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Board of Directors

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

T H Chowdary

C B Mouli

P S Raju

S K Rao

C E S Azariah

Audit Committee

C B Mouli
Chairman & Financial Expert

S K Rao

C E S Azariah

Compensation Committee

T H Chowdary
Chairman

P S Raju

S K Rao

C E S Azariah

Nomination & Remuneration Committee

T H Chowdary
Chairman

S K Rao

C E S Azariah

Corporate Social Responsibility Committee

Raju Vegesna
Chairman

Ananda Raju Vegesna

C E S Azariah

M P Vijay Kumar
Chief Financial Officer

L V Veeranjaneyulu Y
Company Secretary

Registered Office
2nd Floor, TIDEL Park
4, Rajiv Gandhi Salai
Taramani, Chennai 600 113

Bankers
State Bank of India
AXIS Bank Limited
Union Bank of India
ICICI Bank Limited

Auditors
ASA & Associates
Chartered Accountants
Chennai

DIRECTORS' REPORT

Dear Members,

Your Directors present the Eighteenth Annual Report together with the audited financials of your Company for the financial year ended March 31, 2014.

I Financial highlights

₹ in million

Details	Year ended March 31, 2014 *	Year ended March 31, 2013
Income from operations	10,446	8,212
Other Income	205	209
Profit Before Interest, Tax, Depreciation & Amortization and exceptional items	1,663	1,004
Depreciation and amortization	1,073	841
Interest expense	266	184
Profit before Tax and Exceptional items	386	31
Exceptional items	320	394
Profit before tax	706	426
Profit after Tax	706	426
Proposed Dividend	137	-

* represents the financials of the Company after merger of operating entity Sify Software Limited and non-operating entity Hermit Projects Private Limited

During the year under review, your Company registered revenue from operations ₹ 10,446 million as against ₹ 8,212 million in the previous year, a growth of 27.2%. The EBITDA for the year was ₹ 1,663 million as compared to ₹ 1,004 million in the previous year, a growth of 66%. The Profit before Tax and Exceptional items for the year was ₹ 386 million compared to ₹ 31 million in the previous year. The Profit before tax for the year was ₹ 706 million compared to the profit of ₹ 426 million reported during the previous year, reflecting improvement in the performance of the Company.

Dividend:

Considering the profits of the Company for the year 2013-14, your Directors are pleased to recommend a maiden dividend of Re.1 per paid up Equity Share of ₹ 10 each for the year ended March 31, 2014. The payment is subject to the approval of shareholders at the ensuing Annual General Meeting of the Company. The total payout for the Company would be ₹ 137 million towards Dividend and ₹ 23 million towards Dividend Distribution Tax.

Major Corporate Developments

1. Incorporation of US Subsidiary

With a view to expand the Company's international business, specifically in the area of Remote Infrastructure Managed Services, the Company has incorporated its Wholly Owned Subsidiary by name Sify Technologies North America Corporation in the State of Delaware, USA on May 7, 2014.

2. Merger of Subsidiary Companies

The shareholders had approved in the last Annual General Meeting the merger of Sify Software Limited and Hermit Projects Private Limited into Sify Technologies Limited. The Companies subsequently filed petitions with the Hon'ble High Court of Madras and the Court sanctioned the Scheme of Arrangement vide its Order dated April 7, 2014, the merger of Sify Software Limited and Hermit Projects Private Limited, the two wholly owned Subsidiary Companies, with Sify Technologies Limited effective April 1, 2013.

Consequent to the merger, the Company continues to carry on the business of erstwhile Sify Software Limited.

3. Setting off the carry forward losses against Securities Premium Account

The Shareholders of the Company had approved at the Court convened meeting held on November 11, 2013 for setting off the carried forward losses of ₹ 2766.10 million against the Company's Securities Premium Account. The Company filed petition as referred above with the Hon'ble High Court of Madras and the Court sanctioned the Scheme of Arrangement vide its Order dated April 7, 2014. The necessary adjustments have been incorporated in the financials for the year ended March 31, 2014. After the adjustments, the Company's Securities Premium Account stood at ₹ 4,137 million.

4. Proposed merger of Subsidiary

Pace Info Com Park Private Limited (PACE), a Wholly Owned Subsidiary was acquired as a Special Purpose Vehicle for construction of a Data Centre at Noida. Since the construction is completed and the Data Centre is operational, it is proposed to merge PACE with the Company.

Your Directors further wish to state that the Board of Directors of PACE has approved the merger of the subsidiary with your Company effective April 1, 2014. The proposal is subject to the approval of the Shareholders of the Company at a Court convened meeting and the confirmation of the Hon'ble High Court of Judicature at Madras and/or other statutory authorities.

5. Sify Empower India Foundation

In the last year's Director's Report, your Directors had stated that Sify Empower India Foundation (SEIF), organization not for profit and a majority owned subsidiary of the Company, would be closed by filing the necessary application with the statutory authorities.

Based on the application filed by SEIF, the Registrar of Companies, Chennai, has confirmed vide letter dated 27.12.2013 that the name of SEIF has been struck off from the Register under Section 560 of the Companies Act, 1956 and the Company was dissolved.

II ASSOCIATES STOCK OPTION PLAN

The Company as part of its 3.0 vision of becoming a Solutions and Services providing Company and as an emerging ICT player in India, has plans of expansion further in US and Europe markets. The business objective requires recruitment and retention of people with needful skill sets and long term association with the Company. In this regard, it is proposed to introduce a new Stock Option Plan with an allocation of 25 million Equity Shares of ₹ 10/- each under Associate Stock Option Plan 2014 (ASOP 2014) for granting options to:

a) The full time Associates of the Company and its Holding, Subsidiary or Associate Companies

b) Members of the Board of Directors

c) Principal Officers and

d) Principal Officers and Directors of any Indian / Overseas Subsidiaries and Associates.

The ASOP 2014 gives the Board and the Compensation Committee the absolute discretion and power in formulating the Rules, Regulations, Eligibility criteria, Vesting Schedule, Expiry etc. of the Plan and also to amend the same in the Plan from time to time as they may deem fit and appropriate.

III BUSINESS REVIEW

Your Directors are happy to state that Your Company's shift from a product focused approach to a Solutions and Services approach has been marked by a healthy growth in the client portfolio. This is testimony to the fact that reorganizing company's multiple services into scalable, flexible and partnership based models is a step in the right direction.

While Telecom services remain the primary driver, new focus allows now to expand this eco-system to all large, medium and small Enterprises.

1. Key Business performance

- Overall, the Telecom services grew by 33% over the previous year; helped largely by big wins from the Insurance and NBFC sector.
- Your Company has been successfully implementing its largest project which includes building and maintaining a large data network as a "Network Integrator" of over 29000 locations, including providing network services.
- Your Company unveiled the industry defining Noida Data Center; a benchmark in technology utilisation and sustainability while simultaneously raising the bar on efficiency. Its unique features have already helped sign up marque clients.
- The Cloud business led by its USP of India's first automated deliverance platform, Cloudinfinit closed the books at 10% growth over last year.
- India's much loved portal, sify.com continues it steady climb in footprints helped largely by incisive vertical offering like Sify finance and Sify sports.

Your Company is increasingly focusing on clients who are due for their Infrastructure and Technology refresh. These engagements are of longer durations and call for multi services thus ensuring a deeper relationship with the clients.

2. Industry Outlook

IT spending in India is projected to total $71.3 billion in 2014, a 5.9 % increase from the $67.4 billion forecast for 2013, according to Gartner, Inc. IT services will record the strongest revenue growth at 12.1%, Software revenue is expected to grow at 10 % and the telecommunication services segment, that accounts for 42.1 % of the Indian ICT market, is set to grow 2 % in 2014.

The telecommunications services market which includes fixed and mobile, data and voice services will continue to be the largest IT segment in India with IT spending forecast to reach $30 billion in 2014.

It is the mid-size IT companies that are seeing a consolidation of larger scale contracts from the traditional big spenders like BFSI, FMCG and the Government. The larger volume of growth will come from non IT players who are on the horizon of their technology refresh. This refresh will provide an aggressive push to the virtual delivery platforms, given their lower cost of operations, flexible base and ease of adoption.

It is this space that your Company will seek to consolidate its position in the coming years.

3. Branding

The biggest intangible asset of any company, its brand, draws it strength from its delivery robustness exhibited on all its contracts. In the case of your Company, the brand promise of building a 'Converged ICT eco-system' by its 'Bring it on' attitude has consistently built allies across very challenging market environment.

'Converged ICT eco-system' is the fabric of solutions and services touching every realm of the ICT industry and 'Bring it on' attitude is the spirit with which the company approaches every single challenge. That spirit is also the reason in delivering several client promises ahead of schedule.

When commissioned and delivered, the project for the Department of Posts will be another sterling example of this attitude. And in doing so, your Company would have established the largest single private MPLS network in the world.

4. Technology initiatives

- Your Company is now present in more than 1300 locations across India supported by a footprint of more than 2500 base stations.
- Your Company's hosting services are now SAP certified at the coveted Gold level.
- Your Company's Cloud enabled Managed hosting services has also entered the much indexed Gartner Magic Quadrant Asia/Pacific service providers.

- Your Company has renewed the TL9000 certification for its Network Operations Center, Network Managed Services and the Service Provider Processes. This quality management practice was designed by the QuEST Forum in 1998 and created to focus on supply chain directives throughout the international telecommunications industry.
- The highlight of this past year's technology initiatives was the launch of the Noida Data Center. Built to the exacting standards of Sify Data Center Architecture Ver 4.0 (SDA), it is a modular and highly customizable Data Centre in accordance and as signatories to several major industry bench marks, it was awarded Tier III by the Uptime Institute and also conform to ASHRAE, NFPA and IEEE standards.

IV Subsidiary Companies

1. Pace Info Com Park Private Limited

There were no commercial activities during the year and the Company is in the process of merger with the Company.

2. Sify Technologies (Singapore) Pte. Ltd.

During the year under review, the Company reported revenue of ₹ 16.66 million as against ₹ 11.31 million in the previous year. The loss incurred was ₹ 6.23 million as compared to a loss of ₹ 5.18 million in the previous year.

V Corporate Governance

Your Company is compliant with the requirements of SEC / NASDAQ Regulations relating to the independence of Directors in Board, Audit, Compensation and Nominating Committees.

Your Company ensures strict compliance of the Whistle Blower Policy and Code of Conduct for the Board of Directors and Senior Management.

The provisions of Sarbanes Oxley Act of 2002 which are applicable to the Company have been complied with.

VI Directors

1. Retirement by rotation

Mr Ananda Raju Vegesna, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Your Directors recommend his re-appointment.

2. Reappointment of Managing Director

Based on the recommendation of the Nomination & Remuneration Committee, the Board of Directors has appointed Mr Raju Vegesna as the Chairman and Managing Director of the Company for a further period of Five years effective July 18, 2014 without any remuneration. His appointment is subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting of the Company as well as the approval of the Ministry of Corporate Affairs, Government of India.

3. Independent Directors

In terms of Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, the Company is required to have at least two Independent Directors.

The Company has four Independent Directors viz. Dr T H Chowdary, Dr S K Rao, Mr C B Mouli and Mr C E S Azariah in compliance with the Regulations of Securities & Exchange Commission, USA. Further, the Audit Committee has three Independent Directors viz. Dr S K Rao, Mr C B Mouli and Mr C E S Azariah to comply with the Regulations of SEC and the Companies Act, 2013.

The Companies Act, 2013 mandates the appointment of Independent Directors within one year from the date of notification of the Section 149(4) i.e before March 31, 2015, by a resolution in General Meeting.

Hence, it is proposed to appoint the above four Directors as Independent Directors of the Company for a term of Five consecutive years from the conclusion of this Annual General Meeting to comply with the provisions of the Companies Act, 2013 and the Rules made thereunder.

The Company has also received declaration from the four Directors confirming that they meet the criteria of independence as provided in Section 149(6) and abide by the provisions specified in Schedule IV of the Companies Act, 2013.

The Nomination and Remuneration Committee has reviewed the profiles and also the declarations given by the four Directors and recommended their appointment as Independent Directors.

The Board considered that the continued association of the above four Directors would be of immense benefit to the Company and it is desirable to continue to avail their services as Independent Directors. Accordingly, the Board recommends the appointment of four Independent Directors for the approval by the shareholders of the Company at the ensuing Annual General Meeting.

4. Audit Committee

The present Audit Committee consists Mr C B Mouli, Dr S K Rao and Mr C E S Azariah. Mr Mouli is the Financial Expert of the Committee.

5. Compensation Committee

The present Compensation Committee consists Dr T H Chowdary, Dr S K Rao, Mr P S Raju and Mr C E S Azariah.

6. Nomination and Remuneration Committee

The present Remuneration Committee was constituted under the erstwhile Companies Act, 1956 and consists of three Independent Directors viz. Dr T H Chowdary, Dr S K Rao and Mr C E S Azariah. The main function of the Committee is to approve the remuneration of the Managing Director, Whole-Time Director and other managerial personnel.

In terms of Section 178(1) of the Companies Act, 2013, the Company is required to constitute a Nomination and Remuneration Committee comprising of three or more Non-Executive Directors, out of which not less than one half shall be Independent Directors. As the Company already has a Remuneration Committee similar to the one required under the new regulations, the Board of Directors has renamed the same as the “Nomination and Remuneration Committee” with effective April 22, 2014.

7. Corporate Social Responsibility Committee

In terms of Section 135 of the Companies Act, 2013, the Company has constituted the Corporate Social Responsibility Committee consisting of Directors viz. Mr Raju Vegesna, Managing Director, Mr Ananda Raju Vegesna, Executive Director and Mr C E S Azariah, Independent Director. The Committee is in the process of formulating the policy. The Company along with its group companies and associate companies are identifying areas for contribution under the said policy.

8. Nominating Committee

The present Nominating Committee constituted under the SEC Regulations consists Dr T H Chowdary, Dr S K Rao and Mr C E S Azariah.

VII Directors’ responsibility statement

Your Directors state:

(i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) that they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

(iii) that proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) that they had prepared the annual accounts on a going concern basis.

VIII Auditors

1. Statutory Auditors

The Company's Statutory Auditors, M/s ASA & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment. In terms of Section 139 of the Companies Act, 2013, it is recommended to reappoint them to hold office from the conclusion of this Annual General Meeting until the conclusion of 2015 AGM at remuneration to be fixed by the Board of Directors on the recommendation of the Audit Committee.

2. Cost Auditors

In terms of the Cost Accounting Records (Telecommunication Industry) Rules 2011, your Company has appointed Mr S Ramachandran, (Regn. No.4341) as the Cost Auditor to conduct the cost audit under Section 148(3) of the Companies Act, 2013 for the year 2014-15.

IX Fixed Deposits

Your Company has not accepted any deposits and as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

X Conservation of Energy and Technology Absorption

In view of the nature of activities that are being carried out by the Company, the particulars prescribed under clause (e) of sub section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 on conservation of energy and technology absorption are not applicable to the Company.

XI Exchange Earnings and Outgo

During the year, the Company earned foreign exchange of ₹ 3,975 million and the outgoing in foreign exchange were ₹ 1,514 million.

XII Employees' Particulars in terms of Section 217(2A) of the Companies Act, 1956

The statement containing the particulars of employees as required under Section 217(2A) of the Companies Act, 1956 forms part of this report. However, in terms of Section 219(1) (b) (iv) of the said Act, the same is open for inspection at the Registered Office of the Company. Copy of this statement may be obtained by the members by writing to the Company Secretary at the Registered Office.

XIII Acknowledgement

Your Directors take this opportunity to thank all Investors, Customers, Vendors, Banks and Government Authorities for their continued support. Your Directors also wish to place on record their appreciation of the valuable contribution made by the employees.

For and on behalf of the Board

Chennai	***Raju Vegesna***	***Ananda Raju Vegesna***	***C B Mouli***
May 17, 2014	Chairman & Managing Director	Executive Director	Director

INDEPENDENT AUDITORS' REPORT

To

The Members of Sify Technologies Limited

1. Report on Financial Statements

We have audited the accompanying financial statements of Sify Technologies Limited ("the Company" in which are incorporated the financial statements for the year ended March 31, 2014 audited by us of Sify Software Limited and Hermit Projects Private Limited which have merged with the Company with effect from April 1. 2013)which comprise the Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

3.1 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

3.2 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

3.3 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

4.1 In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

5.1 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

5.2 As required by section 227(3) of the Act, we report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

(b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

(c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.

(e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **ASA & Associates LLP**
Chartered Accountants
Firm's Registration No.: 009571N/N500006

J. Sivasankaran
Partner
Membership No.: 022103

Chennai
May 17, 2014

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 5.1 of the Auditors' report of even date to the members of Sify Technologies Limited on the financial statements for the year ended March 31, 2014

(i) a) The Company is maintaining proper records showing full particulars including quantitative details of fixed assets. The Company is in the process of integrating the situation details of fixed assets into the fixed asset records.

b) The Company has a regular programme of physical verification of fixed assets in a phased manner in a period of three years. Pursuant to the program, certain assets were covered by physical verification during the year and the shortfall in coverage (in wireless equipment on the field) is to be taken into consideration in the forthcoming plan. The Company is in the process of reconciling the results of the verification with the book records, to identify the discrepancies, if any.

c) In our opinion and according to the information and explanations given to us, a substantial part of the fixed asset have not been disposed of by the Company during the year except for ₹ 7878.35 lakhs which are mainly fully depreciated fixed assets of Consumer business which were retired (with written down value of ₹ 58.08 lakhs) during the year.

(ii) a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to size of the Company and nature of its business.

c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records, which have been properly dealt with in the book of accounts, were not material.

(iii) The Company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence, clause 4 (iii) of the Order is not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

(v) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company in respect of services where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of subsection (1) of Section 209 of the Act and are of the opinion that prime facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax/Value Added Tax (VAT), wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax/ Value Added Tax (VAT), wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2014 which have not been deposited on account of a dispute are as follows:

Name of the Statute	Period to which it relates	Amount in ₹ Lakhs	Forum where pending
Finance Act,1994 (Service tax)	01-04-2005 to 31-03-2006, 01-04-2006 to 30-09-2006, 01-10-2006 to 30-09-2007, 01-10-2007 to 31-03-2008	23,15	CESTAT, Chennai
	April 2008 & May 2008	111	
	Oct 2005 to Mar 2006	136	
	July 2003 to February 2007	7	
	Prior to 16-May-2009	48	
	Oct 2005 to Mar 2010	1,390	
	Oct 2005 to Mar 2009	156	
	May 2006 to June 2011	337	
	April 10 to March 11	66	
	July 2011-June 2012	175	
	April 2010-Jan 2013	32	
	April 2011-March 2012	24	
Uttar Pradesh Value Added Tax Act, 2008	2003-04 to 2005-06	127	At Various levels including Joint Commissioner (Appeals), Commercial Tax Officer, etc
	2011-12	8	Commercial Tax Officer, UP
Income Tax Act, 1961	Assessment year 2008-09	80	Commissioner of Income Tax Appeals

x) The Company has no accumulated losses as at March 31, 2014 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.

(xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of any dues to financial institution or banks as at the balance sheet date.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The provisions of any special statute applicable to Chit fund/Nidhi/Mutual benefit fund/ Societies are not applicable to the Company.

(xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly the provisions of clause 4 (xv) of the Order are not applicable to the Company.

(xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

(xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

(xix) The Company has not issued any debentures.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **ASA & Associates LLP**
Chartered Accountants
Firm's Registration No.: 009571N/N500006

J.Sivasankaran
Partner
Membership No.022103

May 17, 2014
Chennai

Balance Sheet as at March 31, 2014

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note	As at March 31, 2014	As at March 31, 2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	1	14,231	13,292
(b) Reserves and surplus	2	54,299	49,793
		68,530	63,085
(2) Non – current liabilities			
(a) Long term borrowings	3	12,891	7,874
(b) Other long term liabilities	4	4,302	2,233
(c) Long term provisions	5	302	340
		17,495	10,447
(3) Current liabilities			
(a) Short term borrowings	6	10,859	8,044
(b) Trade payables	7 & 43	23,730	18,352
(c) Other current liabilities	8	19,454	15,052
(d) Short term provisions	5 & 27	1,684	3,224
		55,727	44,672
Total equity and liabilities		141,752	118,204
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	44,386	25,659
(ii) Intangible assets	10	5,418	5,796
(iii) Capital work in progress	9	8,551	16,886
(b) Non-current investments	11	2,440	298
(c) Long term loans and advances	12	15,247	16,467
(d) Other non-current assets	13	554	782
		76,596	65,888
(2) Current assets			
(a) Inventories	14	2,008	1,848
(b) Trade receivables	15	35,115	25,611
(c) Cash and bank balances	16	12,685	8,657
(d) Short term loans and advances	17	13,917	15,446
(e) Other current assets	18	1,431	754
		65,156	52,316
Total assets		141,752	118,204

Significant accounting policies and notes to the financial statements B & C

The notes referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No.: 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
May 17, 2014

M P Vijay Kumar
Chief Financial Officer

L V Veeranjaneyulu Y
Company Secretary

Profit and Loss statement for the year ended March 31, 2014

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note	For the year ended March 31, 2014	For the year ended March 31, 2013
Revenue from operations	21	104,461	82,125
Other income	22	2,051	2,092
Total revenue		106,512	84,217
EXPENSES			
Cost of goods sold and services rendered	23	57,278	46,597
Employee benefits expenses	24	12,711	10,178
Finance costs	25	3,720	2,417
Depreciation and amortisation	9 & 10	10,728	8,408
Other expenses	26	18,214	16,302
Total expenses		102,651	83,902
Profit before exceptional items and tax		3,861	315
Exceptional items	27	3,200	3,943
Profit for the year		7,061	4,258
Earnings per equity share (₹ 10 paid up)	36		
Basic		5.17	3.23
Diluted		5.17	3.23
Earnings per equity share ₹ 7 (March 31, 2013 : ₹ 6.25) paid up		3.62	2.02

Significant accounting policies and notes to the financial statements B & C

The notes referred to above form an integral part of the Profit and loss statement.
This is the Profit and loss statement referred to in our report of even date.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

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Company Secretary

Cash flow statement for the year ended March 31, 2014

(All amounts are in Indian ₹ lakhs except share data and as stated)

		For the year ended March 31, 2014	For the year ended March 31, 2013
Profit before exceptional items and taxation		3,861	315
Adjustments for :			
Depreciation and amortisation		10,728	8,408
Finance expenses (considered separately)		2,664	1,904
Provision for doubtful debts (including bad debts written off and provision written back) (net)		1,742	1,632
Employee stock compensation expense		*	*
Deposits/ advances, no longer payable, written back		(566)	-
Provision for doubtful advances		304	243
Custom Duty credit entitlement written off		264	246
Unrealised foreign exchange fluctuation loss/(gain), net		85	125
Interest income (considered separately)		(1,104)	(1,093)
(Profit) /loss on sale of fixed assets, (net)		(11)	130
Operating profit / (loss) before exceptional item and before working capital changes		17,967	11,910
(Increase)/decrease in sundry debtors		(10,520)	(4,383)
(Increase)/decrease in inventories		(161)	(2,035)
(Increase)/decrease in long term loans and advances		(414)	401
(Increase)/decrease in short term loans and advances		(2,273)	(1,749)
(Increase)/decrease in non current assets		229	17
(Increase)/decrease in other current assets		(166)	450
Increase/(decrease) in trade payables		4,486	(1,684)
Increase/(decrease) in other long term liabilities		2,069	136
Increase/(decrease) in other current liabilities		2,556	2,451
Increase/(decrease) in long term provisions		(188)	41
Increase/(decrease) in short term provisions		52	(1)
Cash generated from operations		13,637	5,554
Tax (Paid)/refund received		535	(668)
Net Cash generated from operating activities	***(A)***	14,172	4,886
Cash Flow from Investing activities			
Purchase of fixed assets		(14,522)	(19,796)
Sale proceeds of fixed assets		57	25
Proceeds from sale of associate		-	13,903
Advance to subsidiaries		(267)	(1,814)
Interest income received		1,071	227
Investment in Equity Shares		-	(17)
Net cash used in investing activities	***(B)***	(13,661)	(7,472)
Cash flow from financing activities			
Proceeds from issuance of share capital		3,000	-
Proceeds from Exercise of Associate Stock Options		12	-
Increase/(decrease) in long term borrowings		(203)	6,610
Increase/(decrease) in short – term borrowings		2,027	(1,732)
Interest paid		(2,580)	(1,952)
Net Cash generated from financing activities	***(C)***	2,256	2,926
Effect of exchange differences on translation of cash and cash equivalents	***(D)***	(5)	(6)
Net increase in cash and cash equivalents during the period	***(A) + (B) + (C)+(D)***	2,762	334
Cash and cash equivalents at the beginning of the year		8,657	8,323
Cash and cash equivalents taken over as part of merger		1,266	-
Cash and Cash equivalents at the end of the year#		12,685	8,657
# Cash and cash equivalents subject to lien		2,102	1,811

*amount is below the rounding off norm adopted by the Company

This is the cash flow statement referred to in our report of even date

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

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(All amounts are in Indian ₹ lakhs except share data and as stated)

A BACKGROUND

1. Description of business

Sify Technologies Limited ('Sify' or 'the Company') is a Company domiciled in India. The address of the Company's registered office is 2nd Floor, Tidel Park, 4, Rajiv Gandhi Salai, Taramani, Chennai – 600113, India. The Company is primarily involved in providing Network, IT and Software services. Sify was incorporated on December 12, 1995 and is listed on the NASDAQ Global Select Market.

B SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting, except for cash flow statement. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of the Institute of Chartered Accountants of India and the provisions of Companies Act, 1956, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standards requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set-out in schedule VI to the Companies Act, 1956. Based on the nature of products and services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

2. Use of estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include estimates of provision for diminution in the value of investments, provision for doubtful debts, future obligations under employee retirement benefit plans and useful life of fixed assets and intangible assets. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively.

3. Revenue recognition

Revenue from the sale of goods is measured at the value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Revenue from services rendered is generally recognized in proportion to the stage of completion of the transaction at the reporting date. The revenue recognition policies in respect of various streams of revenue are described in detail below.

Telecom Services:

Revenue from Telecom services include Data network services and Voice services. Telecom services primarily include revenue from connectivity services, NLD/ILD services and to a lesser extent, revenues from the installation of connectivity links. The Company provides connectivity for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised rateably over the period of the contract. The revenue attributable to the installation of the link is recognised on completion of the installation work.

The Company provides NLD (National Long Distance) and ILD (International Long Distance) services through Company's network. The Company carries voice traffic, both national and international, using the network back-bone and delivers voice traffic to Inter-connect Operators. Revenue is recognised based upon metered call units of voice traffic terminated on the Company's network

Data Center Services:

Revenues from DC services consist of hosting and power charges. Web hosting services primarily include revenue from co-location of racks, caged racks and on usage of power from large contracts. The contracts are mainly for a fixed rate for a period of time and are recognised over the period during which the service is provided.

Cloud and Managed Services:

Revenue from Cloud and managed services include revenue from Cloud and storage solutions, managed services, value added services and International managed services. Revenues from Cloud and on demand compute and storage, are primarily fixed for a period of time. Revenues from domestic and international managed services, comprise of value added services, operations and maintenance of projects and from remote infrastructure management. Contracts from this segment are fixed and could also be based on time and material.

Technology Integration Services:

Revenue from Technology Integration Services include system Integration Services, revenue from construction of data centers, network services, security solutions, digital certificate based authentication services and to a lesser extent, revenue from hardware and software.

Revenue from construction contract represents revenue from construction of data centres to the specific needs and design of the customer. Such contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the cost incurred till date to the total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of profit or loss.

Digital Certification revenues include income received on account of Web certification. Generally the Company does not hold after sale service commitments after the activation of the Digital Certificates sold and accordingly, revenue is recognised fully on the date of activation of the respective certificate. Billing towards one time installation / training is recognised upon completion thereof.

Applications Integration Services:

Revenues from Applications Integration services include online assessment, document management services, web development, mailing solutions, supply chain software and e-learning software development services. E-learning software development services consists of structuring of contents, developing modules, delivery and training users in the modules developed. Revenue from Applications Integration Services is recognised based on percentage of completion method. Revenue in relation to 'time' is measured as the agreed rate per unit of time multiplied by the units of time expended. The element of revenue related to materials is measured in accordance with the terms of the contract.

The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised rateably over the period of the contract based on actual impressions/click-throughs / leads delivered. Revenues from commissions earned on electronic commerce transactions are recognised when the transactions are completed.

In certain cases, some elements belonging to the services mentioned above are sold as a package consisting of all or some of the elements. In these cases it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction with different revenue allocations for each component. These multiple element arrangements are recognised as separable elements because each element constitutes a separate earning process, each element has a fair value that is reliable, verifiable and objectively determinable, and the undelivered element is not essential to functionality of the delivered elements.

Income from operating leases:

Lease rentals arising on assets given on operating leases are recognised over the period of the lease term on a straight line basis.

Indefeasible Right of Use (IRU)

The Company has entered into IRU arrangements through which it entitles its customers to right of use of specified bandwidth capacity for a specified period of time.The upfront payment received towards right of use of bandwidth capacities under such agreements have been treated as deferred revenue and is recognised on a straight line basis over the term of the arrangement.

4. Fixed assets and depreciation/amortisation

Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation / amortisation. Direct costs are capitalised until fixed assets are ready for use as intended by the Management. These costs include freight, installation costs, duties and taxes and other directly attributable costs incurred to bring the assets to their working condition for intended use. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Depreciation/Amortisation:

Depreciation on fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956 or based on the useful life of the assets as estimated by the management, whichever is higher. Depreciation is calculated on a pro-rata basis for assets purchased / sold during the year. Individual assets costing less than ₹ 5 (thousands) are generally depreciated in full in the year of acquisition and contract specific assets in the year of implementation.

Leasehold land is amortised using straight-line method over the lease period.

Software for internal use is acquired primarily from third-party vendors in ready-to-use condition. Costs for acquiring such software are capitalised. Capitalised software costs are amortised on straight-line basis over the estimated useful life of the software. Software is amortised over a period of one to three years.

Depreciation is not provided on Capital work in progress until construction and installation are complete and the asset is ready for its intended use.

Management's estimates of the useful lives for various categories of fixed assets are given below.

Asset description	Estimated useful life (in years)
Buildings	28
Undersea Cable Capacity	12
Plant and machinery comprising computers, servers etc	3 – 5
Plant and machinery comprising other items	8
Furniture and fittings	5
Office equipment	5
Motor vehicles	3

Depreciation on assets acquired under finance lease is provided on a straight line basis over shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation on contract-specific assets are charged co-terminus over the contract period .

Other intangible assets are amortised over three to five years representing management's estimate of the useful life of the asset.

5. Investments

Long-term investments comprise investments in subsidiaries, associates and other equity instruments made to enhance the company's business interests. These investments are carried at cost with provision being made for diminution if any, other than temporary, in their value. Such diminution is determined for each investment individually on the basis of the past performance of such subsidiaries / associates / investees and the future expected benefits to the Company from such investments. Current investments are carried at lower of cost and fair value.

6. Income from investments

Income from investments is recognised only when the right to receive the same on or before the Balance sheet date is established i.e only when it is approved by the Shareholders at the Annual General Meeting of the investee.

7. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises cost of purchase and all incidental costs incurred in bringing the inventories to their present location and condition. Cost of hardware and software purchased for the purpose of resale is determined using the first-in-first-out method.Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

8. Foreign currency transactions and balances

Initial Recognition:

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Subsequent measurements:

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognised in the profit and loss account.

Non-Monetary items which are carried in terms of historical cost are recorded at the rates prevailing on the date of the transaction.

Integral – Foreign Operations:

Profit and loss items at the foreign branch (integral foreign operations) are translated at the respective monthly average rate. Monetary items at the branch office at the Balance Sheet date are translated using the exchange rate prevalent at the date of the Balance Sheet. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Foreign Exchange Contracts

Forward contracts are entered to hedge the foreign currency risk of the underlying outstanding at the balance sheet date. The premium or discount on all such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or expense for the period.

9. Accounting for Derivatives:

The company has accounted for the Principal Only Swap (Pos) derivative transaction as per the clarificatory announcement issued by the Institute of Chartered Accountants of India, "Accounting for Derivatives" dated 29-03-08.

The above announcement states that "In case an entity does not follow AS 30, keeping in view the principle of prudence as enunciated in AS 1, Disclosure of Accounting Policies, the entity is required to provide for losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market". Based on the above guidelines, the Company has marked to market the Principal Only Swap as of March 31, 2014 and has recognised the losses arising out of the same.

10. Employee benefits

Short Term Employee Benefits:

The short term employee benefits are recognised as an expense during the period in which services are rendered by the employees.

Post -employee benefits:

Defined contribution plan:

Provident fund: Eligible employees receive benefits from a provident fund, which is a defined contribution plan managed by the Regional Provident Fund Commissioner. Both the employee and the Company make monthly contributions to the provident fund plan equal to 12% of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions.

Defined benefit plan:

Gratuity: The Company provides for gratuity, a defined benefit retirement Plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan commenced on 1st April, 1997. The Plan provides a lump sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's last drawn salary and the tenure of employment with the Company. The Company provides the gratuity benefit through annual contribution to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme the settlement obligation remains with the Company although the LIC administers the scheme. Liabilities related to the gratuity plan are determined by actuarial valuation performed by an independent actuary as at the Balance Sheet date.

Long term employee benefits:

Compensated absences: Provision for compensated absences are made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

11. Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value.

12. Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period) and fringe benefit tax. The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

13. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

14. Export incentives

Income in respect of duty credit entitlement arising from export sales under the "Served From India Scheme" of the Government of India is recognised in the period of exports, provided there is no significant uncertainty regarding the entitlement and availment of the credit and the amount thereof.

15. Provisions, contingent liabilities and contingent assets

Provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will

(All amounts are in Indian ₹ lakhs except share data and as stated)

be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimates required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

16. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.

17. Accounting for Amalgamation:

The Amalgamation in the nature of merger is accounted for using "Pooling of Interests method" as per AS- 14. All the assets and liabilities are recorded in the books of the Transferee at the book values as appearing in the books of the Transferor Companies as on the effective date of amalgamation. All reserves of the Transferor Companies is transferred to the identical reserves in the Transferee Company. The Share Capital and Securities Premium of the Transferor Companies are cancelled against the investment appearing in the books of Transferee Company. Any surplus or deficit arising out of the amalgamation has been adjusted in the Profit and Loss account of the Transferee Company.

18. Leases

Finance lease: Leases under which the company assumes substantially all the risk and rewards of ownership are classified as finance leases. When acquired, an asset and a lease liability is recognised, at lower of fair value of asset and present value of Minimum Lease Payments at the inception of lease.

Operating Lease: Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as an expense on a straight line basis in the profit and loss account over the period of the lease term. Lease income from operating leases should be recognised in the statement of profit and loss on a straight line basis over the lease term,

Indefeasible Right of Use (IRU)

The Company has entered into IRU arrangements which entitle the company to right of use of specified bandwidth capacity for a specified period of time. Such right is being treated as operating lease since the risks and rewards are not transferred to the Company. Hence, the upfront payments made towards right of use of bandwidth capacities under such agreements have been treated as prepayments and is amortized over the term of the contract.

19. Employees stock option

In respect of stock option granted pursuant to the company's stock option schemes, the intrinsic value of the options (excess of market price of the share on the grant date over the exercise price of the option) is treated as employee compensation cost and is charged over the vesting period of the options.

C. NOTES TO ACCOUNTS

	As at March 31, 2014	As at March, 31, 2013
1. SHARE CAPITAL		
Authorized		
18,51,00,000 (March 31, 2013: 18,00,00,000) equity shares of ₹10 each (Refer Note (a) below)	18,510	18,000
Issued		
17,85,30,787 (March 31, 2013: 17,85,13,589) equity shares of ₹10 each	17,853	17,851
Subscribed and fully paid		
5,35,30,787 (March 31, 2013: 5,35,13,589) equity shares of ₹10 each fully paid up	5,353	5,351
Subscribed but not fully paid		
12,50,00,000 (March 31, 2013: 12,50,00,000) equity shares of ₹10 each partly paid up [Refer note (d) below]	8,750	7,813
	14,103	13,164
Add: Forfeited shares - amount originally paid up on 1,28,23,202 equity shares	128	128
	14,231	13,292

(a) Pursuant to the approval of scheme of merger of the Company with its subsidiaries Sify Software Limited and Hermit Projects Private Limited , by the Shareholders at the High Court, the authorized share capital of the Company was enhanced by an amount of ₹ 510 divided into 18,51,00,000 equity shares of ₹ 10 each.

(b) The equity shares are the only class of share capital having a par value of ₹10 per share. Of the above, 3,90,00,135 shares are represented by American Depositary Shares ('ADS') issued by the Company in accordance with applicable laws and regulations.

(c) Equity shares carry voting rights proportionate to the paid-up value per share. In the event of liquidation of the company, holders of the equity shares are entitled to be repaid the amounts credited as paid up on those equity shares. All surplus assets after settlement of liabilities as at the commencement of winding-up shall be paid to the holders of equity shares in proportion to their shareholdings. The above payment is subject to the rights of creditors, employees, taxes, if any, and any other sums as may be prescribed under the Companies Act, 1956. Of the above ADS, 1,39,02,860 ADS held by M/s Infinity Capital Ventures LP are not tradable and are restricted.

(d) In 2010-11, the Company approved the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the Company's equity shares at a price of ₹ 32 per share aggregating to ₹ 40,000.These shares carry a face value of ₹ 10. As of March 31, 2014, these shares are partly paid to the extent of ₹ 7 (March 31, 2013: ₹ 6.25) per share. Until the full purchase price is paid by the purchasers, the company retains a lien on these equity shares. Also refer note C (46).

(e) Of the total outstanding shares,12,50,00,000 shares (March 31, 2013: 12,50,00,000) are held by M/s Ramanand Core Investment Company Private Limited, holding company.

(f) Of the total outstanding shares, 18,19,295 shares are reserved for issue to eligible employees under Associate Stock Option Plans. Refer to note C (36) for activities in Associate Stock Option plan.

(All amounts are in Indian ₹ lakhs except share data and as stated)

1.1 Reconciliation of number of shares in the beginning and at the end of the year

	As at March 31, 2014		As at March 31, 2013	
	Number of shares	Amount paid-up	Number of shares	Amount paid-up
Number of shares outstanding at the beginning of the year	17,85,13,589	13,292	17,85,13,589	13,292
Add: Shares issued during the year on private placement	-	937*	-	-
Add: Issues of shares on exercise of ASOP	17,198	2	-	-
Number of shares outstanding at the end of the year	17,85,30,787	14,231	17,85,13,589	13,292

*represents call money received at ₹ 0.75 per share on 12,50,00,000 equity shares issued on a private placement made during the year ended March 31, 2011.

1.2 Shareholders holding more than 5% of the shares of the Company:

	As at March 31, 2014		As at March 31, 2013	
	Number of Shares held	% holding	Number of Shares held	% holding
Ramanand Core Investment Company Private Limited@	12,50,00,000	70.02%	12,50,00,000	70.02%
Infinity Satcom Universal Private Limited	1,45,30,000	8.14%	1,45,30,000	8.14%
Infinity Capital Ventures, LP	1,39,02,860	7.79%	1,39,02,860	7.79%

@These shares are partly paid-up to the extent of ₹ 7 per share
Also refer to note C (46)

2. Reserves and surplus

		As at March 31, 2014	As at March 31, 2013
Securities premium			
Opening balance		69,036	69,036
Less: Setting off of accumulated losses under the scheme of merger (Refer note C(39))		(27,661)	-
Balance of Securities premium after set off		41,375	69,036
Add: Received during the year on fresh issue of shares/call money (Refer note C (1))		2,063	-
Add: Transfer from stock options outstanding account		1	-
Add: Received during the year on exercise of associate stock options		10	-
Closing balance	(A)	43,449	69,036
General reserve			
Opening balance		510	150
Add: Transferred from stock options outstanding account		26	360
Closing balance	(B)	536	510
Stock option outstanding account			
Opening Balance		30	125
Add: Employee stock compensation cost for the year (net of reversals for forfeited options)		*	*
Less: Transfer to general reserve in respect of grants lapsed during the year		(26)	(95)
Less: Transferred to securities premium account in respect of exercised options		(1)	-
Closing Balance	(C)	3	30
* Amount is below the rounding off norm adopted by the Company			
Profit and loss account			
Opening Balance		(19,783)	(24,041)
Accumulated losses of subsidiaries as of April 1, 2013 (Refer note C (38) & (39))		(7,878)	-
Merged opening balance		(27,661)	(24,041)
Adjustments:			
Setting off of accumulated losses against the Securities Premium Account (Refer note C (38) & (39))		27,661	-
Profit for the year		7,061	4,258
Net surplus arising on account of merger (Refer note C (38))		4,849	-
Closing Balance after merger adjustments		11,910	(19,783)
Appropriations:			
Proposed dividend		(1,367)	-
Dividend distribution tax		(232)	-
	(D)	10,311	-
	(A)+(B)+(C)+(D)	54,299	49,793

(All amounts are in Indian ₹ lakhs except share data and as stated)

3. LONG TERM BORROWINGS

Particulars	As at March 31, 2014	As at March 31, 2013	Security	Interest rate and repayment terms
Secured Term loan from banks	4,309	3,325	Of total balance of ₹ 5,442 (Incl current maturities) an amount of ₹ 2,170 is primarily secured by charge on movable fixed assets funded by term loan and also collaterally secured by extension EM of title deeds of property at Noida in the name of M/s Pace Infocom (100% subsidiary of STL) together with their corporate guarantee in this regard. Balance amount of ₹ 3,272 is primarily secured by EM of title deeds of property of the company at Rabale & collaterally by EM of title deeds of property of the company at Vashi at Mumbai	The term loans bear interest rate ranging from 12.75% to 13.25% and repayable in equal monthly / quarterly installments within a tenor of 6 years after moratorium periods ranging from 3 months to one year
Loan from others	245	643	These loans are primarily taken from NBFCs and are secured by charge on relevant assets.	The loans bear interest rate ranging from 12.00% to 14.00% and repayable over a period of 18 to 60 months on equated monthly / quarterly instalments.
Long term maturities of finance lease obligations	7,008	3,159	These loans are primarily taken from NBFCs and are secured by lease of relevant assets and also secured by financial bank guarantee ranging from 10% to 20%	The loans bear interest rate ranging from 12.00% to 14.00% and repayable over a period of 18 to 60 months on equated monthly / quarterly instalments
Unsecured Loan from others	1,329	747	These loans are primarily taken from NBFCs and are not secured by any charge or lease of relevant assets except by financial bank guarantee ranging from 15% to 30%	The loans bear interest rate ranging from 12.00% to 14.00% and repayable over a period of 18 to 60 months, either on balloon repayments or on equated monthly / quarterly instalments
	12,891	7,874		

Note:

The current maturities of the above borrowings, carrying the aforesaid security and repayment terms are grouped under other current liabilities. Refer notes C (8) & C (20).

The current maturities are as under:

		As at March 31,2014	As at March 31,2013
Secured			
Term loan from banks		1,133	475
Loan from others		398	395
Current maturities of finance lease obligations		3,523	1,561
Unsecured			
Loan from others		2,483	3,409
		7,537	5,840
4. OTHER LONG TERM LIABILITIES			
Deposits		85	921
Unearned income		2,731	56
Other liabilities		1,486	1,256
		4,302	2,233
5. PROVISIONS			
Short – term provisions			
Compensated absences		85	24
Provision for losses of subsidiary [Refer note C (27)]		-	3,200
Proposed dividend		1,367	-
Tax on dividend		232	-
	(A)	1,684	3,224
Long-term Provisions			
Gratuity [Refer note C(33)]		127	156
Compensated absences		175	184
	(B)	302	340
	(A) +(B)	1,986	3,564

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2014	As at March 31, 2013
6. SHORT TERM BORROWINGS		
Loans repayable on demand from banks – Secured		
Working capital facilities [Refer notes (a) to (c) below]	10,859	8,044
	10,859	8,044

(a) Cash credit facilities amounting to ₹ 10,859 are primarily secured by way of pari-passu first charge on the entire current assets of the Company to all working capital bankers under consortium.

(b) In addition to the above, out of these Cash Credit facilities,

(i) exposure amounting to ₹ 7,302 is collaterally secured by way of pari-passu charge on the unencumbered movable fixed assets of the Company, both present and future.

(ii) exposure amounting to ₹ 6,363 is collaterally secured by way of equitable mortgage over the properties at Tidel Park, Chennai and Vashi, Vile Parle at Mumbai.

(iii) exposure amounting to ₹ 3,432 is collaterally secured by equitable mortgage over the land and building at Noida, Delhi in the name of M/s Pace Info Com Park Private Limited, a subsidiary company and also by the corporate guarantee issued by the said subsidiary and

(iv) the balance exposure amounting to ₹ 939 is collaterally secured by equitable mortgage over the Vashi property at Mumbai.

(c) These working capital facilities bear interest ranging from 11.70% to 13.50% p.a. and these facilities are subject to renewal annually.

	As at March 31, 2014	As at March 31, 2013
7. TRADE PAYABLES		
Towards purchase of goods and services	21,224	16,860
Others	2,506	1,492
	23,730	18,352
8. OTHER CURRENT LIABILITIES		
Capital creditors	1,009	1,038
Current maturities of long term debt*	1,133	475
Current maturities of finance lease obligations*	3,523	1,561
Current maturities of other loans*	2,881	3,804
Interest accrued and due on borrowings	-	15
Interest accrued but not due on borrowings	140	41
Advances received from customers	1,145	1,093
Statutory payables	754	678
Unearned income	6,678	4,753
Deposits	795	-
Other payables	1,396	1,594
	19,454	15,052

*Also refer notes C (3) & C (20)

9. TANGIBLE ASSETS

Particulars	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at April 1, 2013	Assets transferred on merger	Additions	Deletions/ Adjustments	As at March 31,2014	Upto March 31,2013	Assets transferred on merger	Depreciation/ amortization	Deletions/ Adjustments	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
Leasehold land	51	-	5,000	-	5,051	10		56	-	66	4,985	41
Buildings	4,884	-	4,355	-	9,239	2,208		328	-	2,536	6,703	2,676
Plant and equipment	64,228	244	11,923	7,243	69,152	47,618	119	7,625	7,198	48,164	20,988	16,610
Furniture and fittings	2,380	1	10	937	1,454	2,343	1	32	936	1,440	14	37
Office equipment	2,338	1	90	60	2,369	1,746	*	176	59	1,863	506	592
Leasehold improvements	4,964	-	279	229	5,014	3,846	-	440	229	4,057	957	1,118
Assets acquired on lease												
Building	2,911	-	-	-	2,911	668	-	103	-	771	2,140	2,243
Plant and machinery	4,087	-	6,918	-	11,005	1,756	-	1,157	-	2,913	8,092	2,331
Motor vehicles	29	-	-	-	29	18	-	10	-	28	1	11
	85,872	246	28,575	8,469	106,224	60,213	120	9,927	8,422	61,838	44,386	25,659
Previous year	81,464	-	4,774	366	85,872	52,795	-	7,628	210	60,213	25,659	-

Capital work in progress: Capital work in progress includes assets purchased for construction of Data Centre at Rabale (Mumbai) and assets taken under finance lease pending installation.

* amount is below the rounding off norm adopted by the Company.

(All amounts are in Indian ₹ lakhs except share data and as stated)

10. INTANGIBLE ASSETS

Particulars	GROSS BLOCK					AMORTISATION					NET BLOCK	
	As at April 1, 2013	Assets transferred on merger	Additions	Deletions/ Adjustments	As at March 31, 2014	Upto March 31,2013	Assets transferred on merger	Amortization for the year	Deletions/ Adjustments	Upto March 31,2014	As at March 31, 2014	As at March 31, 2013
Undersea cable capacity	5,533	-	-	-	5,533	461	-	461	-	922	4,611	5,072
System software	4,527	76	389	403	4,589	4,090	42	315	403	4,044	545	437
Customer and contract related intangibles	2,324	-	-	-	2,324	2,037	-	25	-	2,062	262	287
	12,384	76	389	403	12,446	6,588	42	801	403	7,028	5,418	5,796
Previous year	6,668	-	5,716	-	12,384	5,808	-	780	-	6,588	5,796	-

11. NON CURRENT INVESTMENTS

		As at March 31, 2014	As at March 31, 2013
Trade Investments – carried at cost			
Investments in equity instruments of subsidiaries – unquoted			
Sify Technologies (Singapore) Pte Limited [2,000 (March 31,2013 : 2000) equity shares of S $1 each fully paid up]		1	1
Sify Software Limited (formerly Sify Networks Private Limited) [Nil (March 31, 2013: 45,81,820) equity shares of ₹ 10 each fully paid up]		-	4,827
Less: Decline, other than temporary, in value of investment [Refer note C(27) & (38)]		-	(4,827)
		-	-
Pace Info com Park Private Limited [Refer notes (a) below & C (47) & (48)] [10,000 (March 31, 2013: Nil) equity shares of ₹ 10 each fully paid up]		2,422	-
Hermit Projects Private Limited [Refer notes (C 38)] [Nil (March 31, 2013: 10,000) equity shares of ₹ 10 each fully paid up]		-	280
	(A)	2,423	281
Investment in equity instruments of others – unquoted			
Investment in Vashi Railway Station Commercial Complex Limited [15,000 (March 31, 2013: 15,000) equity shares of ₹ 10 each fully paid up]		2	2
Investment in Sarayu Clean Gen Pvt Ltd [1,56,000 (March 31,2013: l,56,000) equity shares of ₹ 10 each fully paid up]		15	15
	(B)	17	17
	(A)+ (B)	2,440	298
Aggregate cost of unquoted investments		2,440	298

Notes:

a) During the year 2011-12, pursuant to Memorandum of Understanding with Advance India Projects Limited (AIPL), the company purchased the shares of Hermit Projects Private Limited (herein after HERMIT) from AIPL with a view to taking control of land held by Pace Info com Park Private Limited (herein after PACE) (subsidiary of HERMIT) at Noida and the building constructed by AIPL on the said land for a total consideration of ₹ 11,400. By virtue of merger of HERMIT with the Company during the year, HERMIT's subsidiary PACE became the Subsidiary of the Company effective April 1, 2013.

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2014	As at March 31, 2013
12. LONG TERM LOANS AND ADVANCES		
Unsecured , considered good		
Loans and advances to related parties		
Advances to subsidiaries [Refer notes C (11) , C (35) & C (47)]	7,107	9,264
Others		
Advances recoverable in cash or in kind for value to be received	1,807	1,617
Deposits	2,843	2,762
Duty credit entitlement	-	268
Prepaid expenses	1,213	864
Capital advances	2,277	1,692
	15,247	16,467
13. OTHER NON-CURRENT ASSETS		
Long term trade receivable	155	248
Accrued income	399	534
	554	782
14. INVENTORIES		
Traded hardware and software (net)	2,008	1,848
	2,008	1,848
15. TRADE RECEIVABLES		
Secured		
Outstanding for a period exceeding six months from due date		
- considered good	2	17
Other debts		
- considered good	5	7
	7	24
Unsecured		
Outstanding for a period exceeding six months from due date		
- considered good	6,856	5,831
- considered doubtful	1,700	1,878
Other debts		
- considered good	28,252	19,756
	36,808	27,465
Less: Provision for doubtful debts	(1,700)	(1,878)
	35,115	25,611

	As at March 31, 2014	As at March 31, 2013
16. CASH AND BANK BALANCES		
Cash and cash equivalents		
(a) Cash on hand	6	7
(b) Balance with banks		
(i) in current accounts	7,576	6,838
(ii) Deposits	3,001	1
Other Bank Balances		
Bank deposits [Refer note (a) & (b) below]	2,102	1,811
	12,685	8,657
(a) Balances in deposit accounts subject to lien in favour of banks for obtaining Bank Guarantees /Letter of Credits	2,102	1,811
(b) Deposits with more than 12 months maturity	-	1
17. SHORT TERM LOANS AND ADVANCES		
Unsecured , considered good		
Loans and advances to related parties		
Loans and advances to subsidiaries [Refer note C (35)]	145	3,749
Others		
Advances recoverable in cash or in kind for value to be received	3,975	1,797
Balances with service tax and sales tax authorities	2,746	2,418
Prepaid expenses	1,496	1,871
Deposits	511	505
Advance tax and tax deducted at source	5,044	5,106
(A)	13,917	15,446
Unsecured, considered doubtful		
Advances recoverable in cash or in kind for value to be received		
- to others	634	592
Less: provision for advances doubtful of recovery	(634)	(592)
(B)	-	-
(A) +(B)	13,917	15,446
18. OTHER CURRENT ASSETS		
Accrued income	1,227	584
Interest accrued on advances and deposits	204	170
	1,431	754

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2014	As at March 31, 2013
19. CONTINGENT LIABILITIES AND COMMITMENTS		
(a) Contingent liabilities		
(i) Claim against the Company not acknowledged as debt		
- In respect of service tax claims	5,020	4,789
- In respect of income tax claims	80	-
- In respect of sales tax claims	135	135
(ii) Liability on customer letter of credit discounted	-	250
(iii) Guarantee given to subsidiary	-	1,100

(iv) Liability on EPCG : Effective 2012-13, the Company has participated in the Export Promotion Capital Goods Scheme ("the scheme") under which capital equipments are permitted to be imported against a specific licence at a substantially reduced customs duty, subject to fulfilment of obligation to export services rendered by use of capital equipment imported under the scheme to the extent of over 6 times (March 31,2013: 8 times) the value of duty saved over a period of 6 years (March 31,2013: 8 years) from the date of obtaining the licence. In case of failure to meet the export obligation, the company would be liable to pay the differential between the normal duty and the duty saved under the scheme along with interest.

As of March 31, 2013, the Company was holding 19 licences with a corresponding export obligation of ₹ 6,269. During the year 2013-14, the Company had fulfilled the Export Obligation pertaining to 16 licences of the above by virtue of higher export of services enabling earlier settlement of obligation. As of March 31, 2014, the company is holding 32 licenses with a corresponding export obligation of ₹ 12,723. Taking into account the track record of the Company's exports, it believes that it would be able to meet the export obligation within the time frame and would not be exposed to any liability on account of the above scheme.

	As at March 31, 2014	As at March 31, 2013
(b) Commitments		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	13,033	3,949
(ii) Advances committed to subsidiaries	-	480

Notes:

(a) Refer note C(37) in respect of contingencies arising on legal proceedings.

(b) Refer note C ((20) (a) & (b)) for Lease Commitments.

20. LEASE COMMITMENTS

a. The Company has taken vehicles and plant and machinery under finance lease. The future minimum lease payments under finance leases as at March 31, 2014 and as at March 31, 2013 are as follows:

	As at March 31, 2014	As at March 31, 2013
Payable not later than one year	4,676	2,060
Payable later than one year and not later than five years	7,898	3,744
Total	12,574	5,804
Less: Amounts representing interest	(2,043)	(1,084)
Present value of minimum lease payments	10,531	4,720
Payable not later than one year [disclosed under other current liabilities - refer note C(8)]	3,523	1,561
Payable later than one year and not later than five years [disclosed under long term borrowings - refer note C(3)]	7,008	3,159

b. The Company takes on lease office buildings and other equipments under operating lease arrangements that are renewable on a periodic basis at the option of both the lessor and the lessee. Some of the leases include rent escalation clauses. The schedule of future minimum rental payments in respect of operating leases is set out below:

	As at March 31, 2014	As at March 31, 2013
Payable not later than one year	1,233	1,137
Payable later than one year and not later than five years	5,405	5,193
Payable later than five years	10,263	11,709
Total	16,901	18,039

c. The company has given plant and machinery under operating lease arrangements to its customers the period of which are generally up to 5 years. The schedule of minimum lease rental incomes in respect of these operating lease arrangements are given below:

	As at March 31, 2014	As at March 31, 2013
Receivables not later than one year	234	-
Receivables later than one year and not later than five years	817	-
	1,051	-

(All amounts are in Indian ₹ lakhs except share data and as stated)

21. REVENUE FROM OPERATIONS

	Year ended March 31, 2014	Year ended March 31, 2013
Sale of Services:		
- Domestic*	58,698	47,139
- Export	40,993	30,623
Sale of Products:		
- Domestic	4,770	4,363
	104,461	82,125

*refer note C(44) for revenues arising from construction contracts and note C (20) for operating lease rentals

22. OTHER INCOME

	Year ended March 31, 2014	Year ended March 31, 2013
Interest income		
From banks	619	238
From subsidiary	-	449
Others	485	406
Other Non- Operating Income		
Service charge from subsidiary company	-	347
Gain on foreign exchange fluctuation	-	165
Profit on sale of fixed assets	11	-
Deposits/advances no longer payable , written back	566	-
Miscellaneous income	370	487
	2,051	2,092

23. COST OF GOODS SOLD AND SERVICES RENDERED

	Year ended March 31, 2014	Year ended March 31, 2013
Cost of hardware and software sold		
Opening inventory	1,848	195
Add: Purchases	4,649	5,331
Less: Closing inventory	(2,008)	(1,848)
(A)	4,489	3,678
Cost of services rendered		
Networking costs	36,777	28,531
Other direct costs	10,103	8,479
Power expenses	5,909	5,909
(B)	52,789	42,919
(A) + (B)	57,278	46,597

24. EMPLOYEE BENEFITS EXPENSES

	Year ended March 31, 2014	Year ended March 31, 2013
Salaries and wages	12,026	9,511
Contribution to provident fund and other funds	513	532
Staff welfare expenses	172	135
Employee stock compensation expense@	-	*
	12,711	10,178

@ Net of recoveries from the subsidiary company

* amount is below the rounding off norm adopted by the Company

25. FINANCE COSTS

	Year ended March 31, 2014	Year ended March 31, 2013
Interest expense	2,664	1,836
Other borrowing costs (including letters of credit and bill discounting charges)	813	513
Net loss on foreign currency transactions	243	68
	3,720	2,417

26. OTHER EXPENSES

	Year ended March 31, 2014	Year ended March 31, 2013
Commission expenses	671	769
Communication expenses	264	287
Rent	3,664	3,673
Rates and taxes	765	225
Travelling expenses	1,049	1,186
Power and fuel expenses	1,144	1,121
Legal and professional	1,091	961
Payment to auditors		
- Audit fees	22	20
- Others	20	10
Repairs and maintenance expenses		
- Plant and machinery	1,095	692
- Buildings	541	357
- Others	1,937	1,577
Insurance	329	356
Outsourced manpower costs	1,432	946
Advertisement, selling and marketing expenses	666	889
Loss on foreign exchange fluctuation (net)	35	-
Loss on sale of fixed assets (net)	-	130
Duty credit entitlement written off	264	246
Provision for doubtful advances	229	243
Provision for bad and doubtful debts (including bad debts written off of ₹ 2,142 (PY:1,616))	1,742	1,632
Miscellaneous expenses	1,254	982
	18,214	16,302

27. EXCEPTIONAL ITEMS

	Year ended March 31, 2014	Year ended March 31, 2013
Gain on sale of investment in Associate [Refer note C (49)]	-	12,354
Provision (made)/reversed for losses of subsidiary [Refer note below]	3,200	(8,029)
Write down of inventories to Net Realisable Value	-	(382)
	3,200	3,943

Note:

During the year ended March 31, 2013, the Company had provided for the losses of one of its subsidiaries, Sify Software Limited as the networth of the subsidiary was eroded due to continuous losses since inception. The investment in the subsidiary was tested for impairment and losses were provided for during the same year. Subsequently, on merger of the subsidiary with the Company pursuant to the share holders' approval at the Court, the said provision was assessed and was considered no longer required. Hence, the same is reversed during the current year.

(All amounts are in Indian ₹ lakhs except share data and as stated)

	For the year ended March 31, 2014 Qty (Nos)	Value	For the year ended March 31, 2013 Qty (Nos)	Value
28. TRADED GOODS				
Opening stock				
- Hardware	12,958	1,754	5,543	172
- Software	1,065	94	290	23
Purchases				
- Hardware*	2,38,084	4,555	33,738	3,225
- Software*	1,491	94	24,372	2,106
Sales				
- Hardware*	1,53,719	4,436	26,323	1,643
- Software*	1,953	53	23,597	2,035
Closing stock				
- Hardware	97,323	1,873	12,958	1,754
- Software	603	135	1,065	94

Notes:

(a) Sales include sale of products through e-commerce,

(b) Quantity of software is measured by number of packages and

(c) Quantitative details for purchases related to customer projects are not included in the above disclosure.

	Year ended March 31, 2014	Year ended March 31, 2013
29. VALUE OF IMPORTS ON C.I.F BASIS		
Hardware/software imported	88	116
Fixed assets	5,079	4,219
	5,167	4,335
30. EXPENDITURE IN FOREIGN CURRENCY ON ACCRUAL BASIS		
Royalty	412	327
Legal and professional charges	236	253
Networking costs	3,569	4,418
Other direct costs	159	485
Personnel expenses	851	858
Travelling expenses	40	43
Advertising, selling and marketing expenses	113	138
Others	725	635
	6,105	7,157
31. EARNINGS IN FOREIGN EXCHANGE		
Export of services	40,993	30,623

(All amounts are in Indian ₹ lakhs except share data and as stated)

32. FINANCIAL AND DERIVATIVE INSTRUMENTS

The details of outstanding option/forward contracts as of March 31, 2014 and as of March 31, 2013 are given below:

Particulars	Currency	As at March 31, 2014	As at March 31, 2013
Forward contracts	USD	1	-
(Gain) / loss on mark to market in respect of options / forward contracts outstanding	INR	2	-

Cross Currency Swap:

During the year, the Company had entered into a Cross Currency Swap (Principal Only Swap arrangement) in order to hedge the cash flows arising out of the Principal and Interest payments of the underlying INR term loan . The period of the swap contract is co terminus with the period of the underlying term loan. As per the terms of the arrangement, the Company shall pay USD fixed and receive fixed INR cash flows during the term of the contract.. The swap arrangement is marked to market at the end of every period and losses are recognised in the Profit and Loss Statement. The details of the transaction and the losses recognised during the year are as under:

Particulars	Value of the INR term loan	Value of the USD principal	Mark to Market losses
Tranch 1	1,260	USD 20	43
Tranch 2	721	USD 12	3

The details of foreign currency exposure as at March 31, 2014 are as follows:

Particulars	As at March 31, 2014		
	Foreign Currency	Amount in foreign currency (in lakhs)	Amount in Indian ₹ (in lakhs)
Amounts receivable in foreign currency on account of:	GBP	1	98
Debtors	USD	98	5,917
	SGD	*	1
	CAD	*	*
	EUR	1	91
			6,107
Amounts payable in foreign currency on account of:	EUR	*	13
Creditors	USD	47	2,826
	HKD	*	3
	GBP	*	12
	CHF	*	3
			2,857
Foreign Currency Demand Loan	USD	75	**4,486**

The details of foreign currency exposure as at March 31, 2013 are as follows:

Particulars	As at March 31, 2013		
	Foreign Currency	Amount in foreign currency (in lakhs)	Amount in Indian ₹ (in lakhs)
Amounts receivable in foreign currency on account of:	GBP	2	125
Debtors	USD	124	6,753
	SGD	*	1
			6,879
Amounts payable in foreign currency on account of:	EUR	*	24
Creditors	USD	45	2,465
	HKD	*	1
			2,490
Foreign Currency Demand Loan	USD	43	**2,312**

*amount is below the rounding off norm adopted by the Company

(All amounts are in Indian ₹ lakhs except share data and as stated)

33. EMPLOYEE BENEFITS

Reconciliation of opening and closing balances of the present value of the defined benefit obligation (Gratuity)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Projected benefit obligation at the beginning of the year*	657	450
Service cost	160	108
Interest cost	49	35
Actuarial (gain) / loss	(238)	(35)
Benefits paid	(94)	(78)
Projected benefit obligation at the end of the year	534	480
Change in the fair value of assets		
Fair value of plan assets at the beginning of the year*	426	337
Expected return on plan assets	32	25
Employer contributions	42	40
Benefits paid	(94)	(78)
Fair value of plan assets at the end of the year	406	324
*includes the opening balances of the merged entities		
Amount recognised in the balance sheet		
Present value of projected benefit obligation at the end of the year	534	480
Fair value of plan assets at the end of the year	406	324
Funded status amount of liability recognised in the balance sheet	128	156
Expenses recognised in the profit and loss account		
Service cost	160	108
Interest cost	49	35
Expected return on plan assets	(32)	(25)
Recognised net actuarial (gain)/ loss	(238)	(35)
Net gratuity costs	(61)	83
Actual return on plan assets	32	25
Summary of actuarial assumptions		
Discount rate	8.80% p.a	8.00% p.a
Expected rate of return on plan assets	8.00% p.a	8.00% p.a
Salary escalation rate	6.00% p.a	8.00% p.a
Average future working life time	4.90 years	8.50 years

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

34. SEGMENT REPORTING

The Company, in the immediate past, has been operating with two segments of business viz Enterprise Service and Software services. During the year 2013-14, the Company has reorganised its business into the following offerings.

Telecom Services	Consists of domestic Data, International Data, Wholesale Voice and Collaborative Tools consisting of Audio and Video conferencing solutions.
Data Centre Services:	Currently provides Co-location services for enterprise class clients.
Cloud & Managed Services	Consists of IT infra services, IT transformation Services, Remote and Onsite Infrastructure Management services and Delivery platforms.
Applications Integration Services	Consists of Application Development and Maintenance, Application testing, Mobility solutions, eLearning, Portal services, Tools, Process and Automation.
Technology Integration Services	Consists of Data Centre Build, Network Integration, Information security and End User computing.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Consequently the operating segments are as under:

Telecom services: The telecom services consist of network services addressing the domestic connectivity needs of Indian enterprises and international inward and outward connectivity needs of International Enterprises. The services include a comprehensive range of Internet protocol based Virtual Private Network, offerings, including intranets, extranets and remote access applications to both small and large corporate customers.The Company provides MPLS-enabled IPVPN's through entire network. The Company also provides last mile connectivity to customers.

The cable landing station and investment in submarine cable consortium are other assets extended to International partners for international inward and outward connectivity needs. The cable landing station currently lands 2 major submarine cables; namely Gulf Bridge International (GBI) and the Middle Eastern and North African cable (MENA)

Data center services: The Company operate 5 Tier III Data centers of which two are located in Mumbai (Bombay), one each at Noida (Delhi), Chennai (Madras) and Bengaluru, to host mission-critical applications. The Company offers 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 rent 'secure cages' at the hosting facility as per their application requirements. It also offers 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 under this business line.

Cloud and managed services: On-demand hosting (cloud) services offer end-customers with the solutions to Enterprises. The Company offers on-demand cloud services giving companies the option to "pay as you go" basis.

The Remote and Onsite Infrastructure Management services provide management and support of customer operating systems, applications and database layers.

Technology integration services: The services under this segment consist of Data Centre Build, Network Integration, Information security and End User computing.

Applications integration services: The wide range of web-applications include sales force automation, supply chain management, intranet and extranets, workflow engine and knowledge management systems.

Application integration services operates the online portals, such as www.sify.com, www.samachar.com , that function as principal entry points and gateway for accessing the Internet by providing useful web-related services and links. The company also offers related content sites worldwide.

Sify.com provides a gateway to the Internet by offering communication and search tools such as email, chat, travel, online portfolio management and channels for personal finance, astrology, lifestyle, shopping, movies, sports and news.

The company also offers value-added services to organizations such as website design, development, content management, Online assessment tools, search engine optimization, , including domain name management, secure socket layer (SSL) certificate for websites, and server space in required operating system and database. It provides messaging and collaboration services and solutions such as e-mail servers, LAN mail solutions, anti-spam appliances, bulk mail services, instant messaging, and also offer solutions and services to enable data & access security over the Internet, Infrastructure-based services on demand, including on-line testing engine and network management. On-line testing services include test management software, required servers and proctored examination facilities at Sify's franchisee points. On-line exam engine offered allows a secure and flexible way of conducting examinations involving a wide range of question patterns.

Accordingly, revenues represented by nature of service rendered comprise the primary basis of segmental information.

Bandwidth costs, which form a significant part of the total expenses, are of three kinds – international, Domestic and last mile. These are allocated primarily to the Telecom services.

- Certain expenses, like depreciation and overheads incurred by the support functions including finance, human resources, administration and corporate, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not feasible to provide segment disclosure of these expenses and, accordingly, they are separately disclosed as "unallocated expenses" and "depreciation" and adjusted only against the total operating income of the Company.

A significant part of the fixed assets used in the Company's business are not identifiable exclusively to any of the reportable segments and can be used interchangeably between segments. Management believes that it is not feasible to provide segment disclosures relating to total assets since a meaningful segregation of the available data is onerous.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Business segment

The Company's operating segment information for the year ended March 31, 2014 is presented below:

Particulars	Telecom Services	Data center Services	Managed Services	Technology Integration Services	Application Integration Services	Total (A)+(B)+ (C)+(D)+(E)
	(A)	(B)	(C)	(D)	(E)	
Revenue from operations	68,756	12,239	4,985	8,279	10,202	1,04,461
Segment operating income / (loss)	16,254	2,717	621	(163)	2,424	21,853
Unallocable expenses						(5,560)
Operating income						16,293
Other income						947
Foreign exchange gain / (loss), net						(35)
Profit / (loss) before interest, depreciation, tax and exceptional items						17,205
Interest income / (expenses), net						(2,616)
Depreciation, amortisation and impairment						(10,728)
Profit before exceptional items and taxation						3,861
Exceptional item						3,200
Net profit after taxes						7,061

The Company's operating segment information (under the revised BU structure) for the year ended March 31, 2013 is presented below:

Particulars	Telecom Services	Data center services	Managed services	Technology Integration Services	Application Integration services	Total (A)+(B)+ (C)+(D)+(E)
	(A)	(B)	(C)	(D)	(E)	
Revenue from operations	52,909	12,827	5,109	7,862	3,418	82,125
Segment operating income /(loss)	9,502	3,384	1,920	(487)	341	14,660
Unallocable expenses						(5,562)
Operating income						9,098
Other income						783
Foreign exchange gain / (loss), net						165
Profit / (loss) before interest, depreciation, tax and exceptional items						10,046
Interest income / (expenses), net						(1,323)
Depreciation, amortisation and impairment						(8,408)
Profit before exceptional items and taxation						315
Exceptional item						3,943
Net profit after taxes						4,258

Geographical segment

The Company has operations within India as well as well as in other countries. The operations in India constitute the major part of the operations. Management has reviewed the geographical areas vis-à-vis the risks and returns that encompass them. While arriving at this, management has reviewed the similarity of the economic and political conditions, relationships between operations in these geographical

(All amounts are in Indian ₹ lakhs except share data and as stated)

areas, proximity of operations, and special risks if any associated with operations in these areas. Revenues are attributable to individual geographic segments based on the location of the customer. Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Company's geographical segment information for the year ended March 31, 2014 is presented below:

Description	India	Rest of the world	Total
Sales- External Revenue	63,468	40,993	104,461
Net carrying amount of segment fixed assets by location of assets	49,804	-	49,804
Net carrying amount of other segment assets by location of customers	65,936	6,107	72,043
Cost to acquire tangible and intangible assets by location of customers	28,965	-	28,965

The Company's geographical segment information for the year ended March 31, 2013 is presented below:

Description	India	Rest of the world	Total
Sales- External Revenue	51,502	30,623	82,125
Net carrying amount of segment fixed assets by location of assets	31,455	-	31,455
Net carrying amount of other segment assets by location of customers	51,805	6,879	58,684
Cost to acquire tangible and intangible assets by location of customers	10,490	-	10,490

35. RELATED PARTY TRANSACTIONS

The related parties where control exists are the subsidiaries.

Related parties where control / significant influence exist or with whom transactions have taken place during the year are given below.

Holding companies	Infinity Satcom Universal Private Limited.
	Raju Vegesna Infotech & Industries Private Limited (subsidiary of Infinity Satcom Universal Private Limited)
	Ramanand Core Investment Company Private Limited (subsidiary of Raju Vegesna Infotech & Industries Private Limited)
Subsidiaries	Sify Technologies (Singapore) Pte. Limited
	Pace Info Com Park Private Limited.
	Sify Software Limited,
	Hermit Projects Private Limited
	Sify International Inc and
	Sify Empower India Foundation
Key management personnel (KMP) and relatives of key management personnel	Raju Vegesna, Chairman and Managing Director
	Ananda Raju Vegesna, Executive Director and
	Radhika Vegesna, Daughter of Mr.Ananda Raju Vegesna
Enterprises over which KMP have significant influence	Raju Vegesna Developers Private Limited

(All amounts are in Indian ₹ lakhs except share data and as stated)

(ii) Particulars of related party transactions

The following is a summary of significant related party transactions:

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
	Subsidiaries	
Sify Software Limited (formerly Sify Networks Private Limited) [Refer note C (27) & (38)]		
Advances given	-	171
Receipt of services	-	2,545
Services rendered to subsidiary	-	347
Reimbursement of expenses	-	636
Provision for losses of subsidiary	-	(8,027)
Interest on Inter corporate loans	-	449
Sify Technologies (Singapore) Pte. Limited		
Advances given	131	22
Receipt of services	214	174
Reimbursement of expenses	-	3
Rendering of services	2	1
Pace Info Com Park Private Limited [Refer note C(11) & C (47)]		
Investment made	2,422	-
Advances given	267	1,153
Hermit Projects Private Limited		
Advances given	-	*
Sify Empower India Foundation [Refer note 4 below]		
Investment made	-	1
	Holding Company	
Raju Vegesna Infotech and Industries Private Limited (Refer Note 1 below)		
Lease rentals Paid	9	9

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
	Enterprises over which KMP have significant influence	
Raju Vegesna Developers Private Limited (Refer Note 2 below)		
Lease rentals paid	4	4
Radhika Vegesna (Refer Note 3 below)		
Lease rentals paid	35	31

The following is the summary of outstanding balances as at March 31, 2014:

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Sify Software Limited (formerly Sify Networks Private Limited)		
Inter corporate loans	-	3,458
Advances receivable	-	171
Investments	-	4,827
Provisions for losses of subsidiary	-	(8,027)
Guarantees given	-	1100
Sify Technologies (Singapore) Pte. Limited		
Advances receivable	154	23
Investments	1	1
Trade Payables	11	35
Trade Receivables	2	-
Sify International Inc		
Advances receivable	-	62
Pace Info Com Park Private Limited [Refer note C (47)]		
Investment	2,422	-
Advances receivable	7,107	4,920
Guarantees obtained [Refer note C (6) (b)]	14,300	10,000
Hermit Projects Private Limited		
Investments	-	280
Advances receivable	-	4,343
Sify Empower India foundation [Refer note 4 below]		
Investment made	-	1
Raju Vegesna Infotech and Industries Private Limited		
Lease rentals payable	-	1
Raju Vegesna Developers Private Limited		
Lease rentals payable	-	*
Radhika Vegesna		
Lease rentals payable	*	2
Refundable rental deposits	26	26

*amount is below the rounding off norm adopted by the Company.

The Company does not pay any remuneration to the key managerial personnel. Details of payments to other directors are given in note 42.

Note 1: Transaction with M/s Raju Vegesna Infotech and Industries Private Limited

During the year 2011 -12, the Company had entered into a lease agreement with M/s Raju Vegesna Infotech and Industries Private Limited, the holding Company, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of ₹ 0.75 (₹ Seventy Five Thousand Only) per month. Subsequently, the Company entered into an amendment agreement on April 1, 2013, providing for automatic renewal for a further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years.

Note 2: Transaction with M/s Raju Vegesna Developers Private Limited

During the year ended March 31, 2012, the Company had entered into a lease agreement with M/s Raju Vegesna Developers Private Limited, a Company in which Mr Ananda Raju Vegesna, Executive Director of the Company and Mr Raju Vegesna, Chairman and Managing director of the Company exercise significant influence, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of ₹ 0.30 (₹ Thirty Thousand Only) per month. Subsequently, the Company entered into an amendment agreement on April 1, 2013, providing for the automatic renewal for further period of two blocks of 3 years with an escalation of 15% on the last paid rent after the end of every three years

(All amounts are in Indian ₹ lakhs except share data and as stated)

Note 3: Transaction with Radhika Vegesna

During the year 2010-11, the Company had entered into a lease agreement with Ms Radhika Vegesna, daughter of Mr Anand Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of ₹ 3 per month and payment of refundable security deposit of ₹ 26. This arrangement will automatically be renewed for a further period of two blocks of three years with all the terms remaining unchanged.

Note 4: Closure of Sify Empower India Foundation:

During the previous year, the Company had acquired 8,980 shares of ₹ 10 each, representing 89.80% of the total number of shares, in Sify Empower India Foundation, in addition to its existing holding of 1,000 shares of ₹ 10 each, thereby making it a subsidiary of the Company as of March 31, 2013. Subsequently, as there was no activity in the said subsidiary, it was proposed to close the subsidiary. Based on the application filed by SEIF, the Registrar of Companies, Chennai, has confirmed vide letter dated 27.12.2013 that the name of SEIF has been struck off from the Register and the Company was dissolved.

36. ASSOCIATES STOCK OPTION PLAN

The Company had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. The Compensation Committee grants the options on the basis of performance, criticality and potential of the employees as identified by the management. Each option entitles the holder to purchase one American Depositary Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000, ASOP 2002 and ASOP 2005 as at March 31, 2014. The plan wise details are as follows:

(i) ASOP 2007

In September 2007, the shareholders of the Company approved a new scheme for allotment of shares to employees i.e. Associate Stock Option Plan 2007. Consequently 797,600 unissued options available under the earlier Associate Stock Option Plan 2005 are no longer available for issuance.

The options vest in a graded manner over a period of 4 years as follows:

One sixth of the option quantity:	At the end of one year from the date of the grant.
Five sixths of the option quantity:	At the end of each quarter during the second, third and fourth year from the date of the grant in twelve equal instalments.

The options are to be exercised within a period of twelve months from the date of last vesting.

The following table summarises the transactions of stock options under ASOP 2007:

No. of options granted, exercised and forfeited	For the year ended March 31, 2014	March 31, 2013
Outstanding at the beginning of the year	54,592	601,168
Granted during the year	-	-
Forfeited during the year	-	-
Expired during the year	(7,394)	(546,576)
Exercised during the year	(17,198)	-
Outstanding at the end of the year	30,000	54,592
Vested and exercisable at the end of the year	30,000	54,592
Weighted average exercise price in ₹	98.24	98.85
Remaining contractual period	0 - 0.56 years	0 - 0.56 years

Modification

As the stock options issued under ASOP 2005 and ASOP 2007 had been out of money during most of the time of the vesting period, the Company's compensation committee during the year ended March 31, 2008 allowed certain employees vide their approval dated January 22, 2008 to surrender their (a) unvested (b) vested and (c) unexercised stock options and obtain fresh options at a discount of 10% of the market price under ASOP 2007 prevalent at the date of modification in lieu of the surrendered stock options. This modification resulted in the revision in the exercise price as well as the service period over which the stock options vest. Consequent upon modification, 497,200 stock options of ASOP 2005 plan and 123,900 stock options of ASOP 2007 plan were replaced with an allotment of equal number of fresh options to those who surrendered.

The incremental intrinsic value of the stock options replaced was determined by reference to the difference between the intrinsic value of the replaced stock options and the net intrinsic value of the cancelled stock options at the date of grant of new stock options.

In respect of modification that has occurred during the vesting period, the incremental intrinsic value is included in the measurement of the amount recognised, for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date intrinsic value of the original equity instruments, which is recognised over the remainder of the original vesting period. In respect of the modification that has occurred after vesting date, the incremental intrinsic value granted is recognised immediately or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

(ii) Proforma disclosure

The Company measures the compensation cost relating to the stock option using the intrinsic value method. The compensation cost is amortised over the vesting period of the stock option. The Company has accounted for the ESOP granted under ASOP 2005 and 2007 as per the Guidance Note on Employee Share Based Payments, dated February 4, 2005 issued by the Institute of Chartered Accountants of India. Accordingly, the Company has amortised an amount of ₹* (net) and ₹* (net) towards stock expense for the years ended March 31, 2014 and 2013 respectively.

Had the compensation cost for the options been recognised based on the fair value at the date of grant in accordance with Black Scholes' model, the proforma amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Net profit – as reported	7,061	4,258
Add: Stock based compensation expenses included in reported net profit	*	*
Less: Stock based compensation expenses determined under fair value method	*	(29)
Proforma net profit	7,061	4,229
Earnings per share		
Number of shares – Basic (Refer Note C (45))	13,66,79,950	13,16,38,589
Number of shares –Diluted (Refer Note C (45))	13,66,82,565	13,16,36,425
Profit per share – reported	5.17	3.23
Profit per share – proforma - ₹ 10 paid up	5.17	3.21
Profit per share – proforma - ₹ 7 (March 31,2013: ₹ 6.25) paid up	3.62	2.01

There were no options granted to Associates during the year.

(All amounts are in Indian ₹ lakhs except share data and as stated)

37. LEGAL PROCEEDINGS

a) Proceedings before Department of Telecommunications

(i) License fees

- On October 12, 2009 (as later clarified by the DoT), the Department of Telecommunications ('DOT') raised a demand on Sify Technologies for ₹ 140 after correcting the arithmetical error in the assessment letter.
- On February 26, 2010 DOT raised a demand on Sify Communications (erstwhile subsidiary merged with Sify Technologies Limited) for ₹ 260. DoT issued a demand notice for ₹ 260 claiming licence fee to be paid on income from Digital signatures, the business got merged with the business of Sify Technologies Limited on merger of Sify Communications Ltd with Sify Technologies Limited. Subsequently, the Company had submitted all supporting documents to DoT intimating the income from digital signature business would not be considered for calculating AGR. After explanation given by the Company, DoT did not pursue the matter further against the Company and the management treats the issue closed.

The above demands were made by the DoT on the premise that all amounts of income (whether direct or indirect) including certain items like other income, interest on deposits, gain on foreign exchange fluctuation, profit on sale of assets & provision written back, that have got anything to do with telecom operations of the Company or arise in connection with the Telecom business of the Company, are to be considered as income for the purpose of calculation of the license fee. The company has replied suitably on the above demand notice.

The service providers had approached Telecom Disputes Settlement & Appellate Tribunal ('TDSAT') on what all items of income are liable for calculation of license fee and what all items of income on which license fees are not liable to be paid. TDSAT by its order clarified on the above. The TDSAT order was challenged by DoT in Supreme Court of India and the Supreme Court has set aside the TDSAT order. The service providers through their associations are contemplating for further appeal in Supreme Court by way of review petition. Sify believes that inspite of the Supreme Court order, the above demands are not tenable under law nor fit into the definition of Adjusted Gross Revenue as defined by DoT. The company believes it has adequate defenses for these demands and the ultimate outcome of these actions may not have a material adverse effect.

(ii) In November 2009, the Company received a demand notice pertaining to the allocation of spectrum in the 3.3-3.4 GHz frequency, from DoT, demanding ₹ 3,450 towards spectrum charges payable from the date of issue of allocation letter for 170 Base Stations. As per the notice, in case no payment is received within 15 days from the date of issue of the notice, then it would be presumed that the Company is no longer interested for the frequency assignments in 3.3-3.4 GHz band.

Whilst the Company received allotment letter for Spectrum in 3.3 GHz band (3303.5/3353.5 MHz) (Total 12 MHz) the Company had neither started any operations in this frequency band nor had applied for any Operating License from DOT/ Wireless Planning Commission (WPC). The Company believes that the obligation to make payment will arise only after obtaining the operating license from DOT/WPC. The Company also believes that it has adequate legal defences for these demands, as the Company has not yet obtained any operative license, hence such demand is not tenable Nevertheless, the Company has as a commitment to hold and use the spectrum in the above band has paid ₹ 116 towards 40 Base Stations and has surrendered the remaining 130 Base Stations. The Company believes that the ultimate outcome of these actions will not have a material adverse effect.

b) The company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2014, the Company believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgement in all these cases, the maximum financial exposure would be ₹ 266 (March 31, 2013: ₹ 106).

38. MERGER OF SIFY SOFTWARE LIMITED AND HERMIT PROJECTS PRIVATE LIMITED WITH SIFY TECHNOLOGIES LIMITED

The Board of Directors had approved the proposal for merger of the wholly owned subsidiaries M/s Sify Software Limited and M/s Hermit Projects Private Limited, with the Company effective April 1, 2013.

The High Court has approved the merger vide its order dated 7th of April 2014. The scheme was sanctioned by the Court with effect from the 1st of April 2013 so as to be binding on all the shareholders and creditors of the Company.

Scheme of Arrangement:

The Scheme of Arrangement is prepared under Section 391 to 394 read with Sections 78, 100 to 103 and other relevant provisions of the Companies Act, 1956 for the amalgamation of M/s Sify Software Limited and M/s Hermit Projects Private Limited, the two wholly subsidiary Companies with the company and adjustment of accumulated losses of the merged entity against the Securities Premium Account and for matters consequential, supplemental and/or otherwise integrally connected therewith.

1. All the assets and liabilities recorded in the books of the Transferor Companies shall stand transferred to and vested in the Transferee Company pursuant to the Scheme and is recorded by the Transferee Company at the book values as appearing the books of the Transferor Companies.
2. All reserves of the Transferor Companies shall be transferred to the identical reserves in the Transferee Company. The Share Capital and Securities Premium of the Transferor Companies will stand cancelled against the investment appearing in the books of Transferee Company.
3. The accumulated losses of the Transferor Companies shall be adjusted to the Securities Premium of the Transferor Company.

Any surplus/deficit arising out of Amalgamation is adjusted in the Profit and Loss Account under Reserves and Surplus of the Transferee Company.

Net assets position of the subsidiaries as on the effective date of merger is as under:

	Sify Software Limited	Hermit Projects Private Limited
Particulars	Amount ₹	Amount ₹
Non-Current Assets	164	4,342
Current Assets	3,213	-
Total Assets	3,377	4,342
Non-Current Liabilities	(149)	(4,344)
Current Liabilities	(5,974)	(1)
Total outside liabilities	(6,123)	(4,345)
Net Assets	(2,746)	(3)

Out of the above mentioned net assets, accumulated losses of ₹ 7, 874 in respect of SSL and ₹ 4 in respect of HERMIT have been set off against the securities premium of the Company and the balance has been adjusted to the Profit and Loss account.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Calculation of Net surplus / (deficit) arising out of the amalgamation:-

Particulars	Amount ₹	Amount ₹
Share Capital including share premium (A)	5,128	1
Accumulated losses (B)	(7,874)	(4)
Net Assets C= (A) – (B)	(2,746)	(3)
Adjustments:		
Balance of net assets after setting off of the losses with the Transferee Company (Refer note C (39)) (D) = (C)-(B)	5,128	1
Investment value of the subsidiaries in the company (E)	-	280
Net surplus/(deficit) arising out of the amalgamation (D)-(E)	**5,128**	**(279)**

The net surplus/(deficit) of ₹ 4,849 (₹ 5,128 – ₹ 279) is adjusted in the profit and loss account under reserves and surplus.

39. ADJUSTMENT TO THE SECURITIES PREMIUM ACCOUNT

The Company has been incurring losses over the last five years except during the financial years ended 31.3.2010 and 31.3.2013, which resulted in the Company presently having an accumulated loss of ₹ 19,783 as per the audited financials as on 31.3.2013. In addition to this, consequent to the amalgamation of the two subsidiary Companies with the Transferee Company, an additional loss of ₹ 7, 878 has also been absorbed by the Company in the merger. Hence, it was proposed to set off the accumulated losses of the Company and subsidiaries with the Securities Premium Account of the Company as part of the scheme of merger. Accordingly the debit balance in the "Profit & Loss Account" as on the Appointed Date is ₹ 27, 661 representing the losses carried forward by the Company and the two subsidiaries (the Transferor Companies). The details of loss incurred/profit earned by the Transferee Company during the last five years are given below:

Year ended	₹
Losses for the year ending	
31.3.2008	(2,155)
31.3.2009	(17,666)
31.3.2010	3,603
31.3.2011	(5,423)
31.3.2012	(2,400)
31.3.2013	4,258
Total	**(19,783)**
Accumulated loss of subsidiaries as on 31.3.2013:	
Sify Software Limited	(7,874)
Hermit Projects Private Limited	(4)
Total accumulated loss as on 31.3.2013	**(27,661)**

Hence, the debit balance in the "Profit & Loss Account" as on the Appointed Date to an extent of ₹ 27, 661 representing the accumulated losses of the Company and the Subsidiaries as on 1.4.2013 is adjusted against the sum of ₹ 69, 004 standing to the credit of Securities Premium Account of the Company on the said date. On such adjustment, the Securities Premium Account of the Company shall stand reduced collectively by a sum of ₹ 27, 661, leaving a credit balance of ₹ 41, 343.

40. EUROPE INDIA GATEWAY

The Company has entered into a contract with Emirates Integrated Telecom ('the Emirates') for the construction and supply of undersea cable capacity from the Europe India Gateway. As per the contract with Emirates, the Company is required to pay its share of decommissioning costs, if any, that may arise in the future. No provision has been made by the Company for such decommissioning costs as the amount of provision cannot be measured reliably as at March 31, 2014.The capacity under the mentioned facility would be upgraded over a period of time.

41. IPO LISTING

The Ministry of Finance of the Government of India ('MoF') issued a press release dated March 31, 2006, making amendments to the 'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depositary Receipt Mechanism) Scheme 1993' ('the Scheme'). The amendments included a statement that unlisted Companies which had accessed FCCBs, ADR/GDRs in terms of guidelines of May 22, 1998 and are not making profit, be permitted to comply with listing condition on the domestic stock exchanges within three years of having started making profit. Further, the press release states that no fresh issues of FCCBs, ADR/GDRs by such companies will be permitted without listing first in the domestic exchanges. Hence the Company would not be able to raise funds by issuing ADRs until such time the Company complies with the 'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depositary Receipt Mechanism) Scheme 1993' and lists in the domestic stock exchanges as per the above press release.

42. PAYMENTS TO DIRECTORS

(other than managing director and executive director)

	Year ended March 31, 2014	Year ended March 31, 2013
Sitting fees	10	10
Consultancy fees	2	2

43. DUES TO MICRO AND SMALL ENTERPRISES

The Company has not received any memorandum (as required to be filed by the supplier with the notified authorities under Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as Micro, Small or Medium Enterprises. Accordingly the amount paid/ payable to these parties is considered to be nil.

44. DISCLOSURE PURSUANT TO AS 7 – CONSTRUCTION CONTRACTS

	Year ended March 31, 2014	Year ended March 31, 2013
Contract revenue recognised	714	2,098
Aggregate amounts of costs incurred and recognized profits (less recognised losses) upto the reporting date – Contracts in progress	533	221
Gross amount due from customers for contract work presented as an asset	640	221

45. RECONCILIATION OF EQUITY SHARES IN COMPUTING WEIGHTED AVERAGE NUMBER OF EQUITY SHARES

	Year ended March 31, 2014	Year ended March 31, 2013
(a) Weighted average number of shares – Basic		
Issued fully paid up ordinary shares as on April 1, 2013	5,33,51,498	5,33,51,498
Effect of shares issued on exercise of stock options	1,69,205	1,62,091
Effect of partly paid shares [Refer Note (1)]	8,31,59,247	7,81,25,000
Weighted average number of equity shares outstanding	13,66,79,950	13,16,38,589

(All amounts are in Indian ₹ lakhs except share data and as stated)

Note 1: During the year 2010-11, 12, 50, 00,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of March 31, 2014, these shares were partly paid up to the extent of ₹ 7 (March 31, 2013 - ₹ 6.25) per share. Refer to note C (46).

(b) Weighted average number of shares – Diluted

	Year ended March 31, 2014	Year ended March 31, 2013
Weighted average number of equity shares outstanding	13,66,79,950	13,16,38,589
Dilutive impact of associated stock options	2,615	(2,164)
Weighted average number of equity shares for diluted earnings per share	13,66,82,565	13,16,36,425

46. ISSUE OF SHARES TO THE PROMOTER GROUP

On August 4, 2010, the Board of Directors of the company proposed the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the company's equity shares, par value ₹ 10 per share ("Equity shares"), for an aggregate purchase price of ₹ 40,000, to a group of investors affiliated with the company's promoter group, including entities affiliated with Mr Raju Vegesna, the company's Chairman and Managing Director and Mr Ananda Raju Vegesna, Executive Director and brother of Mr Raju Vegesna (the "Offering"). The company's shareholders approved the terms of the Offering at the Company's Annual General Meeting held on September 27, 2010.

On October 22 2010, the company entered into a Subscription Agreement with Mr Ananda Raju Vegesna, acting as representative of the acquirers in connection with the offering. Accordingly, the company issued 12,50,00,000 equity shares to Raju Vegesna Infotech & Industries Private Limited, a company affiliated with the promoter group on October 30, 2010.

As of March 31, 2014, the Company has called–up and received a sum of ₹ 7 per share. The remaining amount of the purchase price will be called up at such time as determined by the company. Until the full purchase price is paid by the purchasers, the Company retains a lien on the equity shares purchased in connection with the Offering.

47. ACQUISITION OF SHARES IN PACE INFO COM PARK PRIVATE LIMITED

During the year ended March 31, 2012, the Company had acquired the shares of Hermit Projects Private Limited (HERMIT) from Advance India Projects Private Limited (AIPL), an independent third party builder. HERMIT is the Holding Company of Pace Info Com Park Private Limited (PACE), who was allotted a land by the Noida authorities and where the activity of construction of data center is in progress. At the time of acquisition of HERMIT from AIPL, the total consideration was determined as being ₹ 280 for purchase of 10,000 equity shares of HERMIT and ₹ 11,120 for settlement of debts and liabilities in the books of both HERMIT and PACE.

As of March 31,2013, out of the total commitment of ₹ 11,120 towards settlement of debts and liabilities , the Company had advanced a sum of ₹ 4,921 and ₹ 4,343 to PACE and HERMIT respectively. As of March 31, 2013 the company had also advanced ₹ 1, 617 to AIPL .

Pursuant to the merger of HERMIT with the Company, PACE became the subsidiary of the Company as on the effective date of merger with an investment value of ₹ 2,422 represented by 10,000 equity shares of ₹ 10 each. As of March 31, 2014, the Company has advanced ₹ 7,107 to PACE towards settlement of its debts and liabilities. It has also advanced ₹ 1,807 as of March 31,2014 to AIPL which will be adjusted towards the value of investment in PACE after setting further debts and liabilities of the said data centre.

48. PROPOSED MERGER OF PACE INFO COM PARK PRIVATE LIMITED

The Board of Directors of M/s Pace Info Com Park Private Limited, a wholly owned Subsidiary, has approved the merger of the subsidiary with the Company effective April 1, 2014. The proposal is subject to the approval of the shareholders of the Company at a Court convened meeting and the confirmation of the Hon'ble High Court of Judicature at Madras and other statutory authorities.

49. SALE OF INVESTMENT IN MF GLOBAL SIFY SECURITIES PRIVATE LIMITED

In the year 2000, REFCO - Sify Securities India Private Limited was formed as a Joint Venture company between REFCO Group Holdings Inc. and the Company. During November 2005, REFCO Group Holding Inc. sold its entire stake in REFCO Sify Securities India Private Limited to Man Financial Holdings Limited, the name which later changed into M F Global Overseas Limited (MFG). Consequent to this, MFG and the Company entered into a share holders Agreement dated 25th November 2005. MFG is a subsidiary of MF Global Holdings Limited, USA. Subsequent to the sale of shares to MFG, the name of the Joint Venture Company was changed into MF Global Sify Securities India Private Limited (Joint Venture Company).

As at March 31, 2012, the Company held 29.85% in the Joint Venture Company and the remaining 70.15% was held by MFG. On October 31, 2011, M F Global Holding Limited, USA, sought bankruptcy protection through a chapter 11 filing in the U.S. Bankruptcy Court in New York. Consequent to this, MFG also filed for bankruptcy proceedings in the United Kingdom and 3 individual administrators from KPMG were appointed as Joint administrators for MFG which holds the shares in the Joint Venture Company.

The company was informed by the Joint Administrators that they are in the process of seeking bids for the stakes held by MFG in the Joint Venture Company. The Company felt that the auction process is in violation of the share holders' agreement entered between MFG and the Company.

Hence, the Company had filed a petition under section 9 of the Arbitration and Conciliation Act 1996 in Bombay High Court, seeking for an interim relief restraining the Joint Administrators and MFG from proceeding with the proposed auction in respect of the sale of shares held by MFG in the Joint Venture Company in violation of share holders agreement dated November 25, 2005. The above petition came up for hearing on December 16, 2011. The Hon'ble High Court was pleased to grant ad-interim injunction restraining MFG Overseas Limited through its Administrators from disposing off its shares in MFG Sify in violation of the Shareholder Agreement. The petition has been adjourned for further proceedings. In parallel, the Company without prejudice to its legal rights was in discussion with the Joint Administrators of MFG for an early amicable settlement in this regard. After successful completion of the discussion, the Company has withdrawn the petition before the Hon'ble High Court.

On March 27, 2012, the Company entered into an agreement relating to sale and purchase of shares in MF Global Sify Securities India Private Limited by and among Sify, MF Global Sify Securities Pvt Ltd., MF Global Overseas Limited, the joint administrators of MF Global Overseas (the "Joint Administrators") and entities affiliated with the Phillip Capital Group, whereby the Company agreed to sell its entire 29.85% interest in MF Global.

On August 2,2012, the Company announced the conclusion of the sale of the entire stake in MF Global Sify Securities India Pvt Ltd .Necessary Regulatory and statutory 'no objection approvals' for change in control were received. The aggregate amount received by the Company against the aforementioned stake and the rights therein is ₹ 13,903 (USD 25 million) in cash.

(All amounts are in Indian ₹ lakhs except share data and as stated)

50. TAXATION

Major components of deferred tax asset/liability recognised on account of timing differences are:

	As at March 31, 2014	As at March 31, 2013
Liabilities		
Amortization of assets on finance lease	576	1,060
Assets		
Depreciation on own assets (restricted to the extent of deferred tax liability)	(576)	(1,060)
Net deferred tax recognised	-	-

The Company has recognised deferred tax asset to the extent of deferred tax liability arising during the year. The Company is also evaluating creation of deferred tax asset in future years attributable to timing differences arising out of depreciation, carried forward losses and others, when there is a virtual certainty in relation to its realization.

51. PRIOR YEAR COMPARATIVES

Previous year's figures have been regrouped wherever necessary to conform to current year's classification. Since the merger referred to in note C (38) is effective from the 1st of April 2013, the figures of the current year are not comparable with that of the previous year.

for **ASA & Associates LLP**
Chartered Accountants
Firm Registration No.: 009571N/N500006

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No.: 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
May 17, 2014

M P Vijay Kumar
Chief Financial Officer

L V Veeranjaneyulu Y
Company Secretary

(All amounts are in Indian ₹ lakhs except share data and as stated)

Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 relating to the Subsidiary Companies for the year ended March 31, 2014

Name of the Subsidiary Company	*Sify Technologies (Singapore) Pte. Limited*	*Pace Info Com Park Pvt Ltd*
Name of the Holding Company	Sify Technologies Ltd	Sify Technologies Ltd
a) the extent of the holding company's interest in the subsidiary as at the end of the financial year ended March 31, 2014		
i) No: of Equity shares	2000 of SGD 1 per share	10,000 of ₹ 10/- each
ii) Extent of holding	100%	100%
(b) the net aggregate amount of the profits / (losses) of the subsidiary company not dealt with in the Company's accounts so far as it concerns the members of the holding company		
i) for the financial year ended March 31, 2014	(62)	(285)
ii) for all the previous financials years of the subsidiary	(20)	(13)
(c) The net aggregate amount of the profits/(losses) of the subsidiary company dealt with in the Company's accounts so far as it concerns the members of the holding company		
i) for the financial year ended March 31, 2014	Nil	Nil
ii) for all the previous financials years of the subsidiary	Nil	Nil

Chennai	**C B Mouli**	**Raju Vegesna**	**M P Vijay Kumar**	**L V Veeranjaneyulu Y**
May 17, 2014	Director	Chairman & Managing Director	Chief Financial Officer	Company Secretary