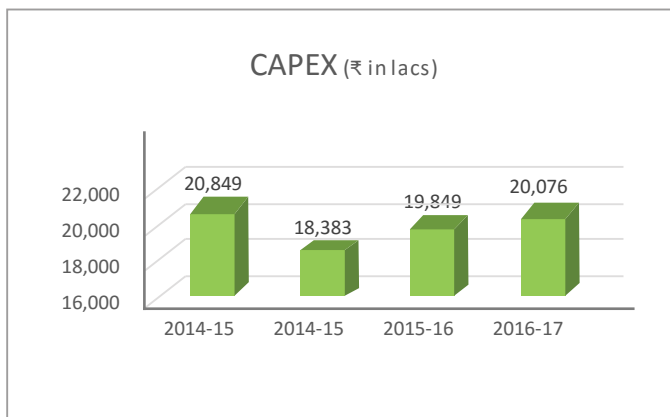2013-14    2014-15    2015-16    2016-17

—●— Fixed Assets Turnover Ratio
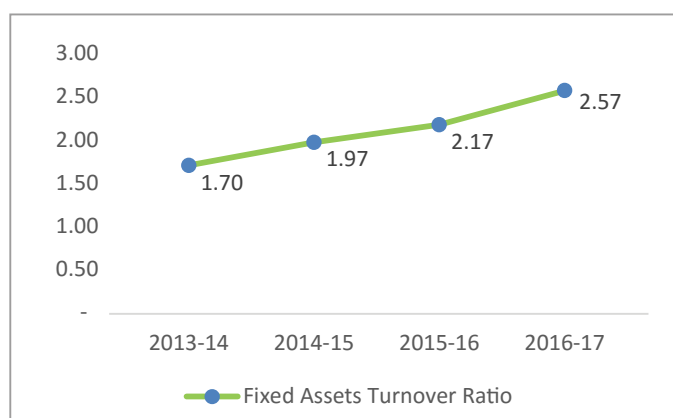
# 2. manufactured capital

Our manufactured capital includes our property, plant and equipment available for use for the provisioning of services. As on March 31, 2017, we have net tangible and intangible fixed assets amounting to ₹ 69,047 lakhs compared to fixed assets amounting to ₹ 67,252 lakhs as on March 31, 2016.

The company is consistently investing in capital expenditure. Summary of investment over last three years are given below:

**CAPEX** (₹ in lacs)

| | 2014-15 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| | 20,849 | 18,383 | 19,849 | 20,076 |

Since building India's first Tier 3 Data Center in September 2000, Sify pioneered Managed hosting and Enterprise-ready Cloud services. Sify's Data Centers are strategically located in different seismic zones, with highly redundant power and cooling systems that meet the highest standards of the industry.

We have 6 Tier 3 data centers at the following locations:

- Vashi, Mumbai
- TIDEL Park, Chennai
- Bengaluru, ITPL
- Airoli, Mumbai
- Noida
- Rabale, Mumbai

**Vashi, Mumbai**
- Sep 2000
- Raised Floor 12,000 Sq. Ft
- Power: 2 MV

**TIDEL Park, Chennai**
- Mar 2001
- Raised Floor 9,000 Sq.Ft
- Power: 1MVA

**Electronic city, Bengaluru**
- July 2006
- Raised Floor 14000 Sq.Ft
- Power: 4MVA

**Airoli, Mumbai**
- Aug 2008
- Raised Floor 45000 Sq.Ft
- Power: 10 MVA

**Noida, Delhi**
- Jun 2013
- Raised Floor 55000 Sq.Ft
- Power: 10 MVA

**Rabale, Mumbai**
- Apr 2014
- Raised Floor 65000 Sq.Ft
- Power: 20 MVA

**Spread across different seismic zones**

# 3. intellectual capital

## i. SMAC

This is Sify's indigenously developed wireless radios based on OFDM technology operating in the 5.7 GHz band. The radios run Sify's proprietary air interface protocol and MAC enhancements developed over the proven 802.11 technology. SMAC wireless radio is a product developed to meet service providers' varied needs to cater to enterprise connectivity solutions deliver up to 200 mbps per sector.

The device can operate in five modes – Access Point, Client Bridge, Client Router, Base and Satellite thereby ensuring it can cater to any customer or deployment needs that may arise. The device has built-in AES (128 bit) encryption to ensure maximum security for information exchanged over the wireless link.

SMAC series combines indigenously developed proprietary air interface protocol, OFDM and MIMO delivers top end performance delivering voice, video and data applications. It is an ideal choice for enterprise connectivity and provides for a cost effective solution for all kinds of verticals. SMAC is designed to deliver reliable service under harsh outdoor environment with certified IP67 protection.

## ii. sify data center architecture (SDA) 4.0

Sify's Data Center Architecture (SDA) is the in-house developed Data Center design and operations architecture for Sify's data centers. The SDA has evolved from its inception in year 2000 adapting Sify's Data Center experience, business requirement and adapting the international Data Center and infrastructure standards.

The current version SDA 4.0 is based on the Tier 3 concurrently maintainable topology of the Uptime Institute. The SDA 4.0 has adapted the POD based design architecture suiting the vertical and horizontal Data Center scalability with pre-defined capacity modules. Each POD is of 1440KW IT infrastructure with supporting non-IT infrastructure. The 1440KW module can support either a single data hall of 1440KW or multiple data hall within the 1440KW power capacity.

The highlight of the design is truly concurrently maintainable electrical and mechanical infrastructure where the equipment's and distribution paths are designed for maintenance without disrupting the working environment. The design also provides a common backplane where the modules for each POD can be added without any disturbance to the working PODs. The floor is

designed keeping the server hall or the white space as the core and has the supporting rooms located strategically around it, they are the electrical switch rooms, UPS and battery rooms, staging rooms, AHU rooms, BMS room, material handling docks, Staging rooms etc.

The SDA 4.0 provides below key benefits –

- Modular and Scalable
- Self-sufficient and Sustainable Standardization
- Operational and maintenance best practices

## iii. Forum NXT

Global companies entering the Indian market need a localized solution to handle local supply chain management challenges. Sify's comprehensive inventory management system - Forum NXT, is built based on the unique requirements of the Indian business environment. By integrating our cloudbased solution with Amazon's Web Services (AWS) platform, Forum NXT can easily scale to meet the needs of large international businesses.

Forum NXT enables organizations to oversee and manage their complete supply chain spread over diverse geographies. The AWS Internet of Things (IoT) solution lets a user interconnect devices and apps through the cloud. It's an ideal combination for the largest organizations, able to scale to a large number of simultaneous connections and trillions of messages.

Sify deploys and manages this cloud service for the users. We also enable our customers to integrate their Enterprise Resource Planning (ERP) systems with Forum NXT to make sure data is shared with all relevant stakeholders.

## iv. iTest

iTest is based on over a decade of experience developing and benchmarking a cloud-based registration and testing engine. It is an online tool for conducting tests for lakhs of students. Results can be obtained instantly. Test data is divided into different categories to support an in-depth analysis and to populate interactive reports. It is easy to use, flexible and secure.

Sify simplifies the entire testing process with this cloud-based service. It has built in integrated tools and templates that can be used to create tests easily and quickly.

The best testimony to the capability of Sify's indigenous iTest engine is the successful conduct of the 1st ever online examinations for the Government of India's Staff Selection Commission, involving nearly 65 lakh students.



6.45 million candidates across India

Across 101 cities

407 centers

completed in 30 days

7600+ Questions
prepared by Sify's in-house content development team

## v. Cloudinfinit

Cloudinfinit offers ready-to-use compute instances on a multi-tenant, robust and fully scalable infrastructure to host most demanding e-Business applications in an enterprise-grade, secure, highly available and selfcontrolled environment backed with stringent service level guarantees.

Cloudinfinit infrastructure is a dynamic pool of resources, offered to multiple organizations in a secure, isolated mode. Managed by Sify's 24x7

Cloud expert technical resource team, cloudinfinit infrastructure components is hosted in state-of-the-art Tier 3 Data Centers in Mumbai and Bangalore.

Cloudinfinit services offers wide choices across Compute, Storage, Network, Security, Analytics and Protection product stack, to provide end-to-end IT infrastructure on pay-per-use basis.
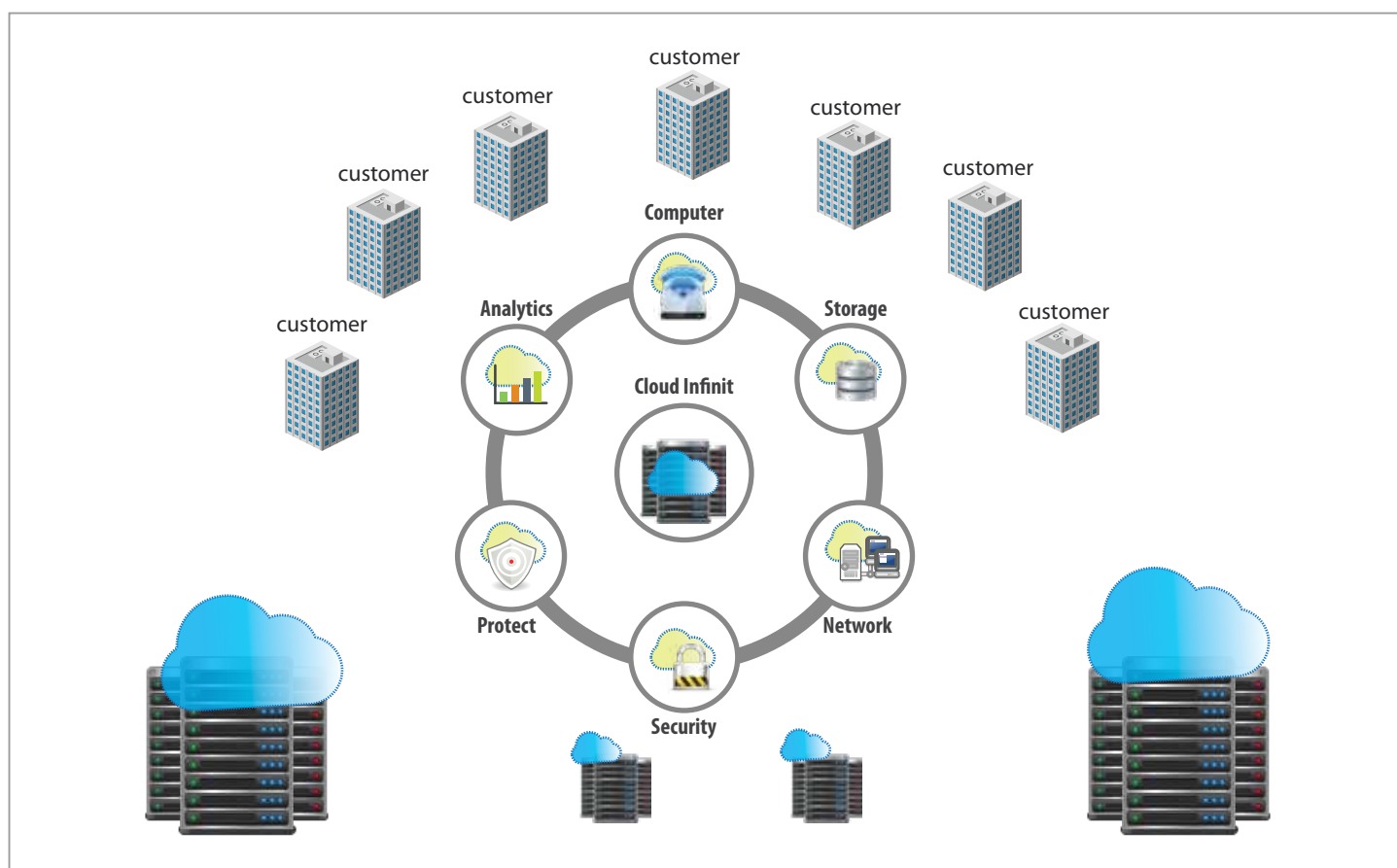
# 4. human capital

The bedrock of every company is its pool of experienced, qualified and talented pool of resources. The difference with Sify is the emancipation of that human element. This trait is also reflected in the vision statement as the "bring it on" attitude. It is a trait that has long defined Sify's thrust of pushing beyond boundaries and innovating in the face of constraints, both physical and technological.

## our HR philosophy

To be an Employer of Choice by creating a high-performance work culture through effective people practices that enables our associates to feel empowered and have a feeling of ownership and pride.

## talent pool creation

Our hiring philosophy is oriented towards sourcing and hiring candidates with relevant functional knowledge and subject matter expertise. Along with technical skill assessment, candidates are also assessed for specific competencies required to perform the role through case study and scenario based evaluation techniques and online assessment tools. We have set up a scalable talent acquisition practice.

## campus connect

Every year, fresh engineering & management graduates from identified colleges of repute are hired. The students are screened for aptitude and technical capabilities through online assessments, followed by technical and HR interviews. The selected students are inducted into the system through a robust onboarding and orientation program which includes classroom and on the-job training on business, products, delivery process, key behavioral and team building skills. The comprehensive training program is concluded with a Graduation day where the students who successfully complete the training are conferred with certificates and allotted to the different teams.

## performance management system

The appraisal system in Sify is structured such that performance of the associate is reviewed on quarterly basis against a given set of quantifiable metrics and goals set for the subsequent quarter. This was started from Q2 of this fiscal year. This quarterly performance review system ensures objectivity and timely feedback is given to the associate.

## career and development



Our Chairman Mr. Raju Vegesna's vision is to build "Sify for Generations". He strongly believes that, people with the right attitude and open mind are learners and great learners make and build great organizations. With time, technology changes and businesses transforms. This requires people to equip themselves with relevant skills and competitive edge to gain the winning advantage. And the winning advantage is what differentiates a great organization from a good one. This strong vision led to the formation of 'myacademy' which was launched by the Chairman on 14th Oct 2016.

Myacademy has been engaging with Sifyites to make learning and development more business focused, learner centric and outcome driven. A well-structured learning architecture has been laid out with the objective of building a learning culture.

Myacademy orchestrates the Learning and development to

1. Instill PRIDE in Sifyites through Role based Systematic Enablement, Capability Validation (Certification) across levels

2. ELEVATE Sify to Next Level by improved capability, thus building strong capable Teams to reach higher performance

3. Leadership Development to build strong leadership teams and succession planning.

## sify web radio

▼

Sify Web Radio is another training approach introduced by myacademy to reach out and educate associates on relevant learning sessions. Associates can log in to the web link at the scheduled time from their work spaces to listen to the learning sessions.

## other learning initiatives

▼

A climate of learning is nurtured in Sify where self-managed learning as well as coaching, mentoring and training flourishes.

## technical course reimbursements

▼

Besides Sify's myacademy, Sify provides for reimbursement of specific technical courses in an endeavor to encourage and facilitate development and upgradation of associate's technical skills and technologies to meet the changing needs of the business.

## certification & OEM sponsored programs

▼

Associates identified to play key roles in critical projects are sponsored for high end certification programs and OEM sponsored programs. These programs enable associates to get trained directly by the service owners and experts.

## job design, growth and retention

▼

At Sify, we believe that the key to achieving job satisfaction, high performance and enhanced productivity is by providing a platform which offers stimulating and interesting work assignments to associates. The jobs are designed to meet associate aspirations and organizational goals.

Associates who have the expected level of competency and expertise are proactively identified and groomed to take on larger responsibilities. They are absorbed into under a succession planning program depending on their value proposition and longevity in the Organization.

## employee engagement

▼

Employee engagement forums in Sify are many and varied. Our engagement with each associate commences way before his/her joining. The HR team ensures an ongoing conversation with each associate through a robust onboarding process.

## onboarding and feedback

▼

Associate onboarding process is to ensure smooth induction of the associate into the system by catering to his work needs (prior and post joining) and thereby provides a pleasant and memorable experience at work. Associate feedback system at each stage of the employee's association (Day 1, 7, 30, 90) with Sify is recorded through an online survey. This survey acts as a catalyst in helping us receive regular feedback from the associate. The feedback obtained from the survey is shared with concerned stakeholders to facilitate timely interventions and ensure associate satisfaction.

## talent showcase

▼

Cultural programs and competitions are organized on quarterly basis to enable employees showcase their talent and skills in various fine arts.

## sports

▼

Tournaments like Cricket, Football etc., are organized at periodic intervals with the objective of promoting physical fitness amongst employees and to encourage their extracurricular activities.

## health camps

▼

Health camps are conducted at regular intervals in the office premises, with the objective of promoting the general health and well-being of employees. The health camps cover the aspects of General Health, Eye, Dental and Cardio checkups amongst various other health screenings.

## employee communication

Effective communication is the key to success. At Sify, communication meets are organized at regular intervals where the Chairman and the senior leadership team addresses all the employees across locations on current business performance, significant wins, new alliances, any senior level organizational changes and management expectations. This forum is used as an open house session where associates are encouraged to express their views and relevant information pertaining to the business is shared.

## eZine

eZine is Sify's In-house newsletter which is published quarterly and serves as an effective medium of communication with employees and features various sections covering the Company and business based events, Industry Interactions, the seminars and conferences in which Sify has actively participated, client appreciations for our services and employee engagement events.
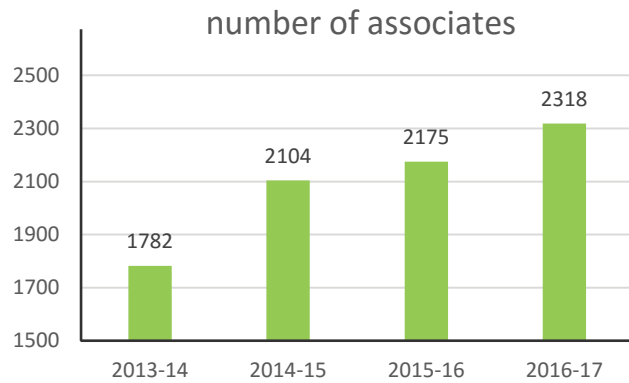
## business conferences

Business conferences are organized at National and regional levels where delivery and sales teams congregate at the same platform. Panel discussions, sales roadmap, delivery flow and mechanism, OEM presentations constitute the agenda.

## sexual harassment provision

Sify has zero tolerance for sexual harassment and the Company has implemented the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules made thereunder. During the financial year 2016-17, the Company received no complaints on sexual harassment.
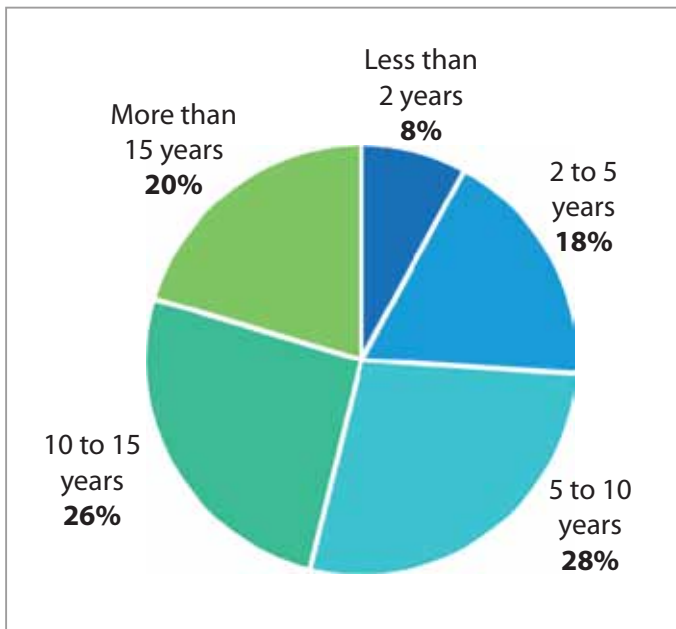
## human capital summary

### number of associates



| | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| --- | --- | --- | --- | --- |
| | 1782 | 2104 | 2175 | 2318 |

### number of resources as of March 31st, 2017 is given below.

| Gender | Regular | Contractors | Total |
| --- | --- | --- | --- |
| Male | 2102 | 1023 | 3125 |
| Female | 216 | 84 | 300 |
| Total | 2318 | 1107 | 3425 |

## geographical spread of associates

No. of associates

| Location | 2014-15 | 2015-16 | 2016-17 |
| --- | --- | --- | --- |
| Chennai | 985 | 1050 | 1116 |
| Bangalore | 97 | 92 | 95 |
| Hyderabad | 88 | 82 | 114 |
| Pune | 19 | 19 | 15 |
| Mumbai | 247 | 275 | 298 |
| Kolkatta | 60 | 62 | 74 |
| Noida/Delhi/NCR | 236 | 265 | 299 |
| Other locations | 375 | 330 | 307 |

## overall experience of associates



- Less than 2 years **8%**
- 2 to 5 years **18%**
- 5 to 10 years **28%**
- 10 to 15 years **26%**
- More than 15 years **20%**

# 5. natural capital

## green data center

As one of the few initial steps in our drive to create an eco-friendly environment, we have adopted the 'Green Data Center Policy'.

A Data Center is a repository for the storage, management and dissemination of data; the 'green' factor maximizes the process in which the mechanical, lighting, electrical and computer systems are designed for maximum energy efficiency and minimum environmental impact. The construction and operation of a green Data Center includes advanced technologies and strategies.

## solar and wind energy

As a major breakthrough measure to regulate our dependency on non-renewable sources of energy and exploiting the potential offered by the renewable sources of energy, we kick started our efforts to utilize solar energy and wind energy for our towers and Data Centers, respectively. Power drawn through wind energy is currently being used for our Data Center in Bengaluru and we are in the process of using the power derived from wind energy for our Data Center in Mumbai.

The power generated by windmills is being transmitted to the grids owned by government authorities, from which the power is drawn through regular electricity lines.

## lower carbon footprint

The facility in Noida is designed to minimize environmental impact. This is applicable for water, air, sound etc. No kind of waste materials, which may pollute the environment, is discharged into the surroundings.

We have adopted the Environment Impact Assessment (EIA) guidelines prescribed by the Ministry of Environment and Forests (MOEF). During the construction and operations phase of our Data Centers, we conduct regular audits (every 6 months) and the findings are submitted to MOEF.

# 6. social and relationship capital

India, in the 1990's, was a country not exposed to the benefits of the internet. That, along with high capital costs was a natural deterrent to any new technology being born. Also, the costs of infrastructure were prohibitive. Personal computers were a luxury and restricted to either common terminals at offices or the residences of a restricted few.

Sify broke the barrier by introducing the social benefits of the internet to the masses through its public internet access point called the Sify iWays. Indians thus had a window to the world of internet at a fraction of the cost.

Within a couple of years, brand 'Sify' became a symbol of freedom of expression online and the most visible public institution for online information. Sify continued its 'innovator' trait going forward to build India's first private Data Center at Vashi in September 2000. During the course of building the largest retail internet chain, Sify realized the benefits of taking its services, namely networks and Data Centers to the enterprise business community.

In a way this led to Sify broadening its scope of business from retail to enterprise services.

Among the values that brand 'Sify' shares with its more prominent peers was a factor of developing technology that is for the common good. In doing so, Sify has built unshakeable relationships with its stakeholders.

As a brand trait, Sify would own 'innovator' and 'disruptor' in equal measure. Innovator, because Sify has bought to India and Indians, technology that was hitherto unknown or beyond their realm. Disruptor, because Sify helped lower the cost of adoption of these technologies thereby making it available to a larger section of society.

In the last two decades Sify has evolved with time and today reiterates in full measure, its social commitment to society. In some of the recent measures, Sify has tried to embrace those on the margins of society and provide them with a means to a livelihood. For example, during the construction of the Noida Data Center, Sify had employed labourers around the site, trained them in safe civil practices and also opened a social centre for their families.

The Noida Data Center also complies with green norms established worldwide for commercial buildings. For example, the water is completely recycled, all common areas use motion-based sensors, and devices that optimise energy consumption.

Sify's association with investors dates back to the time it listed on the NASDAQ in 1999. From that date Sify has been an avowed follower of all the statutory norms of NASDAQ. In the 17 years that we have been listed, Sify has maintained a strict formal relationship with all investors, combining an allegiance to the SOX Act and its own high standards of ethical performance. All investors are kept abreast of all information without any malice. Periodic meetings with investors have helped to keep the personal touch while catering to a larger business demand.

## corporate social responsibility

As a responsible business corporation, Sify takes pride in being socially committed and focused on building sustainable and effective Corporate Social Responsibility (CSR) initiatives by focusing on three pillars - Community Development, Employability Enhancement and Environment Sustenance. Sify has contributed towards the below CSR initiatives during the year 2016-17:

1. Contribution to Venkateshwara Institute of Research and Rehabilitation for the Disabled Trust (VIRRD): ₹ 70 lakhs to VIRRD towards purchase of machine for the Hospital run by the trust.

2. Chitoor District Badminton Association: ₹ 10 lakhs contributed for All India Junior Ranking Tournament held at Tirupati.

3. Dr Ambedkar Vidya Academy: 3 lakhs contributed towards construction of class rooms.

4. Special Children Sports Academy: The Company has contributed ₹ 50000 to Special Children Sports Academy for the sports meet.

# business activities

We offer a wide range of services to our customers.
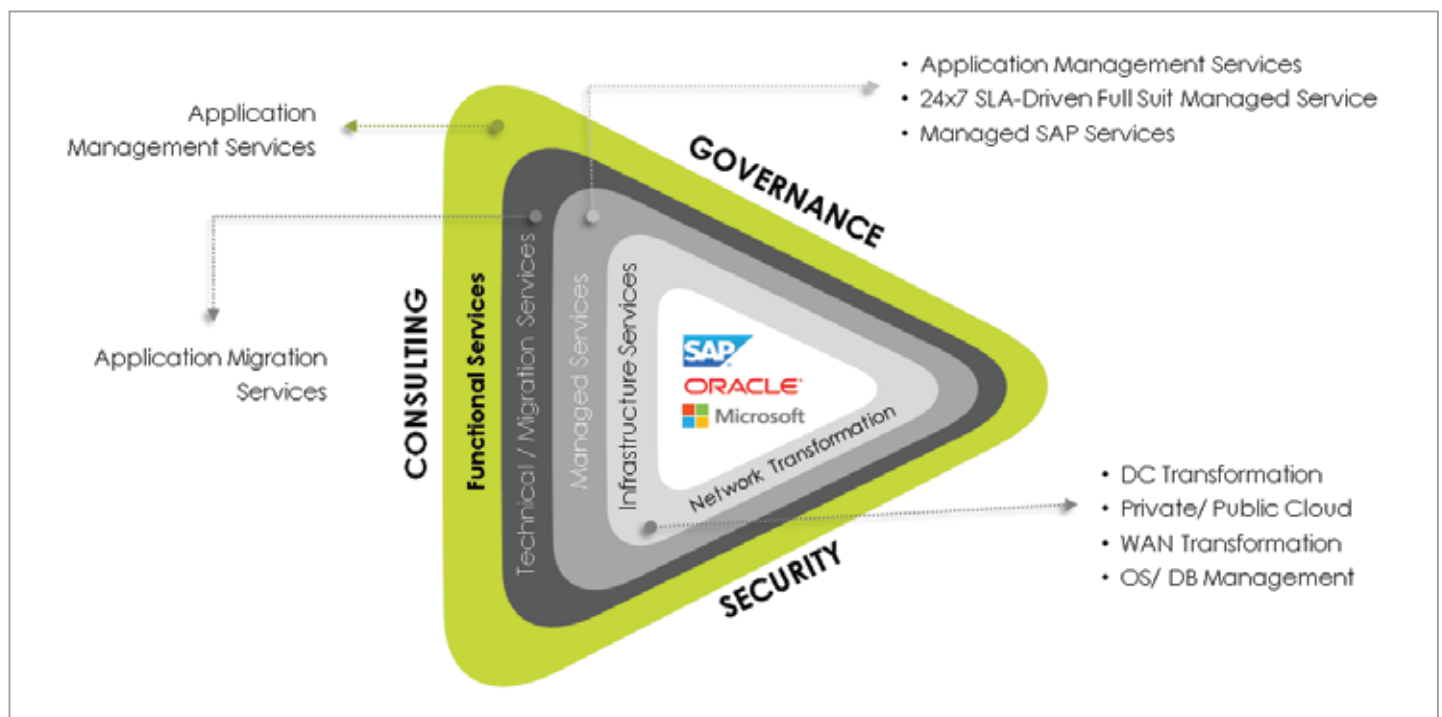


Our business segments are flows into Telecom services and Data Center services & IT services, which comprises Telecom services, Data Center services, Cloud and Managed services, Applications Integration services and Technology Integration services.

## i. telecom services

The oldest service in the portfolio is the Telecom Services which is also among the most matured, tracing its legacy back to our earlier years as India's first Private Internet Service Provider. The slower pace of use of private computers led a midway divergence to build networks that could be used by large Enterprises for their business needs. This early start has helped us to leverage the market potential. We are today India's leading network provider offering the highest wireless endpoints and an equal number of wired terminations.

Forecasting the explosive growth that the telecom market will see, we were the first in the country to offer an IPv6 ready network from day one; a fact underscored by the Telecom policy of 2012. This network today reaches around 1400 towns and cities enabling more than 2800 points of presence.

The focus of the Telecom Services is on the following lines:-

- India Data Business – With India emerging as one

of the largest consumers of Data services in the world, Sify's domestic Data services offer Indian enterprises dedicated Internet access services, MPLS services and Ethernet facilities over a next generation IPV6 network. We do this by leveraging our network span across 1400 towns and cities with approximately 2800 Points of Presence.

- Global Network Business – Addressing the connectivity needs of Enterprises and Carriers to connect in and out of India. Our partnerships with multiple international carriers provides for a seamless integration into and out of the India network. Sify offers such a service through its investment in the EIG (Europe India Gateway) cable as a consortium member.

- Wholesale Voice – Addressing the 'India termination' and several other countries for Hubbing. Our cable landing station at Versova, Mumbai is our strategic investment to address this business need and currently facilitates three

international cables servicing the Middle East and a majority of Europe. Investments into strategic global assets will continue to address the opportunity into and out of India.

- Retail Voice – In a partnership with the popular collaborative app, Skype for Business, Sify began offering this service to Enterprises thus plugging a critical service offering under their collaborative suite of services.

## ii. data center services

Right from our first Data Center at Vashi, Mumbai in 2000, we have invested in the top of the line technologies across all our networks with every new Data Center taking the game forward. The Sify SDA 4.0 is an architectural framework IP that has found acceptance in the several Data Centers that we have built for our customers.

These DCs also offer a multitude of Value Added services over the traditional notion of basic co-location and Opex driven storage solutions. At more than 2 Lakhs square feet coverage today including the new Data Centers, we are among the largest to offer Data Center space in the market.

We operate 6 Tier 3 Data Centers of which three are located in Mumbai (Bombay) and one each at Noida (UP), Chennai (Madras) and Bengaluru, which are designed to act as reliable, secure and scalable facilities to host mission-critical applications. We offer co-location services which allow customers to bring in their own rack-mountable servers and house them in shared racks or hire complete racks, and even 'secure cages' at the hosting facility as per their application requirements. We also offer a wide variety of managed hosting services, such as storage, back-up and restoration, performance monitoring and reporting hardware and software procurement and configuration and network configuration.

Across all its Data Centers, Sify offers the following world-class services:

- Rack space- unlimited, half rack and full rack
- Caged enclosures with access control system
- Dedicated CCTV cameras
- Managed services
- Managed shared firewall services
- Tape backup services
- FortKnox™ services
- Internet connectivity at the DC- fixed bandwidth or data transfer model
- Cross-connect services
- Dedicated seating space
- Fireproof vaulting & off-site tape movement services
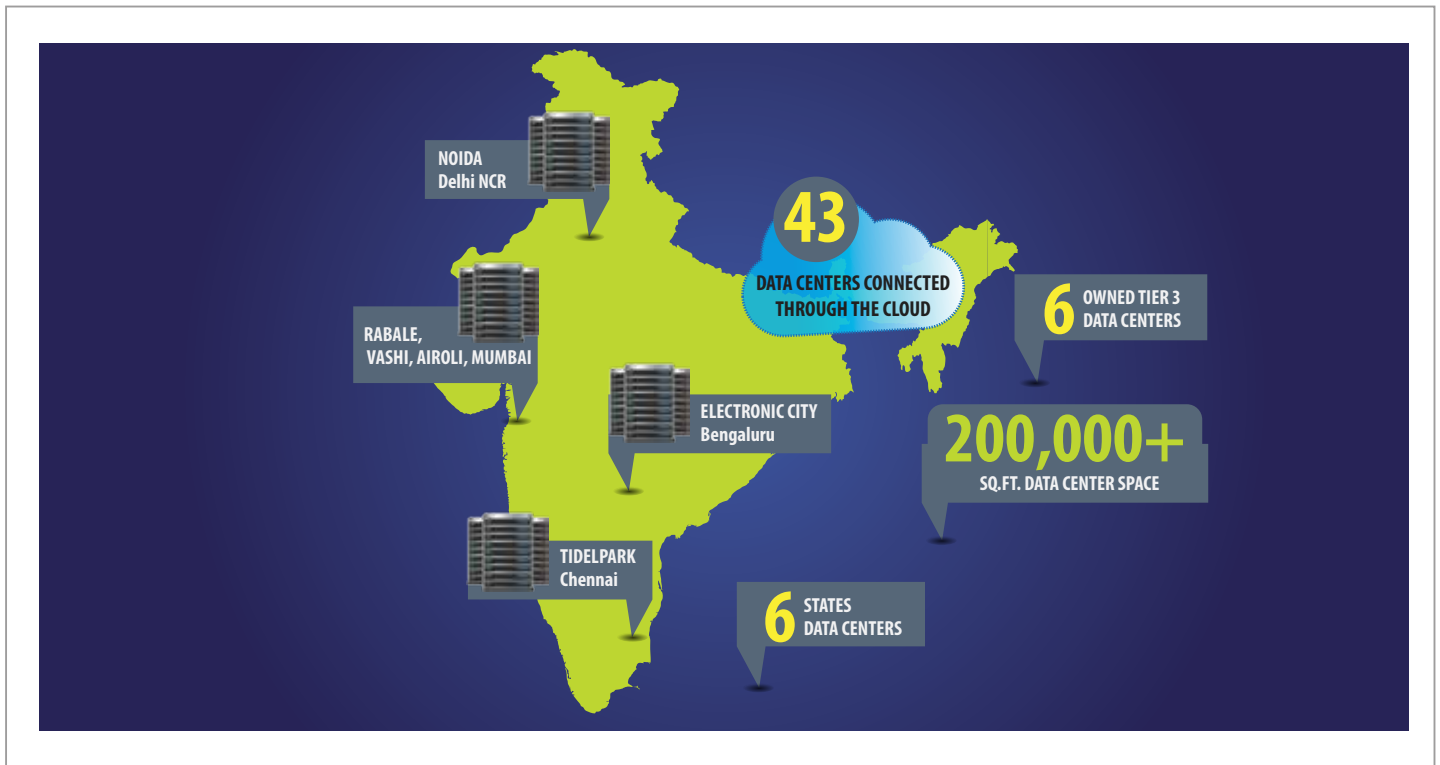
## iii. cloud and managed services

The last few years saw the emergence of Cloud or virtual storage as a tangible product offering. Several Emerging Enterprises saw the benefits of buying space-as-you-go as against investing in Capex driven infrastructure. The advent of this business was the quality of high class networks and promise to remotely store your data immaterial of where it was connected from and plugging into it when the enterprises choses to. This eliminated the need for cumbersome server monitoring and the associated cost of ownership.

In order to offer the best-of-breed services, we chose to tie up with the leaders in the business like HP and VMware. Our hosting services are also SAP Gold certified giving the much needed SLAs to our customers about the quality of our offerings.

Our on-demand hosting (cloud) services offers end-customers with the best in class solutions to Enterprises. We have joined the global program of two world majors and offer their suite of on-demand cloud services giving them the option to "rent" software licenses on a monthly "pay as you go" basis. This model is aimed at helping Indian companies, both large and small, to safely tap computing capacity inside and outside their

firewalls to help ensure quality of service for any application they choose to operate.

Our Remote and Onsite Infrastructure Managed services provides continuous proactive management and support of customer operating systems, applications and database layers through deploying specialized monitoring tools and infrastructure experts to ensure that our customers' infrastructure is performing optimally.

Our innovative SLA driven utility-based On-Demand storage service manages the complete lifecycle of enterprise information, from its inception to its final disposal. The fully managed, utility based, On-Demand, scalable storage platform is powered by global major in Data Systems. Sify's On-Demand storage service reduces the complexities of deploying and managing multiple storage tiers, and lowers operational costs by automating management with flexible need based pricing.

## iv. applications integration services

As with every industry major who chose to offer IT and managed services, Applications are also demanded by several of our clients. While we chose not to be a core Software player, we do enable the integration of multiple technologies and platforms and the cross breeding of existing ones.

This way, the clients can slowly transition the maturity cycle with their existing application before switching over to newer ones. That said on our services, some of our home grown applications, like Forum and iTest have found favor with a large number of our clientele.

Our range of web applications includes Sales Force Automation, Supply Chain Management, Intranet and Extranets, Workflow Engine, iTest, Managed SAP Integration Services and Knowledge Management Systems. Our Applications Integration services operates two of India's biggest online portals, www.sify.com and www.samachar.com, that function as principal entry points and gateway for accessing the Internet by providing useful web-related services and links. We also offer related content sites specifically tailored to Indian interests worldwide.

## v. technology integration services

The nearly two decades spent maturing into India's premier ICT player has led to building an enviable knowledge bank of integrating, monitoring, maintaining and upgrading every facet of service as demanded by a quickly converging market.

Sify offers turnkey solutions to clients who are new to both technology and technology refreshes. We do this by leveraging our homegrown expertise in design, implementation and maintenance to deliver end-to-end managed IT services across Data Center, network and security.

As described, this business takes the knowledge developed from building Network architecture, Unified Communication and Access, Collaborative tools, Data Center build, Virtualization, LAN and WAN Architecture and End Point Security and offers them as a complete solution package to customers.

This business is also responsible for Sify being part of the biggest deals in ground-up technology refreshes for some of India's prominent private and Government clients.

# outcomes

## returns to shareholders

We have been successful in generating profits in last few years and thus providing increasing return on equity to our shareholders. The return on equity has increased to 8.15% during current year compared to 5.98% during previous year. The Company has distributed dividend of ₹ 1 per share during the current and previous year. Further, the Board has recommended a dividend of ₹ 1.2 per share for financial year 2016-17.

## rewards and recognition

Sify appreciates and recognizes enduring commitment and service of its associates and confers service awards to those associates who complete specific years with the company.

Excellence awards for performance are awarded to deserving associates who by their sheer passion, commitment and excellence have contributed to Sify's growth and success.

## customer satisfaction

The success of our business depends largely on on-time delivery and in-line with the SLAs defined. The continuous growth in our customer base and revenues clearly indicate that we enjoy a fair amount of customer satisfaction. Our range of services and knowledge practises allow us to cater to every section of the customer base across multiple price points.

## brand value and reputation

A brand is made by the value it creates in the lives of the consumers. When Sify first started commercial operations, the guiding factor was to enable the internet for the common man. This endeavor found resonance with the public who identified Sify will all things concerning the internet. Along the way, we were able to quickly bring to the market multiple services all revolving around the internet that greatly enhances the quality of the consumer experience.

This is a reputation that Sify zealously guards by expanding both the scope and the scheme of its services. Today, Sify sits at the pinnacle of a rooster of services, all organically grown from our first business of connectivity and yet revolves in one form or the other around the Internet.

## employment opportunities

With the continuous growth in our business, there has been resultant growth in employment opportunities being created. A total of 2,318 associates were employed as on March 31, 2017 compared to 2,175 associates as on March 31, 2016. This amounts to and increase of 7% compared to previous year. Of our current associates, 110 are administrative, 390 form our sales and marketing, 37 are in product and content development, 1,712 are dedicated to technology and technical support, and 69 are in business process and customer care. Besides this, 1,107 associates are working on contract basis as on March 31, 2017.

## support to ICT industry

As of March 31, 2017, we serve over 6,500 corporate customers; our services are dominated by the telecom services. We render services across all industry segments such as automotive, banking and finance, governments, manufacturing, healthcare, retail & consumer, and telecom. As part of the nation building process, we take part in all the opportunities offered by the government sector (both State and Central) and have successfully completed many projects.

Telecom business is our major segment. It contributes to 55% of our total revenue. Having the largest MPLS network in India, we contribute extensively to telecom industry in India.

Data Center business contributes about 11%, Cloud and Managed Services – 5%, AIS 15% and TIS 14%.

## competitive advantage

▼

With our converged ICT ecosystem and 'bring it on' attitude we provide competitive advantage to our customers. Competitive advantage is the strategic advantage business/individual entity has over its rival entities within its competitive industry. The strategic advantage can be on cost, technology, people or time.

## growth of suppliers

▼

In the close to two decades of our growth, there are a number of vendors and suppliers, both technical and otherwise, who give credit to their growth to Sify. With time, we have seen many of them grown from fledging companies to organisations of repute. As a brand, this is telling commentary on successfully growing an efficient ecosystem.

## positive social impact

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Our contribution to society is essential for sustainability of our business operations. We have created a positive social impact through our CSR activities. During the year, Company has contributed ₹ 84 lakhs on CSR activities compared to ₹ 53 lakhs spent during previous year.

## lower environmental impact

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We have been consistently focusing on reducing the impact of our operations on the environment. Use of green technology in our Noida Data Center, utilisation of solar energy and wind energy for our towers and Data Centers are instances of our efforts in reducing impact on environment.

# strategy

Our continuous growth is a direct outcome linked with our well planned strategy. Our strategies include but are not limited to the following:

- Invest in newer more efficient technologies.

- Expand sales distribution channels through strategic alliances to take advantage of sales and marketing capabilities of strategic partners.

- Pursue selective strategic investments and acquisitions.

- Build custom turnkey IoT solutions for businesses to let enterprises choose IoT as a managed cloud service.

- Guide businesses to understand and design effective training, aligned to business outcomes and learning objectives.

- Bring in a Vertical strategy to bundle products and solutions to cater to the unique needs of industry verticals.

- Expand into international markets for managed network services.

## India

- Expand footprint in India through network and data center - gain market share by expanding awareness of the Sify brand name.
-
  Strengthen end-to-end services for ICT and remain the only comprehensive service provider in India.

## USA

- Expand into USA by offering managed services for Cloud customers.

- Offer third party application services to prospective customers entering India.

## Europe

- Expand our footprint in Europe by specifically catering to the managed services market and simultaneously feeding the growing Voice interconnect market.

- Our focus in Europe is to target in-bound voice and data traffic to India by partnering with Data Center service providers in Europe for colocation services in India.

## brand communication

- Launch a dynamic and contemporary brand website with interactive and intuitive presentation to upgrade the website into a round-the-year brand marketing tool and thereby elevate the brand stature.

- Launch a 'Sify Now' brand campaign to establish a new positioning of Sify Technologies and capture the mind space of current and prospective customers.

# risks and opportunities

## risks

### i. the economic environment, increased pricing pressure and decreased utilization rates could negatively impact our revenues and operating results.

Spending on technology products and services has seen fluctuations in the recent past as a result of the global economic slowdown. Factors such as the pace of recovery, management of large government deficits, sovereign ratings of government bonds, which we believe remains challenging in many countries and may continue to be challenging in the near future, or any slowdown in global IT spending may adversely affect our revenue growth, due to the markets in which our clients operate. Global economic performance also has a bearing on our Infrastructure and e-Learning businesses. Currency fluctuations will also lead to variations in revenue. The Infrastructure Managed Services, National Long Distance ('NLD') / International Long Distance ('ILD') business and eLearning may be affected on the back of fluctuating of prices.

With regard to the Indian economy, we continue to experience pricing pressure due to competition in the markets in which we operate. Lead times for orders or contracts have become much longer, as we have longer credit periods. These factors have affected and will affect the growth in demand for our Enterprise business.

We have invested in building our network and Data Center infrastructure and will continue to invest in the future. Our utilization rates of the existing and prospective infrastructure will determine our profitability. We may not utilize our infrastructure at the optimum level which would impact our revenue.

Reduction in IT spending, inability to maintain or increase prices, extended credit terms and inability to maintain or improve utilization rates of our infrastructure may adversely impact our revenues, gross profits, operating margins and results of operations.

### mitigating strategy

We are adopting measures in order to ensure that we offer services at competitive prices to our customers. Regular budgets are prepared and the same is compared with actual performance. Adequate measures are taken to ensure tighter control on expenses and build infrastructure in const effective manner with innovation in design and operations management.

### ii. currency fluctuations may affect the results of our operations or the value of our ADR.

The exchange rate between the Indian rupee and the U.S. dollar has changed significantly in recent years and may continue to fluctuate substantially in the future. We have receivables and payables in foreign currency. Exchange rate fluctuations may adversely affect our cash flows arising on account of settlement of these balances.

### mitigating strategy

We use derivative financial instruments, such as foreign exchange forward and option contracts, to hedge the risk of changes in foreign exchange rates on receivables and payables.

### iii. intense competition in our businesses could prevent us from improving our profitability

A significant number of competitors have entered India's Internet service provider industry. The large players may enjoy significant competitive advantages over us, including greater financial resources, which could allow them to charge prices that are lower than ours in order to attract customers.

### mitigating strategy

We have maintained sound relationship with our customers by delivering quality services on a timely basis. We have been continuously monitoring our costs with budgets. This enables us to maintain competitive prices for our products and services.

## iv. procuring power at lower costs for data centers by the competitors may put us at a disadvantage in terms of pricing for our data center operations.

The single largest operating cost in Data Centers is power. Currently all Data Centers are located in proximity to or at the edge of major urban centers such as Mumbai, Chennai, Bengaluru and Noida. Inexpensive land and labor allow companies to locate new Data Centers in remote locations. We may neither be in a position to develop Data Centers at remote locations where power is cheap nor procure power at cheaper rates for our Data Centers. If our competitors procure power at lower cost, they may have an advantage over us with respect to pricing. Our inability to offer competitive pricing may result in loss of customers and will impact our business and result of operations.

### mitigating strategy

Power is the critical billing factor in data centers. Since this might increase with time we are adopting measures to reduce our dependency on power by adopting alternate sources like renewable power from Wind, Solar and Water.

## v. our business may not be compatible with delivery methods of internet access services developed in the future.

We face the risk that fundamental changes may occur in the delivery of Internet access services in India. The Internet market has seen significant changes in the recent past from connecting fixed locations to connecting Mobile devices and now connecting 'things' of late. To continue to be relevant in this dynamic and disruptive environment, we have to develop new technology or modify our existing technology. Our pursuit of these technological advances, whether directly through internal development or with third party licenses may require substantial investment in capital and time. We may be unable to adapt our Internet services business to alternate delivery means and new technology might not be available to us at all.

### mitigating strategy

We have recruited professionals from all fields having strong technical background and specialized knowledge. Necessary training programs are conducted on regular basis for our associates so as keep them updated with knowledge about latest technologies and to overcome any challenges arising on account of technological advancement.

# opportunities

According to NASSCOM, Indian tech players are helping to create smart enterprises through confluence of Digital technologies- Cloud, Mobility, IOT, Social, Big Data Industry players adopting multiple business models (partnerships / collaboration / M&A) to address the digital opportunity.

## Indian telecommunication sector is expected to witness fast growth

India is currently the world's second-largest telecommunications market with a subscriber base of 1.05 billion and has registered strong growth in the past decade and half. According to report prepared by GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG), the Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP).

As per a Microsoft report, India will emerge as a leading player in the virtual world by having 700 million internet users of the 4.7 billion global users by 2025. Internet economy is expected to touch Rs 10 trillion (US$ 155 billion) by 2018 contributing around 5 per cent to the country's GDP. The Indian telecommunication sector is expected to witness fast growth in the next few years with the government's favourable regulation policies and 4G services hitting the market.

## Data Center market in India to touch $4.5 billion by 2018*

Currently valued at $2.2 billion, India's Data Center infrastructure market is expected to touch $4.5 billion by 2018.

India is poised to be the second-largest market for data centers in Asia-Pacific by 2020 and the investments are expected to reach $7 billion.

## factors likely to contribute:

Cloud Computing and virtualization will lead the technology evolution and continue to trigger growth in the data center services market.

## cloud spending in India is expected to cross $10 billion by 2020 **

Massive investments in Data Centers by technology vendors for banking, financial services and the insurance segment is driving cloud adoption.

## factors likely to contribute:

− Investments to set up local Data Centers and a rapidly growing developer ecosystem in the country.

− IT/ITeS verticals will consume 35-45 per cent of the total public cloud spending.

Having spread its network in almost every corner of the Country and with its comprehensive bouquet of services, Sify has a bigger role to play in years to come in formation of Digital India.

*IAMAI report 2016, ** According to research firm Zinnov*

# competition and our market standing

Viewed from an industry perspective, Sify is India's only enabler for both Telecom and IT players alike. Our uniqueness stems from offering the largest MPLS for any company looking for connectivity, an industry leading coLocation and Cloud services, a significant System Integration service and a growing knowledge practice. On the network side, that translates to largest number of Enterprise nodes at more than 90,000.

From a connectivity angle, all the big Telecom companies like Bharti, BSNL and TCL will qualify as competition.

On the Data Center front, our advantage is an industry leading 99.984% uptime and 40 MWA of power across 6 Tier 3 DCs. Currently these DCs accommodate both coLocation and cloud services. And in time, we see the demand for Cloud services increasing.

The strength of the business can be gauged by the fact that the Sify Data Center Architecture Ver4.0 (SDA 4.0) has found a market in the 15 DCs that we built for other clients, including 6 State governments.

Competition is from players like Netmagic (now owned by NTT), CtrlS, Reliance Communication and Nxtra Data.

On the Cloud and Managed Services, the advantage we hold is the unique self-sustaining portal for Cloud space, cloudinfinit, that a potential customer can log in to and choose his consumption pattern and pay as he grows. Peer group has players like Amazon Web Services and IBM.

Applications Integration Services offers a unique blend of home grown and Industry standard applications. This makes us both collaborator and competitor for several players like SAP, Oracle and Microsoft while being on par with Industry legacy giants like TCS and Wipro.

Technology Integration Services is quite unique in its capability and hence rather thin in competition. It's a ground-up System integrator and a Digital transformation evangelist. An example of competition would be born again system integrators like Wipro who don't have the advantage of a network like we do.

# awards and recognition

**Sify is a Business Superbrand**
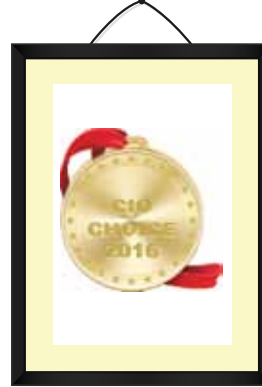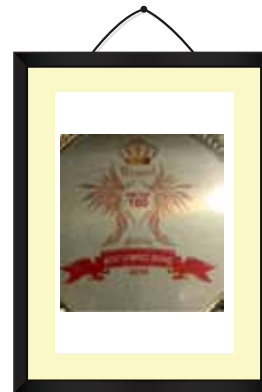
**Integrated Data Center Solutions**

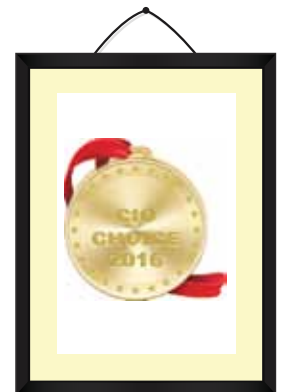**Most Innovative Offering: SMACnet by CyberMedia**

**Most Promising Brand by WCRC**

**Best Enterprise Data Center by The Economic Times**

**Most Admired Brand 2017 by VAR India**

**Managed Network Solutions**

**National Award for Best Technology for Social Cause for the Department of Posts by CyberMedia**

**ICT Company of the year by VAR India**

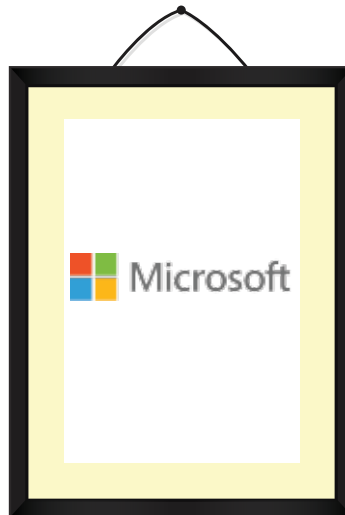**Data Center Transformation Services**

# awards and recognition



**Valuable contribution towards successful DC Migration of a Customer: Max Life**



**IT Giant of the Year 2016 by 4Ps Planman Media**



**MICROSOFT Hosting Partner of the Year 2016**



**Award for Brand Transformation by Cybermedia**



**Excellence in e-Learning Solution by Brandon Hall**
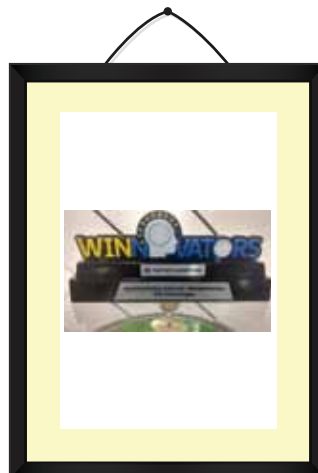


**Partner of the year by CA Technologies**



**CIO Review recognised Sify as the Company of the Year in the Cloud & Managed Services vertical**

# sify ■ keeping you ahead