SIFY TECHNOLOGIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Rupees, except share data and as stated otherwise)

1. Reporting entity

Sify Technologies Limited, ('Sify' or 'the Company') formerly known as Sify Limited, is a leading internet services provider headquartered in Chennai, India. These Consolidated Financial Statements comprise the Company and its subsidiaries (Sify Networks Private Limited, and Sify International Inc,) (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associate company. The Group is primarily involved in providing services, such as Corporate Network and Data Services, Internet Access Services, Online Portal and Content offerings and in selling hardware and software related to such services. Sify is listed on the NASDAQ Global Market in the United States.

2. Basis of preparation

a. Statement of compliance

The accompanying Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB).

These Consolidated Financial Statements have been approved for issue by the Board of Directors on September 28, 2009.

b. Basis of measurement

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

- Available for sale financial assets are measured at fair value
- Derivative financial instruments are measured at fair value
- the defined benefit asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.
- In relation to lease prepayments, the initial fair value of the security deposit, is estimated as the present value of the refundable amount, discounted using the market interest rates for similar instruments. The difference between the initial fair value and the refundable amount of the deposit is recognized as a lease prepayment.

The above items have been measured at fair value and the methods used to measure fair values are discussed further in Note 4.

c. Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Indian rupee is the functional currency of Sify, its domestic subsidiaries and affiliates. The U.S. dollar is the functional currency of Sify's foreign subsidiary located in the United States.

The Consolidated Financial Statements are presented in Indian Rupees which is the Group's presentation currency. All financial information presented in Indian Rupees has been rounded up to the nearest thousand except where otherwise indicated.

Convenience translation (unaudited): Solely for the convenience of the reader, the financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars (neither the presentation currency nor the functional currency of the Group) based on the reference rate in the City of Mumbai on March 31, 2009, for cable transfers in Indian rupees as published by the Reserve Bank of India which was Rs.50.95 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollar at such a rate or at any other rate on March 31, 2009 or at any other date.

d. Use of estimates and judgements

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of change and future periods, if the change affects both.

In particular, areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include the following**:**

- Measurement of the recoverable amounts of cash-generating units containing goodwill (Note 6)
- Useful lives of Property, plant and equipment (Note 3 e and Note 5)
- Useful lives of intangible assets (Note 3 f and Note 6)
- Lease classification (Note 3 g, 10, 17 and 31)
- Utilization of tax losses (Note 11)
- Measurement of defined employee benefit obligations (Note 18)
- Measurement of share-based payments (Note 3 k and Note 28)
- Valuation of financial instruments (Note 3 c, 4, 36 and 37)
- Provisions and contingencies (Note 33 and 34)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements

a. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power directly/indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are consolidated from the date that control commences and de-consolidated from the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

(ii) Associates (equity accounted investees)

Associates are those entities where the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group’s share of the income and expenses and equity movements of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies on initial recognition are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale financial assets that are not monetary items, are recognised directly in the statement of recognised income and expenses.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Indian Rupees at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Indian rupees using average exchange rates during the period. Foreign currency differences are recognised directly in the statement of recognised income and expense. Such differences are captured in the foreign currency translation reserve "FCTR" within other components of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

c. Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. However if the instrument is recognized as at fair value through profit or loss then any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

b) Available-for-sale financial assets

Available-for-sale (AFS) financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss in accordance with IAS 39.

Investments in equity and certain debt securities are initially recognised at fair value and classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in the statement of recognised income and expense. When an investment is de-recognised, the cumulative gain or loss in equity is transferred to profit or loss. These are presented as current assets unless the management intends to dispose off the current assets after 12 months from the balance sheet date.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are initially measured at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less any impairment loss. Loans and receivables are represented by trade receivables, unbilled revenue, cash and cash equivalents.

d) Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with certain payables, receivables and forecasted transactions denominated in certain foreign currencies.

These derivative contracts do not qualify for hedge accounting under IAS 39, and are initially recognised at fair value on the date the contract is entered into and subsequently remeasured at their fair value. Gains or losses arising from changes in the fair value of the derivative contracts are recognised immediately in profit or loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

d. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or share options are recognised as a deduction from equity, net of any tax effects.

e. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

(i) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(ii) Depreciation

Depreciation is provided on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Management's estimated useful lives for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Estimate of useful life in years	
	2009 / 2008	2007
Buildings	28	28
Plant and machinery comprising computers, servers etc.	2 – 5*	5
Plant and machinery comprising other items	8*	5
Furniture and fittings	5	5
Office equipment	5	5
Motor vehicles	3 – 5	3

* Revised during the year ended March 31, 2008. Also refer note 5.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

f. Intangible assets

(i) Goodwill

Goodwill represents the cost of a business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree.

Acquisitions prior to April 1, 2006

In respect of acquisitions prior to 1 April 2006, goodwill, if any, represents the amount recognised under the Group's previous accounting framework, US GAAP.

Acquisitions on or after April 1, 2006

For acquisitions on or after 1 April 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), the Group reassesses the identification and measurement of identifiable assets, liabilities and contingent liabilities, and the measurement of the cost of acquisition, and recognizes any remaining excess in profit or loss immediately on acquisition.

Acquisition of minority interests

Acquisition of minority interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investee.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset. Borrowing costs that are directly attributable to the acquisition of qualifying intangible asset are capitalized as part of the cost of that asset.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, are recognised in profit or loss as incurred.

(iv) Amortisation of intangible assets with finite useful lives

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and previous year are as follows:

	Estimate of useful life in years
Software	Not exceeding 3 Years
Technical Know-how	5 years
License fees	20 years
Portals and web development cost	5 years
Customer related intangibles	5 years

g. Leases

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Assets taken on finance lease:

A finance lease is recognised as an asset and a liability at the commencement of lease, at lower of the fair value of leased asset or the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets taken on operating lease:

Other leases are operating leases and the leased assets are not recognised on the Group’s balance sheet. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Assets given on finance lease:

The Group is a dealer lessor for leasing various types of products sold to its customers. Profit or loss on sale of such products is recognised in accordance with the policy on outright sales. Finance income i.e., excess of gross minimum lease payments and normal selling price is recognised over the lease period.

Deposits provided to lessors

The Group is generally required to pay refundable security deposits in order to obtain property leases from various lessors. Such security deposits are financial assets and are recorded at fair value on initial recognition. The difference between the initial fair value and the refundable amount of the deposit is recognized as a lease prepayment. The initial fair value is estimated as the present value of the refundable amount of security deposit, discounted using the market interest rates for similar instruments.

Subsequent to initial recognition, the security deposit is measured at amortised cost using the effective interest method with the carrying amount increased over the lease period up to the refundable amount. The amount of increase in the carrying amount of deposit is recognised as interest income. The lease prepayment is amortised on a straight line basis over the lease term as a lease rental expense.

h. Inventories

Inventories comprising traded hardware and software are measured at the lower of cost (determined using first-in first-out principle) and net realizable value. Cost comprises cost of purchase and all directly attributable costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired and impairment losses are recognized, if objective evidence indicates that one or more events such as a loss event, the significant financial difficulty of the issuer, a breach of contract, the disappearance of an active market, which have had a negative effect on the estimated future cash flows of that asset. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets measured at amortized cost
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Available-for-sale financial assets
Significant or prolonged decline in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. The cumulative loss that was recognized in the equity is transferred to the income statement upon impairment.

Loans and receivables
Impairment loss in respect of loans and receivables measured at amortized cost are calculated as the difference between their carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Such impairment loss is recognized in the income statement.

Reversal of impairment loss
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at 31 December.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. Corporate assets for the purpose of impairment testing are allocated to the cash generating units on a reasonable and consistent basis.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a *pro rata basis.*

Reversal of impairment loss
An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j. Employee benefits

Employee benefits are accrued in the period in which the associated services are rendered by employees of the Group, as detailed below:

(a) Defined contribution plan (Provident Fund)

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The Group does not have any legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligation for contributions to the plan is recognised as an employee benefit expense in profit or loss when incurred.

(b) Defined Benefit Plans (Gratuity)

In accordance with applicable Indian laws, the Group provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Group. The Company's net obligation in respect of the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service cost and the fair value of plan assets are deducted. The discount rate is the yield at the reporting date on risk free government bonds that have maturity dates approximating the terms of the Company's obligations. The Calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The Group recognizes all actuarial gains and losses arising from defined benefit plans directly in equity immediately. The Company has an employees' gratuity fund managed by the Life Insurance Corporation of India (LIC).

(c) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(d) Compensated leave of absence

The employees of the Group are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence. The Group recognizes an obligation for compensated absences in the period in which the employee renders the services. The Group provides for the expected cost of compensated absence as the additional amount that the

Group expects to pay as a result of the unused entitlement that has accumulated based on actuarial valuations at the balance sheet date, carried out by an independent actuary.

k. Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognised in connection with a share based payment transaction is presented as a separate component in equity. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. In respect of options whose terms and conditions are modified, the Group includes the incremental fair value of the options in the measurement of the amounts recognised for services received from the employees. The incremental fair value is the difference between the fair value of the modified option and that of the original option both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted 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 fair value of the original equity instruments, which is recognised over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair 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.

Indian tax regulations require the Group to pay Fringe Benefit Tax (FBT) upon the exercise of employee stock options. The amount of FBT arising on exercise of employee stock options is calculated by reference to the difference between the fair value of the underlying share at the date of vesting and the exercise price payable by the employee, i.e. the intrinsic value of the option at the vesting date. The Group recognizes the liability for the amount of FBT over the vesting period. The Group’s obligation to pay FBT arises only upon the exercise of options by the employees. The amount of FBT payable by the Group is recovered from the employees upon the exercise of their stock options. .The Group recognizes a FBT recoverable from its employees when it is virtually certain that the reimbursement will be received if the Group settles the obligation. The amounts of FBT payable and recoverable are disclosed separately in the balance sheet and are not offset with each other.

See Note 28 for further information on share-based payment transactions.

l. Provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

m. Revenue

Revenue from the sale of goods is measured at the fair 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 recognized in the consolidated income statement in proportion to the stage of completion of the transaction at the reporting date.

The revenue recognition in respect of the various streams of revenue is described below:

(i) Corporate network/data services

Corporate network service revenues primarily include connectivity services and sale of hardware and software (purchased from third party vendors), and to a lesser extent, installation of a connectivity link, and other ancillary services such as e-mail and domain registration. Generally these elements are sold as a package consisting all or some of the elements. In these cases the Group applies 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 earnings 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. In this arrangement involving delivery of multiple elements, the units of accounting are determined based on whether the delivered items have a value to the customer on a stand alone basis, whether there is objective and reliable evidence of fair value of the undelivered elements and if the arrangement includes a general right of return relative to the delivered item, whether delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Group. The arrangement consideration is allocated to the units of accounting based on their relative fair values. Revenue on delivered items is recognised when the revenue recognition criteria applicable to that unit of accounting are met.

The Group provides connectivity for a fixed period of time at a fixed rate regardless of usage. Connectivity is the last element that is provided in the case of a bundled contract. The connectivity charges are the same when sold alone or as part of a package. The revenue attributable to connectivity services is recognised ratably over the period of the contract. The hardware and software are standard products that are freely traded in and purchased from the market, have standard specifications and are not otherwise customized for the specific needs of a customer. The software sold by the Group is off-the-shelf software, such as antivirus utilities and firewalls. The fair value for the hardware and software is available from the market. The revenue attributable to hardware/software is recognised on delivery. In circumstances where there is multielement arrangement that includes both hardware/software sales and last mile connectivity services,, revenue from sale of hardware/software is recognised only upon completion of the services relating to last mile connectivity. Installation consists of commissioning of the last mile connectivity to the customer premises either through the Group’s wireless mode of broadband delivery or through the carrier exchange. However, once commissioned this last mile connectivity can be used by the customer to access any other service provider. When the customer has such last mile connectivity, the Group does not charge any installation fee. Due to the short duration, the revenue attributable to the installation of the link is recognised on completion of the installation work. Revenue from ancillary services such as e-mail and domain registration are recognised over the period such facilities are provided. All revenues are shown exclusive of sales tax and service tax.

Web hosting service revenues primarily include co-location services and connectivity services. On occasions, the Group also sells related hardware/software to its web hosting customers. At all times, such hardware and software belongs to the customer. This hardware as well as software are purchased from outside vendors and are freely traded in the market. The Group treats each element as a separate component of the arrangement which have separate earnings process. The value of the hosting service is determined based on fair value from similar services provided separately by the Group. When hardware and/or software is also included with hosting services and sold as a package, the revenue is allocated to the respective element based on their relative fair values. Revenue from hosting services is recognised over the period during which the service is provided.

The Group remotely manages the Information Technology infrastructure of global enterprises from India. The contracts are on time and material basis. 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 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 IP back-bone and delivers voice traffic to Direct Inter-connect Operators. Revenue is recognised based upon metered call units of voice traffic terminated on the Company’s network.

(ii) Internet access services

Internet access services include Internet access at homes and businesses through dial-up or cable operator and internet access through a network of cybercafés. It also includes revenues from Voice over Internet Protocol (‘VoIP’) or Internet telephony.

Dial-up Internet access is sold to customers either for a specified number of hours or for an unlimited usage within a specified period of time. Customers purchase “user accounts” or “top-ups” that enable them to access the Internet for a specified quantum of usage or for a specified period of time all within a contracted period. The amount received from customers on the sale of these user accounts or top-ups are not refundable. The revenue from sale of user accounts or top-ups is measured based on usage (where access is for a specified quantum of usage) or based on the time of usage (where access is for a specified period of time) by the customer. Any unused hours at the end of the contracted period are recognised as revenue.

VoIP services are mainly provided through Internet Telephony Booths at e-ports (formerly iway's) cybercafés and to a smaller extent through Cable TV operators, (CTOs). The user purchases the packs that enable them to use the Internet telephone facility through CTOs and revenue is recognised on the basis of usage by the customer. The customers use Internet telephony facilities at the iway cybercafés and make the payment to the extent of usage of the facility.

Internet access at homes and businesses through cable networks is provided through a franchised network of cable operators in India. Customers buy "user accounts" for a specified usage or volume of data transfer or for a specified period of time all within a contracted period. Revenues are recognised on actual usage by customer (where access is for a specified quantum of usage) and based on time (where access is for a specified period of time). Any unused hours at the end of the contracted period are recognised as revenue.

In the case of franchised cybercafé operators, the Group enters into an agreement with the franchisee that establishes the rights and obligations of each party and grants each franchisee a non-exclusive license to operate the cybercafé using the Group's logo, brand and trade names. The cybercafés are owned and operated by the franchisees. The franchisee procures the retail space, invests in furniture, interior decor, PCs, and point of sale signage and employs and trains the franchisee staff. The franchisee is responsible for the maintenance of the premises and interface with customers. The Group provides the complete backend support, including bandwidth, the authentication/usage engine and the billing and collection system.

In the case of franchised cable network operators and franchised cybercafé operators, the Group enters into a standard arrangement with franchisees that provides for the payment to the Company, of an initial non-refundable franchisee fee in consideration for establishing the franchisee relationship and providing certain initial services. The fee covers the following upfront services rendered by the Group:

- conducting a market survey and deciding on the best location for the cybercafé or cable head end;
- installing the broadband receiver equipment on the roof top of the cybercafé or the cable head end and connecting it to one of Sify's broadcasting towers;
- obtaining the regulatory approvals for clearance of the site for wireless transmission at the allotted frequency range;
- installing the wiring from the receiver unit to the individual PCs in the cybercafé or the transmitting equipment in the cable head end;
- assisting in obtaining facilities, including computers and interiors for the cybercafés; and
- providing the operations manual with instructions and guidelines for running the cybercafé or distributing Internet access through cable network.

The initial franchisee fee revenue is recognised as revenue when all of the obligations required of the Group has been substantially accomplished or provided. Internet access revenue and Internet telephony revenues are recognised based on usage by the customer.

(iii) Online portal services

The Group enters into contracts with customers to serve advertisements in its portal and the Group is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised based on actual impressions/click-throughs/leads delivered. Revenue from advertisements displayed on portals is recognised ratably over the period of contract

In the case of electronic commerce transactions, there are no performance obligations or minimum guarantees. The Group acts in the capacity of an agent rather than as the principal for these transactions, and the revenue recognised on a net basis is the amount of the commission earned by the Group.

In the case of value-added services that are rendered using Sify's mobile telephone short code 54545, are recognised upon delivery of the content/ring tones to the end subscriber and confirmation by the mobile phone service provider.

(iv) Other services

The Group provides e-learning software development services to facilitate web-based learning in various organizations. These customized services vary in size from customer to customer and relate to computer based and web based training in accordance with the customer specification. These services include information presentation, structured content delivery, content digitization and simulation based training. These services are generally provided on a fixed price basis. Revenue under such contracts is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of transaction at the reporting date. The stage of completion being determined based on the actual time spent to the total estimated time.

(v) Deferred income

Deferred income represent billing in excess of revenue recognized.

n. Export entitlements

Income in respect of import duty credit entitlement arising from export of services under the "Served from India Scheme" of the Government of India is recognised in the year of exports, provided there is no significant uncertainty as to the amount of entitlement and availment of the credit.

o. Finance income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss . Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises interest expense on loans and borrowings and bank charges.

p. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as expenses in the period in which they are incurred.

q. Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill, as the same is not deductible for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

r. Earnings / (loss) per share

The Group presents basic and diluted earnings / (loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Where ordinary shares are issued but not fully paid, they are treated in the calculation of basic earnings per share as a fraction of an ordinary share to the extent that they were entitled to participate in dividends during the period relative to a fully paid ordinary share. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes share options granted to employees. To the extent that partly paid shares are not entitled to participate in dividends during the period they are treated as the equivalent of warrants or options in the calculation of diluted earnings per share.

s. Recent accounting pronouncements

(i) Standards early adopted by the Company

1. *IFRS 8 'Operating Segments'* introduces the 'management approach' to segment reporting, whereby segment reporting is based on internal management reporting and replaces IAS 14. IFRS 8 aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information." The standard is applicable for periods beginning on or after January 1, 2009. Sify early adopted IFRS 8 for the year ending March 31, 2009 and has made disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

2. In April 2009, the IASB issued "Improvements to IFRS" as part of its program of annual improvements to its standards. As part of the Improvements to IFRS, IFRS 8 "Operating Segments" was amended. The amendment requires disclosure of segment assets for each reportable segment only if such measure is regularly reviewed by the Chief Operating Decision Maker (CODM). The said amendment is effective for annual periods beginning on or after 01 January, 2010, with earlier adoption being permitted. Sify has early adopted the said amendment to IFRS 8 and has not provided disclosures relating to segment assets of reportable segments as these are not regularly reviewed by the CODM.

(ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2009, and have not been applied in preparing these consolidated financial statements:

1. Revised IAS 1, "Presentation of Financial Statements" (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for our March 31, 2010 consolidated financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide an income statement and a separate statement comprehensive income for reporting periods commencing on and after April 1, 2009.

2. *Revised IAS 23, "Borrowing Costs"* removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised *IAS 23* will become mandatory for reporting periods commencing on and after April 1, 2009. As the Group currently follows a policy of capitalizing borrowing costs, this new standard will not have any material impact on the Group's consolidated financial statements.

3. *Amendments to IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation"* require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's consolidated financial statements prepared for reporting periods commencing on or after April 1, 2009, with retrospective application required, are not expected to have any material impact on the consolidated financial statements.

4. *IFRS 3 (Revised), 'Business Combinations'*, as amended, is applicable for annual periods beginning on or after July 1, 2009. Early adoption is permitted. However, this Standard can be applied only at the beginning of an annual reporting period that begins on or after June 30, 2007. The Group would adopt this Standard with effect from April 1, 2009. *IFRS 3 (Revised)* primarily requires the acquisition-related costs to be recognized as period expenses in accordance with the relevant IFRS. Costs incurred to issue debt or equity securities are required to be recognized in accordance with *IAS 39*. Consideration, after this amendment, would include fair values of all interests previously held by the acquirer. Re-measurement of such interests to fair value would be required to be carried out through the income statement. Contingent consideration is required to be recognized at fair value even if not deemed probable of payment at the date of acquisition.

IFRS 3 (Revised) provides an explicit option on a transaction-by-transaction basis, to measure any Non-controlling interest ("NCI") in the entity acquired at fair value of their proportion of identifiable assets and liabilities or at full fair value. The first method would result in a marginal difference in the measurement of goodwill from the existing *IFRS 3*; however the second approach would require recording goodwill on NCI as well as on the acquired controlling interest. Business combinations consummated after April 1, 2009 would be impacted by the revised standard.

5. *IAS 27, 'Consolidated and Separate Financial Statements'*, as amended, is applicable for annual periods beginning on or after July 1, 2009. Earlier adoption is permitted provided *IFRS 3 (Revised)* is also early adopted. This Standard would be adopted by the company effective April 1, 2009. It requires a mandatory adoption of economic entity model which treats all providers of equity capital as shareholders of the entity. Consequently, a partial disposal of interest in a subsidiary in which the parent company retains control does not result in a gain or loss but an increase or decrease in equity. Additionally, purchase of some or all of the NCI is treated as equity transaction and accounted for in equity and a partial disposal of interest in subsidiary in which the parent company loses control triggers recognition of gain or loss on the entire interest. A gain or loss is recognized on the portion that has been disposed of and a further holding gain or loss is recognized on the interest retained, being the difference between the fair value and carrying value of the interest retained. This Standard requires an entity to attribute proportionate share of net income and reserves to the NCI even if this results in the NCI having a deficit balance. The amendment is expected to have a significant impact on the Group's consolidated financial statements.

6. *IFRIC 13 'Customer Loyalty Programmes'* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. *IFRIC 13*, which becomes mandatory for the Group's financial statements for reporting periods commencing on or after April 1, 2009, is not expected to have a significant impact on the consolidated financial statements.

7. *IFRIC 18- Transfer of assets from customers* defines the treatment for property, plant and equipment transferred by customers to companies or for cash received to be invested in property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to both. The item of property, plant and equipment is to be initially recognized by the Company at fair value with a corresponding credit to revenue. If an ongoing service is identified as a part of the agreement, the period over which revenue will be recognized for that service would be determined by the terms of the agreement with the customer. If the period is not clearly defined, then revenue should be recognized over a period no longer than the usual life of the transferred asset used to provide the ongoing service. This interpretation is to be applied prospectively to transfers of assets from customers received on or after July 1, 2009. Earlier application is permitted provided the valuation and other information needed to apply the information to past transfers were obtained at the time the transfers occurred. The Company would prospectively adopt this interpretation for all assets transferred after July 1, 2009. The amendment does not have any significant impact on Sify's statement of operations.

8. Amendments to IFRS *2, "Share-based Payment – Vesting Conditions and Cancellations"* clarify the definition of vesting conditions, introduce the concept of non-vesting conditions, require non-vesting conditions to be reflected in grant-date fair value and provide the accounting treatment for non-vesting conditions and cancellations. These amendments to IFRS 2 will become mandatory for the Group's financial statements for reporting periods commencing on or after April 1, 2009, with retrospective application. The amendment does not have any material impact on the consolidated financial statements of the Group.

9. Amendments to *IAS 39, "Financial Instruments: Recognition and Measurement: Eligible Hedged Items"* deal with two situations where diversity in practice exists on the designation of inflation as a hedged risk and the treatment of 'one-sided' risks on hedged items. These amendments are effective for accounting periods beginning on or after July 1, 2009. The amendment is not expected to have any impact on the consolidated financial statements of the Group.

10. *Improvements to IFRS- In April 2009*, the IASB issued "Improvements to IFRSs" — a collection of amendments to twelve International Financial Reporting Standards — as part of its program of annual improvements to its standards, which is intended to make necessary, but non-urgent, amendments to standards that will not be included as part of another major project. The latest amendments were included in exposure drafts of proposed amendments to IFRS published in October 2007, August 2008, and January 2009. The amendments resulting from this standard mainly have effective dates for annual periods beginning on or after January 1, 2010, although entities are permitted to adopt them earlier. The Group

is evaluating the impact, these amendments (except as discussed in note 3 s (i) above) will have on the Group's consolidated financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings etc. is based on the market prices for similar items.

(ii) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) Intangible assets

The fair value of intangible assets acquired in the business combinations is based on discounted cash flows expected to be derived from the use and eventual sale of assets (terminal value).

(iv) Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted price at the reporting date.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. However in respect of such financial instruments, fair value generally approximates the carrying amount due to the short term nature of such assets.

(vi) Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds). The fair value of foreign currency option contracts is determined based on the appropriate valuation techniques, considering the terms of the contract.

(vii) Non Derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

(viii) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes method. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instrument (based on historical experience and general option holder behavior), expected dividends, and the risk free interest rate (based on government bonds).

5. Property, plant and equipment

The following table presents the changes in property, plant and equipment during the year ended March 31, 2009.

	Cost				Accumulated depreciation				Carrying amount as at March 31, 2009
Particulars	**As at April 01, 2008**	**Additions**	**Disposals**	**As at March 31, 2009**	**As at April 1, 2008**	**Depreciation for the year**	**Deletions**	**As at March 31, 2009**	
Building	769,663	-	-	769,663	120,924	27,477	-	148,401	621,262
Plant and machinery	3,683,632	1,097,317	47,827	4,733,122	2,526,445	286,805	47,330	2,765,920	1,967,202
Computer equipments	438,597	58,824	198	497,223	297,049	71,001	78	367,972	129,251
Office equipment	116,691	47,090	1,649	162,132	83,928	14,673	1,646	96,955	65,177
Furniture and fittings	422,939	208,486	3,146	628,279	339,750	52,720	2,699	389,771	238,508
Vehicles	9,174	-	905	8,269	3,846	2,981	407	6,420	1,849
Total	**5,440,696**	**1,411,717**	**53,725**	**6,798,688**	**3,371,942**	**455,657**	**52,160**	**3,775,439**	**3,023,249**
Add: Construction in Progress									237,665
Total	**5,440,696**	**1,411,717**	**53,725**	**6,798,688**	**3,371,942**	**455,657**	**52,160**	**3,775,439**	**3,260,914**

The following table presents the changes in property, plant and equipment during the year ended March 31, 2008.

	Cost				Accumulated depreciation				Carrying amount as at March 31, 2008
Particulars	**As at April 01, 2007**	**Additions**	**Disposals**	**As at March 31, 2008**	**As at April 1, 2007**	**Depreciation for the year**	**Deletions**	**As at March 31, 2008**	
Building	634,230	135,433	-	769,663	94,656	26,268	-	120,924	648,739
Plant and machinery	3,180,761	508,820	5,949	3,683,632	2,341,233	187,414	2,202	2,526,445	1,157,187
Computer equipments	353,874	84,857	134	438,597	204,953	92,230	134	297,049	141,548
Office equipment	103,935	12,803	47	116,691	71,989	11,982	43	83,928	32,763
Furniture and fittings	386,994	37,209	1,264	422,939	303,712	36,975	937	339,750	83,189
Vehicles	8,766	4,448	4,040	9,174	2,439	3,788	2,381	3,846	5,328
Total	**4,668,560**	**783,570**	**11,434**	**5,440,696**	**3,018,982**	**358,657**	**5,697**	**3,371,942**	**2,068,754**
Add: Construction in Progress									113,031
Total	**4,668,560**	**783,570**	**11,434**	**5,440,696**	**3,018,982**	**358,657**	**5,697**	**3,371,942**	**2,181,785**

Change in estimated useful life

On the basis of a comprehensive evaluation during the year ended March 31, 2008, the Group had revised the estimated useful lives of its networking equipment (included under plant and machinery) and computers. As a result, the expected useful life of its networking equipment has been increased from 5 to 8 years and the expected useful life of computers has been decreased from 5 to 3 years. The effects of such changes on the depreciation expense for the years ended March 31, 2008, 2009, 2010 and 2011 are as follows:

	2008	**2009**	**2010**	**2011**
Decrease / (increase) in depreciation expense	110,315	98,650	61,498	(17,674)

The following table presents the changes in property, plant and equipment during the year ended March 31, 2007.

	Cost				**Accumulated depreciation**				**Carrying amount as at March 31, 2007**
Particulars	**As at April 1, 2006**	**Additions**	**Disposals**	**As at March 31, 2007**	**As at April 1, 2006**	**Depreciation for the year**	**Deletions**	**As at March 31, 2007**	
Building	485,156	149,074	-	634,230	72,901	21,755	-	94,656	539,574
Plant and machinery	2,828,970	372,645	20,854	3,180,761	2,069,145	292,653	20,565	2,341,233	839,528
Computer equipments	286,502	70,240	2,868	353,874	164,036	43,677	2,760	204,953	148,921
Office equipment	95,104	9,120	289	103,935	60,452	11,816	279	71,989	31,946
Furniture and fittings	349,243	39,222	1,471	386,994	263,141	41,921	1,350	303,712	83,282
Vehicles	13,764	8,166	13,164	8,766	8,029	3,124	8,714	2,439	6,327
Total	**4,058,739**	**648,467**	**38,646**	**4,668,560**	**2,637,704**	**414,946**	**33,668**	**3,018,982**	**1,649,578**
Add: Construction in Progress	-	-	-	-	-	-	-	-	23,409
Total	**4,058,739**	**648,467**	**38,646**	**4,668,560**	**2,637,704**	**414,946**	**33,668**	**3,018,982**	**1,672,987**

Leased assets

The Group's leased assets include certain buildings, plant and machinery and motor vehicles acquired under finance leases. As at March 31, 2009 the net carrying amount of buildings, plant and machinery and vehicles acquired under finance leases is Rs.260,968 (March 31, 2008: Rs.271,125), 145,304 (March 31, 2008 : Nil) and Rs.2,159 (March 31, 2008: Rs.5,638) respectively.

Capital Commitments

As of March 31, 2009 and March 31, 2008, the Company was committed to spend approximately Rs.322,607 (net of advances Rs.177,183) and Rs.618,541 (net of advances Rs.507,157) respectively, under agreements to purchase property, plant and equipment.

Construction in progress

Amounts paid towards acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment that are not ready to be put into use are disclosed under construction-in-progress.

Security

As at March 31,2009 properties with a carrying amount of Rs.2,481,174 (March 31, 2008 : Nil) are subject to a registered charge to secure bank borrowings.

6. Intangible assets

Intangible assets comprise the following:

	March 31, 2009	**March 31, 2008**
Goodwill	40,461	50,796
Other intangible assets	137,411	131,511
	177,872	**182,307**

(i) Goodwill

The following table presents the changes in goodwill during the years ended March 31, 2009 and 2008

	March 31, 2009	March 31, 2008
Balance at the beginning of the year	50,796	50,796
Effect of movement in exchange rates	4,865	-
Impairment loss recognised during the year	(15,200)	-
Net carrying amount of goodwill	**40,461**	**50,796**

The amount of Goodwill as at March 31, 2009 and March 31, 2008 has been allocated to the online portals segment.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's strategic business unit which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount of the globe travels cash generating unit (which is part of online portals segment) was based on its value in use. The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of Rs.15,200 (March 2008: Nil) was recognized. The impairment loss was fully allocated to goodwill.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 5 year business plan. Cash flows were arrived at as an excess of revenue over the related costs for the same period.
- Management believes that this forecast period is justified due to the long term nature of the travel business.
- The projected quarterly average revenue growth included in the cash flow projections was 8% during the period 2010 – 2014. Management believes that this growth percentage was reasonable and is in line with the average trend of the industry.
- The projected quarterly increase in average cost was 6% during the same period.
- A pre-tax discount rate of 26% was applied in determining the recoverable amount of the cash generating unit. The discount rate was estimated based on an industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 0% at a market interest rate of 7%.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

(ii) Other Intangibles
The following table presents the changes in intangible assets during the years ended March 31, 2009, 2008 and 2007.

	Technical know-how	Portals and web content	Customer related intangibles	Software	License fees	Total
(A) Cost						
Balance as at April 1, 2006	**82,753**	**52,730**	**126,871**	**219,315**	**-**	**481,669**
Acquisitions through business combination	-	-	72,683	6,089	-	78,772
Other acquisitions	-	-	-	15,474	50,000	65,474
Balance as at March 31, 2007	**82,753**	**52,730**	**199,554**	**240,878**	**50,000**	**625,915**
Acquisitions during the year	-	-	-	30,238	-	30,238
Balance as at March 31, 2008	**82,753**	**52,730**	**199,554**	**271,116**	**50,000**	**656,153**
Acquisitions during the year	-	-	1,016	48,099	-	49,115
Balance as at March 31, 2009	**82,753**	**52,730**	**200,570**	**319,215**	**50,000**	**705,268**
(B) Amortization						
Balance as at April 1, 2006	**79,240**	**50,065**	**117,433**	**193,350**	**-**	**440,128**
Amortization for the year	3,513	2,645	18,796	22,974	906	48,834
Balance as at March 31, 2007	**82,753**	**52,710**	**136,269**	**216,324**	**906**	**488,962**
Amortization for the year	-	20	13,657	19,503	2,500	35,680
Balance as at March 31, 2008	**82,753**	**52,730**	**149,926**	**235,827**	**3,406**	**524,642**
Amortization for the year	-	-	19,921	20,794	2,500	43,215
Balance as at March 31, 2009	**82,753**	**52,730**	**169,847**	**256,621**	**5,906**	**567,857**
(C) Carrying amounts						
As at March 31, 2007	**-**	**20**	**63,285**	**24,554**	**49,094**	**136,953**
As at March 31, 2008	**-**	**-**	**49,628**	**35,289**	**46,594**	**131,511**
As at March 31, 2009	**-**	**-**	**30,723**	**62,594**	**44,094**	**137,411**

Capital Commitments
As of March 31, 2009, the Company was committed to spend approximately Rs.390,208 (net of advances Rs.119,454) (March 31, 2008 : Rs. Nil) respectively, under agreements to purchase intangible assets.

Interest Capitalization
During the years ended March 31, 2009 and 2008, the Company capitalized interest cost of Rs.5,620 and Rs. Nil respectively. The rate of capitalization of interest cost was approximately 11.67%.

7. Investment in equity accounted investees

In March 2006, MF Global Overseas Limited (MFG), a group incorporated in United Kingdom acquired 70.15% of equity share capital of MF Global Sify Securities Private Limited (MF Global), formerly Man Financial-Sify Securities India Private Limited ('MF Global) from Refco Group Inc., USA ('Refco'). As at March 31, 2009, 29.85% of MF Global equity shares is held by the Company. The remaining 70.15% is owned by MFG, an unrelated third party. MFG is a subsidiary of MF Global Limited, Bermuda. A summary of key financial information of MF Global and its subsidiaries which is not adjusted for the percentage ownership held by the Group is presented below:

Balance sheet	March 31, 2009	March 31, 2008
Total assets	3,435,921	7,893,663
Total liabilities	1,617,159	6,290,602
Shareholders' equity	1,818,762	1,603,061
Total Liabilities and shareholders' equity	3,435,921	7,893,663

Statement of operations	For the year ended		
	March 31,2009	March 31,2008	March 31,2007
Revenues	1,413,643	2,503,520	1,293,383
Net profit	216,917	606,255	204,426

8. Cash and Cash equivalents

Cash and cash equivalents as per consolidated balance sheets, as at March 31, 2009 amounted to Rs.380,042 (Rs.628,745 as at March 31, 2008). This excludes cash-restricted of Rs.1,330,756 (Rs.878,582 as at March 31, 2008), representing deposits held under lien against working capital facilities availed and bank guarantees given by the Group towards future performance obligations.

(a) Restricted cash

Non current	March 31, 2009	March 31, 2008	March 31, 2007
Against future performance obligation	1,000	1,000	1,000
Current			
Bank deposits held under lien against borrowings from banks	1,329,756	877,582	938,833
Total restricted cash	**1,330,756**	**878,582**	**939,833**
(b) Non restricted cash			
Current			
Cash and bank balances	**380,042**	**628,745**	**2,131,324**
Total cash (a+b)	**1,710,798**	**1,507,327**	**3,071,157**
Bank overdraft used for cash management purposes	(1,397,083)	(617,637)	-
Less: Non current restricted cash	(1,000)	(1,000)	(1,000)
Cash and cash equivalents for the statement of cash flows	**312,715**	**888,690**	**3,070,157**

9. Lease prepayments

	March 31, 2009	March 31, 2008
Towards land**	-	553,051
Towards buildings*	311,185	15,858
	311,185	**568,909**

* Includes Rs.256,050 paid to VALS Developers Private Limited. Also refer note 35.
** Also refer note 13 (ii) (b)

In respect of buildings, prepayments made towards buildings accounted for as operating leases are amortised over the lease term on a straight line basis. In case prepayments are made towards buildings accounted for as finance leases, such prepayments are capitalized as 'Leasehold Buildings' (included in buildings) on the commencement of the lease term under the head 'Property, plant and equipment' and depreciated in accordance with the depreciation policy for similar owned assets.

10. Other assets

Non current	March 31, 2009	March 31, 2008
Withholding taxes (see note (a) below)	174,234	194,328
Other deposits (see note (b) and (c) below)	322,091	142,197
Net investment in leases	-	5,297
	496,325	**341,822**
Current		
Net investment in leases	-	6,743
	-	**6,743**
Financial assets included in other assets	**227,468**	**154,237**

(a) Withholding taxes represent taxes deducted at source by the customers and paid to the Government, which is adjustable against tax liability of the Company.

(b) Includes Rs.26,775 paid to VALS Developers Private Limited. Also refer note 35.

(c) Includes Rs. 111,333 paid to Emirates Integrated Telecommunications Company PJSC in relation to supply of capacity from the Europe India Gateway.

Net investment in leases

The Company, which is a dealer lessor, has leasing arrangements for leasing various types of routers, modems and other equipment for setting up virtual private and bandwidth to its customers in its corporate connectivity business. The Company recognizes the sale transaction in the profit and loss statements in accordance with the terms of the underlying agreements and initial direct cost are expensed as incurred. Gross investment in such leases as at March 31, 2009 and March 31, 2008 and minimum lease payments are as follows:

	March 31, 2009			March 31, 2008		
	Minimum lease payments	Unearned income	Net investment in leases	Minimum lease payments receivable	Unearned income	Net investment in leases
Less than one year	-	-	-	7,275	532	6,743
Between one and five years	-	-	-	5,431	134	5,297
Total				**12,706**	**666**	**12,040**

During the year ended March 31, 2009, due to issues associated with collectibility, the Company has written off the lease installments due from the customer.

11. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and a description of the items that created these differences is given below

Recognised deferred tax assets / (liabilities)	Assets / (liabilities)	
	March 31, 2009	March 31, 2008
Deferred tax assets		
Property, Plant and Equipment	1,796	1,733
Intangible assets	2,212	3,155
Allowance for doubtful trade and other receivables	4,516	10,644
Carry forward capital losses	67,735	56,859
	76,259	**72,391**
Deferred tax liabilities		
Investment in equity accounted investees	(67,735)	(56,821)

	(67,735)	**(56,821)**
Net deferred tax asset recognized in balance sheet	**8,524**	**15,570**

In assessing the realisabiliy of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. Also refer note 38 relating to subsequent events.

Movement in temporary differences during the year

	Balance as at April 1, 2007	**Recognised in income statement**	**Recognised in Equity**	**Balance as at March 31, 2008**	**Recognised in income statement**	**Recognised in Equity**	**Balance as at March 31, 2009**
Property, Plant and Equipment	1,671	62	-	1,733	63	-	1,796
Intangible assets	2,975	180	-	3,155	(943)	-	2,212
Allowance for doubtful trade and other receivables	6,040	4,604	-	10,644	(6,128)	-	4,516
Tax loss carry forwards	79,344	(20,493)	(1,992)	56,859	10,816	60	67,735
Investment in equity accounted investees	(23,926)	(34,887)	1,992	(56,821)	(10,854)	(60)	(67,735)
Actuarial gains/losses	-	(957)	957	-	-	-	-
Others	-	(471)	471	-	-	-	-
	66,104	**(51,962)**	**1,428**	**15,570**	**(7,046)**	**-**	**8,524**

Unrecognized deferred tax assets / (liabilities)

	As at March 31, 2009	**As at March 31, 2008**
Deductible temporary differences	82,062	63,090
Unrecognized tax losses	3,440,680	1,395,042
	3,522,742	**1,458,132**

Considering the probability of availability of future taxable profits in the period in which tax losses expire, deferred tax assets have not been recognised in respect of tax losses carried forward by the Group. The above tax losses expire at various dates ranging from 2015 to 2024.

Deferred tax liabilities of Rs 44,627 and Rs Nil as at March 31, 2009 and March 31, 2008 have not been recognised on undistributed profits of its subsidiaries since the group expects to realize the same in a tax free manner.

Income Tax expense recognized in profit or loss

	March 31, 2009	**March 31, 2008**	**March 31, 2007**
Current tax expense			
Current period	90,003	12,013	-
	90,003	**12,013**	**-**
Deferred tax expense			
Origination and reversal of temporary differences	17,862	31,469	13,231
Recognition of previously unrecognized tax losses	(10,854)	(34,887)	(79,344)
Reversal of previously recognized tax losses	38	55,380	-
	7,046	**51,962**	**(66,113)**

Total income tax expense / (benefit)	**97,049**	**63,975**	**(66,113)**

Income tax directly recognised in equity

	March 31,2009	March 31,2008	March 31,2007
Actuarial (gains) or losses	-	957	(9)
Tax effect of changes in the fair value of other investments	-	556	-
Tax effect on foreign currency translation differences	-	(85)	-
Income tax benefit / (expense) recognized directly in equity	**-**	**1,428**	**(9)**

Reconciliation of effective tax rate

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarized below:

	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
Profit / (loss) before income taxes	(754,584)	89,421	205,259
Enacted tax rates in India	33.99%	33.99%	33.99%
Computed expected tax expense / (benefit)	(256,483)	30,394	69,768
Effect of:			
Share based payment expense not deductible for tax purposes	16,149	14,234	17,348
Unrecognized deferred tax assets on losses incurred during the year (net of temporary differences, if any)	359,669	65,714	1,824
Unrecognized deferred tax asset on temporary differences	-	12,634	-
Share of profit of equity accounted investee taxed at a lower rate	(8,582)	(24,253)	(8,172)
Recognition of previously unrecognized tax losses	(13,203)	(37,312)	(87,516)
Utilization of previously unrecognized tax losses	-	-	(58,047)
Others	(501)	2,564	(1,318)
	97,049	**63,975**	**(66,113)**

12. Inventories

Inventories comprise:

	March 31, 2009	March 31, 2008
Communication hardware	30,832	28,700
Application software	4,264	2,079
Others	3,992	6,972
	39,088	**37,751**

The entire carrying amount of inventories as at March 31, 2009 (March 31, 2008 : Nil) is secured in connection with bank borrowings.

13. Trade and other receivables

Trade and other receivables comprise:

	March 31, 2009	March 31, 2008
(i) Trade receivables, net	1,504,927	1,694,542
(ii) Other receivables including deposits	950,599	526,184
	2,455,526	**2,220,726**

(i) Trade receivable as of March 31, 2009 and March 31, 2008 are stated net of allowance for doubtful receivables. The Group maintains an allowance for doubtful receivables based on its age and collectability. Trade receivables are not collateralized except to the extent of refundable deposits received from cybercafé franchisees and from cable television operators. Trade receivables consist of:

	March 31, 2009	March 31, 2008
Trade receivables from related parties	698	-
Other trade receivables	1,620,524	1,777,858
	1,621,222	**1,777,858**
Less: Allowance for doubtful receivables	(116,295)	(83,316)
Balance at the end of the year	**1,504,927**	**1,694,542**

The activity in the allowance for doubtful accounts receivable is given below:

	For the year ending	
	March 31, 2009	**March 31, 2008**
Balance at the beginning of the year	83,316	101,624
Add : Additional provision, net	84,346	131,954
Less : Bad debts written off	(51,367)	(150,262)
Balance at the end of the year	**116,295**	**83,316**

(ii) Other receivables comprises of the following items:

	March 31, 2009	March 31, 2008
Advances and other deposits (Refer Note (a) and (b) below)	745,876	443,275
Deposits with Department of Income tax / Withholding taxes (Refer Note (c) below)	191,457	77,724
Employee advances	13,266	5,185
	950,599	**526,184**
Financial assets included in other receivables	**405,989**	**298,862**

Notes:

a) Advances and other deposits primarily comprises of receivables in the form of Custom duty credit entitlement and other advances given in the ordinary course of business.

b) In the year ending 31 March 2008, the Group entered into a lease for 16.97 acres of land from Electronics Corporation of Tamil Nadu (ELCOT) for a period of 90 years. The Group had paid a sum of Rs.555,616 as refundable security deposit towards such land. In 2009, the Group returned 11.42 acres of land to ELCOT. Consequently, ELCOT has refunded to the Group a sum of Rs.374,576 representing the proportionate sum of refundable security deposit. Further in March 2009, the

Group has made a application for refund of the security deposit relating to the balance 5.55 acres of land also. The Group believes that the same will be received within the next 12 months and accordingly, the receivable has been classified as a current asset.

c) Deposit with Department of Income Tax represents tax demands paid amounting to Rs. Nil as on March 31, 2009 (March, 31 2008 : Rs.77,724) to the authorities under protest. Also refer note 33 (a). Also includes withholding taxes recoverable from the Department of Income Tax for which the Company has filed tax returns for refund. The Company expects to realize such refund of withholding taxes within the next 12 months.

14. Prepayments for current assets

Prepayments for current assets comprise of the following:

	March 31, 2009	**March 31, 2008**
Prepayments for purchase of bandwidth	63,961	90,129
Prepayments related to insurance	12,682	15,798
Prepayments-others	47,066	34,485
Lease prepayments	4,839	10,215
	128,548	**150,627**

15. Other Investments

Other Investments comprise of available for sale investments in units of mutual funds. The details of such investments are given below:

	March 31, 2009			**March 31, 2008**		
	Gross amount	Gains/ (Loss) recognized in equity	Fair value	Gross amount	Gains/ (Loss) recognized in equity	Fair value
Investment in mutual funds	20,315	(6,441)	13,874	20,315	(1,636)	18,679

16. Capital and reserves

Reconciliation of movement in capital and reserves

Particulars	Share Capital	Share Premium	Share based Payment Reserve	Foreign Currency Translation Reserve	Recognised actuarial gain / (loss)	Share of gains and (losses) from investments in equity accounted investee	Accumulated Deficit	Equity attributable to the equity holders of the Company	Amount attributable to Minority Interest	Total Equity
Balance at April 1, 2006	**423,895**	**16,177,821**	**60,860**	**-**	**2,926**	**-**	**(12,511,510)**	**4,153,992**	**-**	**4,153,992**
Minority interest recognized due to divestment			-	-	-	-	-	-	139,234	139,234
Total recognised income and expense	-	-	-	(316)	18	10,793	240,841	251,336	30,531	281,867
Share-based payments recognized	-	-	60,933	-	-	-	-	60,933	-	60,933
Stock options exercised	4,108	84,275	(15,738)	-	-	-	-	72,645	-	72,645
Stock options lapsed	-	-	(4,515)	-	-	-	4,515	-	-	-
Balance at March 31, 2007	**428,003**	**16,262,096**	**101,540**	**(316)**	**2,944**	**10,793**	**(12,266,154)**	**4,538,906**	**169,765**	**4,708,671**

Particulars	Share Capital	Share Premium	Share based Payment Reserve	Foreign Currency Translation Reserve	Recognised actuarial gain / (loss)	Fair Value Reserve	Share of gains and (losses) from investments in equity accounted investee	Accumulated Deficit	Equity attributable to the equity holders of the Company	Amount attributable to Minority Interest	Total Equity
Balance at April 1, 2007	**428,003**	**16,262,096**	**101,540**	**(316)**	**2,944**	**-**	**10,793**	**(12,266,154)**	**4,538,906**	**169,765**	**4,708,671**
Total recognised income and expense	-	-	-	163	(1,859)	(1,080)	(9,669)	(4,696)	(17,141)	30,142	13,001
Share-based payments recognized	-	-	56,410	-	-	-	-	-	56,410	-	56,410
Stock options exercised	198	7,219	(2,757)	-	-	-	-	-	4,660	-	4,660
Stock options lapsed	-	-	(5,795)	-	-	-	-	5,795	-	-	-
Issue of share capital	12,817	99,332	-	-	-	-	-	-	112,149	-	112,149
Balance at March 31, 2008	**441,018**	**16,368,647**	**149,398**	**(153)**	**1,085**	**(1,080)**	**1,124**	**(12,265,055)**	**4,694,984**	**199,907**	**4,894,891**

16. Capital and reserves (continued)

Particulars	Share Capital	Share Premium	Share based Payment Reserve	Foreign Currency Translation Reserve	Recognised actuarial gain / (loss)	Fair Value Reserve	Share of gains and (losses) from investments in equity accounted investee	Accumulated Deficit	Equity attributable to the equity holders of the Company	Amount attributable to Minority Interest	Total Equity
Balance at April 1, 2008	**441,018**	**16,368,647**	**149,398**	**(153)**	**1,085**	**(1,080)**	**1,124**	**(12,265,055)**	**4,694,984**	**199,907**	**4,894,891**
Total recognised income and expense	-	-	-	(1,256)	(4,346)	(5,361)	296	(900,574)	(911,241)	48,941	(862,300)
Share-based payments recognized	-	-	61,380	-	-	-	-	-	61,380	-	61,380
Stock options lapsed	-	-	(61,243)	-	-	-	-	61,243	-	-	
Others	-	6,570	-	-	-	-	-	-	6,570	-	6,570
Balance at March 31, 2009	**441,018**	**16,375,217**	**149,535**	**(1,409)**	**(3,261)**	**(6,441)**	**1,420**	**(13,104,386)**	**3,851,693**	**248,848**	**4,100,541**

Share Capital and Share Premium

No of shares

	Year ended March 31,		
	2009	**2008**	**2007**
Issued as at April 01	55,637,082	42,800,265	42,389,514
Issued for cash*	-	12,817,000*	-
Exercise of share options	-	19,817	410,751
Shares forfeited*	(12,817,000)	-	-
Issued as at March 31	**42,820,082**	**55,637,082**	**42,800,625**

* Paid up Rs.1/- per share

As at March 31, 2009 the authorized share capital comprises 61,000,000 ordinary shares (as of March 31, 2008, the number of authorized shares was 61,000,000) of Rs.10 each. The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to vote at meetings of the Group. All shares rank equally with regard to Group's residual assets.

The Company had entered into a Subscription Agreement with Infinity Satcom Universal Private Limited (Infinity Satcom Universal) during the year ended March 31, 2008 for issuance of 12,817,000 Equity Shares of the Company with face value of Rs.10/- per share at a premium of Rs.165/-. It was approved by the Company's shareholders at the Extra ordinary General Meeting held on March 17, 2008. Infinity Satcom Universal is controlled by Ananda Raju Vegesna, Executive Director, and brother of Shri Raju Vegesna, Chairman and Managing Director.

The Company had received a sum of Rs.112,149 (comprising of Rs.12,817 towards face value and Rs.99,332 towards securities premium / share premium). Subsequently on August 28, 2008, Infinity Satcom Universal have communicated to the Company that they would focus their attention on the business of Sify Communication Limited(erstwhile subsidiary) and hence shall not contribute the balance money towards the subscription of 12,817,000 Equity Shares, as and when it is called. Accordingly, at the meeting of the Board of Directors, the shares allotted and monies already collected (Rs.112,149 including sums towards capital and premium) have been forfeited.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share based payment reserve

Share based payment reserve represents the stock compensation expense recognised in a separate component of the equity.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities until the investments are derecognized or impaired.

Recognised actuarial gain / loss

Recognised actuarial gain / loss represents the cumulative actuarial gain / loss recognised directly in equity.

17. Finance lease obligations

The Group leases routers and other equipments under finance lease arrangements. The following is a schedule of future minimum finance lease commitments as at March 31, 2009:

	March 31, 2009			March 31, 2008		
	Future minimum lease payments	**Interest**	**Present value minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value minimum lease payments**
Less than one year	42,743	(9,800)	32,943	3,344	(445)	2,899
Between one and five years	138,246	(15,864)	122,382	2,656	(163)	2,493
Total	**180,989**	**(25,664)**	**155,325**	**6,000**	**(608)**	**5,392**

18. Employee benefits

	March 31, 2009	March 31, 2008
Gratuity payable	15,082	8,592
Compensated absences	49,218	33,658
	64,300	**42,250**

Gratuity cost

The components of gratuity costs recognised in the income statement for the years ending March 31, 2009, March 31, 2008 and March 31, 2007 consists of the following:

	March 31, 2009	March 31, 2008	March 31, 2007
Service cost	12,067	8,533	8,149
Interest cost	3,038	1,639	1,662
Expected return on plan asset	(1,672)	(957)	(163)
	13,433	**9,215**	**9,648**

Details of employee benefit obligation and plan asset are as follows:

	March 31, 2009	March 31, 2008
Present value of projected benefit obligation at the end of the year	43,389	27,332
Funded status of the plans	28,307	18,740
Recognised (asset) / liability	**15,082**	**8,592**

The following table set out the status of the gratuity plan:

Change in defined benefit obligation	March 31, 2009	March 31, 2008	March 31, 2007
Projected benefit obligation at the beginning of the year	27,332	20,785	22,959
Service cost	12,067	8,533	8,149
Interest cost	3,038	1,639	1,662
Actuarial (gain) / loss	3,662	2,393	604
Benefits paid	(2,710)	(6,018)	(12,589)
Projected benefit obligation at the end of the year	**43,389**	**27,332**	**20,785**

Change in plan assets	March 31, 2009	March 31, 2008	March 31, 2007
Fair value of plan assets at the beginning of the year	18,740	8,422	1,717
Expected return on plan assets	1,672	957	163
Actuarial gain / (loss)	(684)	(423)	631
Employer contributions	11,290	15,801	18,500
Benefits paid	(2,711)	(6,017)	(12,589)
Fair value of plan assets at the end of the year	**28,307**	**18,740**	**8,422**
Actual return on plan assets	988	534	794

Actuarial Assumptions at Balance Sheet date:

The principal actuarial assumptions as on March 31, 2009 and 2008 were as follows:

	March 31, 2009	March 31, 2008	March 31, 2007
Discount rate	7.95% P.a	7.85% P.a	8.15% P.a
Long-term rate of compensation increase	8.00% P.a	6.00% P.a	6.00% P.a
Expected long term rate of return on plan assets	8.00% P.a	7.50% P.a	7.50% P.a
Average future working life time	10.99 years	10.23 years	9.97 years

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

Long term rate of compensation increase: The estimates of future salary increases considered take into account inflation, seniority, promotion and other factors.

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

Assumptions regarding future mortality are based on published statistics and mortality tables.

The Group assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Historical Information

	March 31, 2009	March 31, 2008
Experience adjustment on plan liabilities	1,574	1,489
Experience adjustment on plan assets	(684)	(423)

Contributions: The Group expects to contribute Rs.20,000 to its gratuity fund during the year ending March 31, 2010.

Plan assets: The Gratuity plan's weighted-average asset allocation at March 31, 2009 and March 31, 2008, by asset category is as follows:

	March 31, 2009	March 31, 2008
Funds managed by insurers	100%	100%

Actuarial gains and losses recognised in equity

The amount of actuarial gains and losses recognised directly in equity for the years ending March 31, 2009 and 2008 is as follows:

	March 31, 2009	March 31, 2008	March 31, 2007
Actuarial gain / (loss)	(4,346)	(2,816)	27
	(4,346)	**(2,816)**	**27**

Contributions to defined contribution plans

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, each equal to a specified percentage of employee's basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The Group contributed Rs.70,354, Rs.52,244 and Rs.40,838 for the years ended March 31, 2009, 2008 and 2007.

19. Other liabilities

	March 31, 2009	March 31, 2008
Franchisee and other deposits	134,116	124,472
	134,116	**124,472**

Internet access services at home and through a network of cybercafés is provided through a franchised network of cable operators in India and cybercafé operators. The Group enters into an agreement with the franchisee that establishes the rights and obligations of each party and grants each franchisee a non-exclusive license to operate the cybercafé using the Group's logo, brand and trade names. The agreement provides for payment to the Company, of an initial security deposit in consideration for establishing the franchisee relationship and providing certain initial services.

20. Borrowings from banks

	March 31, 2009	March 31, 2008
Current		
Loan secured against fixed deposits (Refer note 1 below)	310,000	85,000
Term Bank Loans (Refer note 2 below)	331,944	-
Other working capital facilities (Refer note 3 below)	540,826	71,426
	1,182,770	**156,426**
Non current		
Term Bank loans	201,389	-
	201,389	**-**

The Group has short term borrowings which include:

1. Loan secured against fixed deposits of Rs. 310,000 as at March 31, 2009 (Rs. 85,000 as at March 31, 2008) represent Bank loans for working capital requirements. These borrowings bear interest ranging from 10%-11.90% p.a and are repayable within one year from the balance sheet date.

2. Term bank loans are secured by fixed deposits and moveable fixed assets of the Group. These loans bear interest ranging from 9.50% to 12.50% p.a. Term loan includes a balance of Rs 283,333 outstanding as at 31 March 2009 which is subject to put/call option every six months. The Company has not met certain financial covenants relating to the said loan as of 31 March 2009. Subsequent to the balance sheet date, the bank has neither called the loan nor demanded the loan for not meeting the financial covenants. As per the terms of the loan agreement, no financial penalty is leviable.

3. Other working capital facilities are secured by a certain current assets, fixed deposits and trade receivables of the Company. These borrowings bear interest ranging from 11% to 13% p.a. Such facilities are renewable every year.

21. Trade and other payables

	March 31, 2009	March 31, 2008
Trade payables	690,388	613,422
Advance from customers	52,224	124,921
Accrued expenses	668,769	656,402
Other payables	143,849	106,591
	1,555,230	**1,501,336**
Financial liabilities included in trade and other payables	**1,411,358**	**1,467,288**

22. Deferred Income

Deferred revenue includes the following amounts of unearned income:

	March 31, 2009	March 31, 2008
Corporate network/data services	308,521	276,844
Internet access services	28,065	57,270
Other services	18,215	34,242
	354,801	**368,356**

23. Revenue

	Year ended		
	March 31, 2009	**March 31, 2008**	**March 31, 2007**
Rendering of Services			
Service revenue	5,253,535	4,868,673	4,587,873
Initial franchise fee	30,489	43,503	67,269
Installation service revenue	235,116	318,466	256,040
	5,519,140	**5,230,642**	**4,911,182**
Sale of products	643,021	775,573	536,165
	6,162,161	**6,006,215**	**5,447,347**

24. Cost of goods sold and services rendered

Cost of goods sold and services rendered information is presented before any depreciation or amortization that is direct and attributable to revenue sources. The Group's asset base deployed in the business is not easily split into a component that is directly attributable to a business and a component that is common / indirect to all the businesses. Since a gross profit number without depreciation and amortisation does not necessarily meet the objective of such a disclosure, the Group has not disclosed gross profit numbers but disclosed all expenses, direct and indirect, in a homogenous group leading directly from revenue to operating income.

25. Other income

	Year ended		
	March 31, 2009	March 31, 2008	March 31, 2007
Duty credit entitlement	79,278	46,152	66,094
Others	9,827	-	226
	89,105	**46,152**	**66,320**

26. Selling, general and administrative expenses

	Year ended		
	March 31, 2009	March 31, 2008	March 31, 2007
Selling, general and administrative expenses			
Personnel expenses	987,585	715,365	637,293
Marketing and promotion expenses	608,318	558,573	240,317
Administrative and other expenses*	1,217,522	1,160,777	1,217,361
	2,813,425	**2,434,715**	**2,094,971**

* Includes foreign exchange gain / (loss) of Rs.21,320, Rs.(22,587) and Rs.8,332 for the years ended March 31, 2009, 2008 and 2007 respectively.

Under the provisions of the Indian Income Tax Act, 1961, employers are required to pay fringe benefits tax (FBT) on the taxable value of the fringe benefits or privileges or that are provided or deemed to be provided to employees. FBT under the provisions of the Indian Income Tax Act, 1961 is Rs.19,880 ,Rs.16,910, Rs.17,500 for the year ended March 31, 2009, 2008 and 2007 respectively.

27. Personnel expenses

	Year ended		
	March 31, 2009	March 31, 2008	March 31, 2007
Salaries and wages	1,532,378	1,115,369	940,942
Contribution to provident fund and other funds	70,354	52,244	40,838
Staff welfare expenses	38,225	40,081	26,168
Employee stock compensation expense	61,380	56,410	60,933
	1,702,337	**1,264,104**	**1,068,881**
Attributable to cost of goods sold and services rendered	714,752	548,739	431,588
Attributable to selling, general and administration expenses	987,585	715,365	637,293

28. Share-based payments

Share based payments are designed as equity-settled plans. Under the equity settled plans, the Group had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. Each option entitles the holder to purchase one American Depository 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 and ASOP 2000 plan as at April 1, 2008. Our stock option plans are detailed as under:

(i) Associate Stock Option Plan 2000

In fiscal year 2000, the Group established the Associate Stock Option Plan 2000 (the ASOP 2000 Plan) which provided for issuing stock options to eligible employees. The stock options were issued to Employees Welfare Trust on May 22, 2000 which in turn transferred these options to the eligible employees at Re. 1 each for purchasing one ADS at an exercise price determined by the Compensation committee.

The options vest over a period of 3 years as follows:

One sixth of the options:	At the end of one year from the date of the grant
Two sixth of the options	At the end of two years from the date of the grant
Three sixth of the options:	At the end of three years from the date of the grant.

Upon vesting, employees have 30 days to exercise these options.

As the number of stock options and the price of those options were made known to each allottee, the Plan has been considered as a fixed price grant. Stock option activity under the ASOP 2000 Plan is as follows:

No. of options granted, exercised and forfeited	**Number of options**			**Weighted average exercise price in Rs.**		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Outstanding at beginning of the year	-	-	2,040	-	-	182.47
Granted during the year	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-
Expired during the year	-	-	2,040	-	-	182.47
Exercised during the year	-	-	-	-	-	-
Outstanding at the end of the year	-	-	-	-	-	-
Exercisable at the end of the year	-	-	-	-	-	-

(ii) Associate Stock Option Plan 2002

In fiscal year 2002, the Group established the Associate Stock Option Plan 2002 (the ASOP 2002 Plan) which provided for issuing stock options to eligible employees. On December 9, 2002, the Group issued options to the eligible employees at Re. 1 each for purchasing one ADS at an exercise price determined by the Compensation Committee.

The options vest over a period of 3 years as follows:

One sixth of the options:	At the end of one year from the date of the grant
Five sixth of the options:	At the end of each quarter during the second and third year from the date of the grant in eight equal installments.

Upon vesting, employees have 30 days to exercise these options.

As the number of stock options and the price of those options were made known to each allottee, the Plan has been considered as a fixed price grant. Stock option activity under the ASOP 2002 Plan is as follows:

No. of options granted, exercised and forfeited	**Number of options**			**Weighted average exercise price in Rs.**		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Outstanding at beginning of the year	-	6,250	378,657	-	228.74	172.83
Granted during the year	-	-	-	-	-	-
Forfeited during the year	-	-	521	-	-	265.35
Expired during the year	-	6,250	31,323	-	228.74	188.45
Exercised during the year	-	-	338,763	-	-	172.18
Outstanding at the end of the year	-	-	6,250	-	-	228.74
Exercisable at the end of the year	-	-	3,906	-	-	228.74

(iii) Associate Stock Option Plan 2005

In October 2005, the Group established the Associate Stock Option Plan 2005 (the ASOP 2005 Plan) which provided for issuing 1,900,000 stock options to eligible employees. The Group cancelled on 22nd September, 2005, all the unissued stock options pertaining to previous plans and / or the stock options surrendered or lapsed.

The options vest over a period of 3 years as follows:

One sixth of the options:	At the end of one year from the date of the grant
Five sixth of the options:	At the end of each quarter during the second and third year from the date of the grant in eight equal installments.

The stock options can be exercised only after they vest but before the expiry date of forty months from the date of the grant.
As the number of stock options and the price of those options were made known to each allottee, the Plan has been considered as a fixed price grant. Stock option activity under the ASOP 2005 Plan is as follows:

No. of options granted, exercised and forfeited	**Number of options**			**Weighted average exercise price in Rs.**		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Outstanding at the beginning of the year	326,093	868,195	1,676,400	328.84	238.32	286.20
Granted during the year	-	119,400	547,600	-	340.82	451.15
Forfeited during the year	(29,167)	(122,442)	(1,268,293)	449.16	376.64	290.32
Expired during the year	(296,926)	(28,293)	(15,524)	317.02	461.51	254.01
Exercised during the year	-	(13,567)	(71,988)	-	238.32	238.32
Replaced during the year (Refer to notes below)	-	(497,200)	-	-	422.91	-
Outstanding at the end of the year	-	326,093	868,195	-	328.84	391.59
Vested and exercisable at the end of	-	235,010	54,914	-	328.84	338.66

the year						
Weighted average grant date fair value of grants during the year	-	-	-	-	120.00	224.86

(iv) Associate Stock Option Plan 2007

In September 2007, the Shareholders of the Group approved a new scheme for allotment of stock options to employees, the Associate Stock Option Plan 2007. Consequent upon the introduction of ASOP 2007 plan, 797,600 unissued stock options pertaining to Associate Stock Option Plan 2005 are no longer available for issuance.
The options vest 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 sixth 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 installments.

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

As the number of stock options and the price of those options were made known to each allottee, the Plan has been considered as a fixed price grant. Stock option activity under the ASOP 2007 Plan is as follows:

No. of options granted, exercised and forfeited	**Number of options**	**Weighted average exercise price in Rs.**	**Number of options**	**Weighted average exercise price in Rs.**
	2009	**2009**	**2008**	**2008**
Outstanding at the beginning of the year	1,200,400	157.3	-	-
Granted during the year	142,500	117.46	708,200	184.84
Replaced (Refer to notes below)	-	-	(123,900)	184.84
Replacement options granted (Refer to notes below)	-	-	621,100	157.35
Forfeited during the year	(131,000)	158.77	(5,000)	308.42
Expired during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	1,211,900	152.51	1,200,400	157.35
Vested and Exercisable at the end of the year	185,167	157.35	-	-
Weighted average grant date fair value of grants during the year	-	71.82	-	80.78

The fair value of stock options granted has been measured using the Black Scholes model at the date of the grant. The Black Scholes model includes assumptions regarding dividend yields, expected volatility, expected term (or “option life”) and risk free interest rates. In respect of the options granted, the expected term is estimated based on the vesting term, contractual term as well as expected exercise behavior of the employees receiving the option. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company’s publicly traded equity shares. Dividend yield of the options is based on the recent dividend activity. Risk-free interest rates are based on the government securities yield of in effect at the time of the grant. These assumptions reflect management’s best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside the Company’s control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in the future periods, stock compensation expense could be materially impacted in future years.

The estimated fair value of stock options is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

The fair value of services received in return for share options granted under ASOP 2007 is based on the fair value of share options granted measured using Black Scholes model, with the following inputs:

No. of options granted, exercised and forfeited	Year ended March 31, 2009	Year ended March 31, 2008
Weighted average share price	130.41	174.83
Weighted average exercise price	117.46	157.35
Expected volatility	53.5% - 120.0%	53.83% - 77.82%
Option life	3 – 4.5 years	3 – 4.5 years
Expected dividends	-	-
Risk-free interest rate	1.64% - 3.45%	2.50% - 7.50%

A summary of information about fixed price stock options outstanding as at March 31, 2009 is furnished below:

	Range of exercise price in Rs.	**Number outstanding at March 31, 2009**	**Weighted average exercise price in Rs.**	**Weighted average remaining contractual life**	**Number exercisable at March 31, 2008**	**Weighted average exercise price in Rs.**
ASOP 2005	-	-	-	-	-	-
ASOP 2007	50.20-188.32	12,11,900	152.51	3.87	185,167	157.35

Modification

During the year ended March 31, 2008, the stock options issued under ASOP 2005 and ASOP 2007 had been out of money for most time of the vesting period, as a result the Group's compensation committee allowed certain employees in 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 fair value of the stock options replaced was determined by reference to the difference between the fair value of the replaced stock options and the fair value of the cancelled stock options at the date of grant of new stock options. The incremental fair value as a result of such modification in respect of modified options amounted to Rs.20,959 during the year ended March 31, 2008. In respect of modification that has occurred during the vesting period, the incremental fair value granted 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 fair 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 fair 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. The incremental cost recognised in respect of such modified options amounted to Rs.8,838 and Rs.2,120 for the years ended March 31, 2009 and 2008, respectively.

The assumptions that were used in arriving at the incremental fair value are as summarized below:

Assumptions	**Pre modification**	**Post modification**
Current market price	174.83	174.83
Exercise price	308.34-578.38	157.35

Expected term	3 - 4.5 years	3 – 4.5 years
Volatility	53.83% - 77.82%	53.01% - 77.82%
Dividend yield	0%	0%
Discount rate	2.5%	2.5%

29. Financial income and expense

	Year ended		
	March 31, 2009	**March 31, 2008**	**March 31, 2007**
Interest income on bank deposits	116,495	160,262	153,028
Interest income from leases	435	1,232	1,164
Others	5,635	289	-
Finance income	**122,565**	**161,783**	**154,192**
Interest expense on lease obligations	2,243	1,826	389
Bank charges	86,216	46,484	17,428
Interest expense on borrowings from banks	163,201	9,372	7,733
Finance expense	**(251,660)**	**(57,682)**	**(25,550)**
Net finance income / (expense) recognised in profit or loss	**(129,095)**	**104,101**	**128,642**

30. Earnings / (loss) per share

The calculation of basic earnings / (loss) per share for the years ended March 31, 2009, 2008 and 2007 is based on the earnings / (loss) attributable to ordinary shareholders of Rs.(900,574), Rs.(4,696) and Rs.240,841 respectively and a weighted average number of shares outstanding of 43,350,320, 42,877,726 and 42,704,619 respectively, calculated as follows:

	Year ended		
	March 31, 2009	**March 31, 2008**	**March 31, 2007**
Net profit / (loss) – as reported	(900,574)	(4,696)	240,841
Weighted average number of shares – basic	43,350,320	42,877,726	42,704,619
Basic earnings / (loss) per share	(20.77)	(0.11)	5.64
Weighted average number of shares – diluted	43,350,320	42,877,726	42,792,514
Diluted earnings / (loss) per share	(20.77)	(0.11)	5.63

Weighted average number of ordinary shares basic

	Year ended March 31,		
	2009	**2008**	**2007**
Issued fully paid ordinary shares at 01 April	42,820,082	42,800,265	42,389,514
Effect of shares issued on exercise of stock options	-	14,562	315,105
Effect of partly paid shares	530,238	62,899	-
Weighted average number of equity shares and equivalent shares outstanding	43,350,320	42,877,726	42,704,619

Weighted average number of ordinary shares diluted

	Year ended March 31,		
	2009	**2008**	**2007**
Weighted average number of ordinary shares (basic)	43,350,320	42,877,726	42,704,619
Effect of stock options	-	-	87,895
Weighted average number of equity shares outstanding (diluted)	43,350,320	42,877,726	42,792,514

As the Company incurred a net loss attributable to ordinary shareholders for the years ended March 31, 2009 and 2008, 11,535,300 partly paid shares as at March 31, 2008, 1,211,900 and 1,526,493 ordinary shares arising out of potential exercise of outstanding stock options as at March 31, 2009 and 2008 were not included in the computation of diluted earnings per share, as their effect was anti-dilutive.

31. Operating leases

The Group 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. Rental expenses under these leases were Rs.336,899, Rs.173,951 and Rs.147,510 for the years ended March 31, 2009, 2008 and 2007, respectively. The schedule of future minimum rental payments in respect of operating leases is set out below:

As at March 31, 2009

Lease obligations	Total	Less than 1 year	1-5 years	More than 5 years
Non-cancellable operating lease obligations	1,801,477	135,165	585,564	1,080,748
Non-cancellable obligations towards proposed lease *	2,423,554	-	549,538	1,874,016

As at March 31, 2008

Lease obligations	Total	Less than 1 year	1-5 years	More than 5 years
Non-cancellable operating lease obligations	380,642	73,200	307,262	-

* For details on proposed lease, refer Note 35 on related parties.

32. Segment reporting

The primary operating segments of the Group are:

- Corporate network/data services, which provides Internet, connectivity, security and consulting, hosting and managed service solutions;
- Internet access services, from homes and through cybercafés,
- Online portal services and content offerings; and
- Other services, such as development of e-learning software.

The Chief Operating Decision Maker ("CODM") evaluates the Group's performance and allocates resources to various strategic business units that are identified based on the products and services that they offer and on the basis of the market served. The measure of profit / loss reviewed by the CODM is "Earnings/loss before interest, taxes, depreciation and amortisation" also referred to as "segment operating income / loss". Revenue in relation to segments is categorized based on items that are individually identifiable to that segment. Bandwidth costs, which form a significant part of the total expenses, are allocated primarily between the corporate network/data services and Internet access services businesses as described below:

International bandwidth refers to bandwidth that is required for access to sites and offices outside the country. For all these businesses, bandwidth is allocated based on actual utilization captured by monitoring traffic per IP pool assigned at the egress points. The Group has packet shapers in the main locations to monitor bandwidth use by each of the above categories of users. This information is used to determine parameters such as bandwidth per port and bandwidth per PC. The actual utilization is cross validated against assumptions / norms for each business.

National bandwidth refers to the inter-city link bandwidth implemented within the country. Inter-city link bandwidth was allocated based on the number of subscribers or iway cybercafés at "non gateway" points and the bandwidth sold to and used by business enterprises (determined using packet shapers). However, in order to strengthen its corporate business, the Group enhanced its national backbone to carry Internet traffic to the international fibre gateways, shifting from hybrid satellite and fibre gateways to fibre only gateways for international bandwidth. National bandwidth costs are now allocated based on international bandwidth allocation ratios because most of the traffic carried on the national backbone is directed towards the international gateways.

International and national bandwidth is allocated based on actual usage at an agreed methodology between corporate and retail businesses. The bandwidth costs, bandwidth management costs viz infrastructure and manpower costs are absorbed by corporate business. The costs for retail are routed through agreed transfer price. The Group believes that the resulting allocations are reasonable.

Last mile costs related to dial-up access that can be directly identified to businesses are allocated directly. Spectrum charges paid for the license to operate on the 5.7 ghz wireless spectrum are allocated based on the bandwidth used by the various businesses that use this spectrum. Certain expenses, such as depreciation, technology and administrative overheads, which form a significant component of total expenses, are not allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not practical to provide segment disclosure of these expenses and, accordingly, they are separately disclosed as “unallocated” and adjusted only against the total income of the Group.

A significant part of the fixed assets used in the Group’s business are not identifiable to any of the reportable segments and can be used interchangeably between segments. As a result the measures of segment assets and liabilities are not regularly reviewed by the CODM and hence disclosures relating to segment assets and liabilities have not been provided. Also refer to Note 3(s).

The Group’s operating segment information for the years ended March 31, 2009, 2008 and 2007, are presented below:

Year ended March 31, 2009

	Corporate Network / Data Services	Internet access services	Online portal services	Consumer One (sub-total)	Other Services	Total
		A	B	A+B		
Segment revenue	4,305,235	1,128,182	177,324	1,305,506	551,420	**6,162,161**
Allocated segment expenses	(2,842,889)	(1,295,332)	(220,967)	(1,516,299)	(473,008)	(4,832,196)
Segment operating income / (loss)	**1,462,346**	**(167,150)**	**(43,643)**	**(210,793)**	**78,412**	**1,329,965**
Unallocated expenses:						
Cost of goods sold						(484,478)
Selling, general and administrative expenses						(1,130,221)
Depreciation and amortization						(498,872)
Impairment loss on goodwill						(15,200)
Other income / (expense), net						89,105
Finance income						122,565
Finance expenses						(231,539)
Share of profit of equity accounted investee						64,091
Profit or (loss) before tax						**(754,584)**
Income tax (expense) / benefit						(97,049)
Profit / (loss) for the year						**(851,633)**

Year ended March 31, 2008

	Corporate Network / Data Services	Internet Access Services	Online Portal Services	Consumer One (sub-total)	Other Services	Total
		A	B	A+B		
Segment revenue	3,822,108	1,545,226	210,766	1,755,992	428,115	**6,006,215**
Allocated segment expenses	(2,434,316)	(1,432,982)	(298,031)	(1,731,013)	(366,851)	(4,532,180)
Segment operating income / (loss)	**1,387,792**	**112,244**	**(87,265)**	**24,979**	**61,264**	**1,474,035**
Unallocated expenses:						
Cost of goods sold						(333,681)
Selling, general and administrative expenses						(1,014,382)
Depreciation and amortization						(394,337)
Other income / (expense), net						46,152
Finance income						161,783
Finance expenses						(31,276)
Share of profit of equity accounted investee						181,127
Profit / (loss) before tax						**89,421**
Income tax (expense) / benefit						(63,975)
Profit / (loss) for the year						**25,446**

Year ended March 31, 2007

	Corporate Network / Data Services	Internet access services	Online portal services	Consumer One (sub-total)	Other Services	Total
		A	B	A+B		
Segment revenue	3,022,285	1,846,416	262,904	2,109,320	315,742	**5,447,347**
Allocated segment expenses	(1,833,432)	(1,760,624)	(261,949)	(2,022,573)	(258,749)	(4,114,754)
Segment operating income / (loss)	**1,188,854**	**85,792**	**955**	**86,747**	**56,993**	**1,332,593**
Unallocated expenses:						
Cost of goods sold						(283,433)
Selling, general and administrative expenses						(646,894)
Depreciation and amortization						(463,780)
Other income / (expense), net						66,320
Finance Income						154,192
Finance expenses						(14,769)
Share of profit in equity accounted investee						61,030
Profit / (loss) before tax						**205,259**
Income tax (expense) / benefit						66,113
Profit / (loss) for the year						**271,372**

Reconciliations

	Cost of goods sold	Selling, general and administrative expenses	Finance expenses	Total
Year ended March 31, 2009				
Allocated segment expenses	3,128,871	1,683,204	20,121	4,832,196
Unallocated segment expenses	484,478	1,130,221	231,539	
Total as per income statement	**3,613,349**	**2,813,425**	**251,660**	
Year ended March 31, 2008				
Allocated segment expenses	3,085,441	1,420,333	26,406	4,532,180
Unallocated segment expenses	333,681	1,014,382	31,276	
Total as per income statement	**3,419,122**	**2,434,715**	**57,682**	
Year ended March 31, 2007				
Allocated segment expenses	2,655,896	1,448,077	10,781	4,114,754
Unallocated segment expenses	283,433	646,894	14,769	
Total as per income statement	**2,939,329**	**2,094,971**	**25,550**	

Geographic segments

The Group has two geographic segments India and rest of the world. Revenues from the geographic segments based on domicile of the customer are as follows:

Description	India	Rest of the world	Total
Revenues			
Year ended March 31, 2009	5,071,137	1,091,024	6,162,161
Year ended March 31, 2008	5,342,248	663,967	6,006,215
Year ended March 31, 2007	4,797,543	649,804	5,447,347

The Group does not disclose information relating to non-current assets located in India and rest of the world as the necessary information is not available and the cost to develop it would be excessive.

33. Contingencies

a) During the year ended March 31, 2006, the Group had received a notice from the Income-Tax Department of India for the financial years 2002 and 2003 for a sum of Rs.103,000 on a plea that no withholding tax was deducted in respect of international bandwidth and leased line payments made by the Group to international bandwidth / lease line service providers. Subsequently in 2007, the demand was revised to Rs. 77,724 by the income tax authorities and the Group was directed to pay the amount of demand in 12 installments. Accordingly, the Group paid a sum of Rs.77,724 during the year ended March 31, 2008. The Group considered that the likelihood of the loss contingency was remote and no provision for the loss contingency was necessary as at March 31, 2008. Subsequently during the year ended March 31, 2009 the Group has received an order in its favour from the Income Tax Authorities and refund for the same has been received during the year ended March 31, 2009.

b) Additionally, the Group is also involved as a party to lawsuits, claims and proceedings, which arise in the ordinary course of business. The Group does not foresee any material contingency out of the pending issues.

c) The Group during the year ended March 31, 2009 entered into a contract with Emirates Integrated Telecom for the construction and supply of capacity from the Europe India Gateway. As per the contract with Emirates, the Group is required to pay its share of decommissioning costs if any that may arise in the future. No provision has been made by the Group for such decommissioning costs as the amount of provision cannot be measured reliably as at March 31, 2009.

d) In respect of contingencies arising on legal proceedings, refer Note 34.

34. Legal proceedings

(i) The Group and certain of its officers and directors are named as defendants in securities class action lawsuit filed in the United States District Court for the Southern District of New York. This action, which is captioned In re Satyam Infoway Ltd. Initial Public Offering Securities Litigation, also names several of the underwriters involved in Sify's initial public offering of American Depositary Shares as defendants. This class action is brought on behalf of a purported class of purchasers of Sify's ADSs from the time of Sify's Initial Public Offering ("IPO") in October 1999 through December 2000. The central allegation in this action is that the underwriters in Sify's IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased Sify's ADSs in the IPO and the aftermarket. The complaint also alleges that Sify violated the United States Federal Securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers have been named in similar lawsuits.

In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers was filed by the entire group of issuer defendants in these similar actions. In October 2002, the cases against the Group's executive officers who were named as defendants in this action were dismissed without prejudice. In February 2003, the court in this action issued its decision on defendants' omnibus motion to dismiss. This decision denied the motion to dismiss the Section 11 claim as to the Group and virtually all of the other issuer defendants. The decision also denied the motion to dismiss the Section 10(b) claim as to numerous issuer defendants, including the Group. On June 26, 2003, the plaintiffs in the consolidated IPO class action lawsuits currently pending against Sify and over 300 other issuers who went public between 1998 and 2000, announced a proposed settlement with Sify and the other issuer defendants. The proposed settlement provided that the insurers of all settling issuers would guarantee that the plaintiffs recover $1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. In the event that the plaintiffs did not recover $1 billion, the insurers for the settling issuers would make up the difference. This proposed settlement was terminated on June 25, 2007, following the ruling by the United States Court of Appeals for the Second Circuit on December 5, 2006, reversing the District Court's granting of class certification.

On August 14, 2007, the plaintiffs filed Amended Master Allegations. On September 27, 2007, the Plaintiffs filed a Motion for Class Certification. Defendants filed a Motion to Dismiss the focus cases on November 9, 2007. On March 26, 2008, the Court ruled on the Motion to Dismiss, holding that the plaintiffs had adequately pleaded their Section 10(b) claims against the Issuer Defendants and the Underwriter Defendants in the focus cases. As to the Section 11 claim, the Court dismissed the claims brought by those plaintiffs who sold their securities for a price in excess of the initial offering price, on the grounds that they could not show cognizable damages, and by those who purchased outside the previously certified class period, on the grounds that those claims were time barred. This ruling, while not binding on the Group's case, provides guidance to all of the parties involved in this litigation. On October 2, 2008, plaintiffs requested that the class certification motion in the focus cases be withdrawn without prejudice. On October 10, 2008, the Court signed an order granting that request.

On April 2, 2009, the parties lodged with the Court a motion for preliminary approval of a proposed settlement between all parties, including the Company and its former officers and directors. The proposed settlement provides the plaintiffs with $586 million in recoveries from all defendants. Under the proposed settlement, the Issuer Defendants collectively would be responsible for $100 million, which would be paid by the Issuers' insurers, on behalf of the Issuer Defendants and their officers and directors. Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Company's insurers. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On September 10, 2009, the Federal District Court held the fairness hearing for final approval of the settlement. At the hearing it was noted that out of the seven million people who were sent notices of the settlement, only 140 people objected. The objectors had five main arguments: (1) the class definition is overbroad and does not exclude individuals who participated in the scheme; (2) the requested attorney's fees are excessive; (3) the awards requested by the lead plaintiffs are excessive; (4) the settlement amount is insufficient and thus the recovery to class members is too small; and (5) the notice is insufficient, in part because it does not disclose the amounts requested by individual lead plaintiffs. The Court did not rule on the motion for final approval at the hearing and did not indicate when it planned to do so. The preliminarily approved settlement is subject to final approval by the Federal District Court overseeing the IPO Litigation and, if final approval is granted, it may potentially be subject to appellate review by United States Court of Appeals for the Second Circuit. Any direct financial impact of the preliminary approved settlement is expected to be borne by the Company's insurers. The Group believes, the maximum exposure under this settlement is approximately U.S.$ 338,983.05, an amount which the Group believes is fully recoverable from the Group's insurer.

(ii) The Group is a party to other legal actions arising in the ordinary course of business. Based on the available information, as of March 31, 2009, the Group believes that it has adequate legal defenses for these actions and that the ultimate outcome of these actions will not have a material adverse effect on it.

35. Related parties

The related parties where control / significant influence exists are subsidiaries and associates. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director whether executive or otherwise. Key management personnel includes the board of directors and other senior management executives. The other related parties are those with whom the Group has had transaction during the years ended March 31, 2009, 2008 and 2007 are as follows:

Particulars	**Country of incorporation**	**% of Ownership interest**	
		March 31, 2009	**March 31, 2008**
Subsidiaries			
Sify Communications (till March 31, 2008 also refer Note 38)	India	74	74
Sify International Inc	US	100	100
Sify Networks Private Limited	India	100	100
India World Communications Limited (wound up during the year)	India	-	100
Globe Travels Inc (wound up on April 17, 2008)	US	-	100
Sify Americas Inc. (wound up on April 04, 2008)	US	-	100
Associates			
MF Global-Sify securities India Private Limited	India	29.85	29.85
Others (Entities in which the Key Management Personnel have controlling interest/significant influence)			
Server Engines LLC	USA	-	-
Server Engines India Private Limited	India	-	-
VALS Developers Private Limited	India	-	-
Infinity Satcom Universal Private Limited	India	-	-

The following is a summary of the related party transaction for the year ended March 31, 2009:

Transactions	**Associates**	**Others**	**Key Management Personnel****
Sale of good / services	6,600	734	-
Advance lease rentals and refundable deposits made*	-	282,825	-
Consultancy services received	-	-	240
Sitting fees paid	-	-	1,220
Salaries and other short term benefits	-	-	50,672
Contributions to defined contribution plans	-	-	2,389
Share based payments	-	-	33,579
Amount of outstanding balances			
Debtors	524	174	-
Advance lease rentals and refundable deposits made	-	282,825	-

*Represents deposits made to VALS Developers Private Limited (“VALS”).VALS is owned and controlled by Raju Vegesna Infotech & Industries Private Limited , in which Mr. Raju Vegesna , our principal share holder and Chief Executive Officer, is holding 94.66% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into a memorandum of understanding with VALS Developers Private Limited to obtain land and building which is in the process of being constructed on a long term lease. The lease agreement, when final and executed, is expected to have an initial non-cancellable term of 5 years, with a further option for Sify to renew or cancel the lease for two five year terms. In connection with this memorandum of understanding, Sify has paid a security deposit of Rs.125,700 and advance rental of Rs.157,125 to VALS. The security deposit will be refunded at the end of lease term and the advance rental would be adjusted over a period of 15 months from the commencement of the lease.

The following is a summary of the related party transactions for the year ended March 31, 2008:

Transactions	Associates	Others	Key Management Personnel**
Purchase of goods / services	-	3,796	-
Issue of shares for cash*	-	112,149	-
Consultancy services received	-	-	240
Sitting fees paid	-	-	1,320
Salaries and other short term benefits	-	-	53,298
Contribution to defined contribution plans	-	-	2,516
Share based payments	-	-	40,169

* Also refer note 16 in relation to transactions relating to issue of equity shares to Infinity Satcom Universal Private Limited.

The following is a summary of the related party transactions for the year ended March 31, 2007:

Transactions	Associates	Others	Key Management Personnel**
Sale of goods / services	2,494	-	-
Consultancy services received	-	-	240
Sitting fees paid	-	-	980
Gain on divestment of 26% holding in Sify Communications Limited	-	226	-
Salaries and other short term benefits	-	-	48,446
Contribution to defined contribution plans	-	-	2,314
Share based payments	-	-	22,147

** Some of the key management personnel of the Group are also covered under the Group's gratuity plan along with other employees of the Group. Proportionate amounts of gratuity accrued under the gratuity plan have not been separately computed or included in the above disclosure.

36. Financial instruments

Financial instruments by category
The carrying value and fair value of financial instruments by each category as at March 31, 2009 were as follows:

Assets	Note	Loans and receivables	Financial assets / liabilities at fair value through profit and loss	Available for sale	Other financial liabilities	Total carrying value	Total fair value
Cash and cash equivalents	8	1,710,798	-	-	-	1,710,798	1,710,798
Other assets	10	227,468	-	-	-	227,468	227,468
Trade receivables	13	1,504,927	-	-	-	1,504,927	1,504,927
Other receivables	13	402,992	-	-	-	402,992	402,992
Derivative financial instruments	13	-	2,997	-	-	2,997	2,997
Other investments	15	-	-	13,874	-	13,874	13,874
Liabilities							

Bank overdraft	8	-		-	1,397,083	1,397,083	1,397,083
Finance lease liabilities	17	-	-	-	155,325	155,325	155,325
Other liabilities	19	-		-	134,116	134,116	134,116
Borrowings from banks	20	-		-	1,384,519	1,384,519	1,384,519
Trade and other payables	21	-		-	1,411,358	1,411,358	1,411,358

The carrying value and fair value of financial instruments by each category as at March 31, 2008 were as follows:

Assets	**Note**	**Loans and receivables**	**Financial assets / liabilities at fair value through profit and loss**	**Available for sale**	**Other financial liabilities**	**Total carrying value**	**Total fair value**
Cash and cash equivalents	8	1,507,327	-	-	-	1,507,327	1,507,327
Other assets	10	154,237	-	-	-	154,237	154,237
Trade receivables	13	1,694,542	-	-	-	1,694,542	1,694,542
Other receivables	13	298,862	-	-	-	298,862	298,862
Other investments	15	-	-	18,679	-	18,679	18,679
Liabilities							
Bank overdraft	8	-	-	-	617,637	617,637	617,637
Finance lease liabilities	17	-	-	-	5,392	5,392	5,392
Other liabilities	19	-	-	-	124,472	124,472	124,472
Borrowings from banks	20	-	-	-	156,426	156,426	156,426
Trade and other payables	21	-		-	1,463,976	1,463,976	1,463,976
Derivative financial instruments	21	-	3,312	-	-	3,312	3,312

Details of financial assets pledged as collaterals

The carrying amount of financial assets as March 31, 2009 and 2008 that the Group has provided as collaterals for obtaining borrowings and other facilities from its bankers are as follows:

	31 Mar 2009	**31 Mar 2008**
Cash and cash equivalents	1,710,798	1,507,327
Other assets	227,468	154,237
Trade receivables	1,504,927	1,694,542
Other receivables	402,992	298,862
	3,846,185	**3,654,968**

Derivative financial instruments

The Group uses derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in foreign exchange rates on trade receivables, payables and forecasted cash flows denominated in certain foreign currencies. The counterparties for these contracts are generally banks or financial institutions. The following table gives details in respect of the notional amount of outstanding foreign exchange and option contracts as on 31 March 2009 and 2008:

	As of	
	March 31, 2009	**March 31, 2008**
Forward contracts		
In U.S. Dollars (Sell)	-	190,075
In U.S Dollars (Buy)	-	-
Option Contracts		
In U.S Dollars (Sell)	216,538	-
In U.S Dollars (Buy)	25,475	-

The Company recognized a net gain on derivative financial instruments of Rs.2,997 for the year ended March 31, 2009 and a net loss of Rs.2,513 during the year ended March 31, 2008 and Rs. Nil during the year ended March 31, 2007.

The forward exchange contracts and option contracts mature between one and twelve months. The table below summarizes the notional amounts of derivative financial instruments into relevant maturity groupings based on the remaining period as at the balance sheet date:

	As of	
	March 31, 2009	**March 31, 2008**
Sell:		
Not later than one month	25,525	40,020
Later than one month and not later than three months	50,950	64,032
Later than three months and not later than six months	76,425	38,019
Later than six months and not later than one year	63,638	48,024
	216,538	**190,095**

	As of	
	March 31, 2009	**March 31, 2008**
Buy:		
Not later than one month	25,475	-
Later than one month and not later than three months	-	-
Later than three months and not later than six months	-	-
Later than six months and not later than one year	-	-
	25,475	-

Interest, (expenses), gains and (losses) recognized on financial assets and liabilities

Recognised in profit or loss

	Year ended		
	March 31, 2009	**March 31, 2008**	**March 31, 2007**
Loans and receivables			
Interest income on bank deposits	116,495	160,262	153,028
Interest income from leases	435	1,232	1,164
Interest income from other loans and receivables	5,635	289	-
Impairment loss of trade receivables	(84,346)	(131,954)	(153,638)
Impairment loss on finance lease receivables	(6,929)	-	-
Financial assets at fair value through profit or loss			
Net change in fair value of derivative financial instruments	2,997	(3,312)	-
Other financial liabilities			
Interest expenses on lease obligations	(2,243)	(1,826)	(389)
Interest expenses on borrowings from banks and overdrafts	(163,201)	(9,372)	(7,733)

Recognised directly in equity

	Year ended		
	March 31, 2009	**March 31, 2008**	**March 31, 2007**
Net change in fair value of available-for-sale financial assets	(5,361)	(1,080)	-

37. Financial risk management

The Groups financial risk management objectives and policies are with respect to financial instruments are as follows.
The Group has following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors have established a risk management policy to identify and analyze the risks faced by the Group, to set risk limits and controls, and to monitor risks and adherence to limits. Risk management systems are reviewed periodically to reflect changes in market conditions and the Group's activities. The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the risk management framework. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk: Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligations under a contract and arises principally from the Group's trade receivables, treasury operations and other activities that are in the nature of leases.

Trade and other receivables
The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The group is not exposed to concentration of credit risk to any one single customer since the services are provided to and products are sold to customers who are spread over a vast spectrum. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of the customers to which the Company grants credit in the normal course of the business.
Cash and cash equivalents and other investments
In the area of treasury operations, the Group is presently exposed to counter-party risks relating to short term and medium term deposits placed with public-sector banks, as also to investments made in mutual funds. The credit exposure in mutual fund investments, which amounted to Rs.20.30 million as at the reporting date (previous year Rs.20.30 million), is inevitably subject to changes in fair values subject to market risks.

The Chief Financial Officer is responsible for monitoring the counterparty credit risk, and has been vested with the authority to seek Board's approval to hedge such risks in case of need.

Exposure to credit risk

The gross carrying amount of financial assets, net of any impairment losses recognized represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2009 and March 31, 2008 was as follows:

	March 31, 2009	**March 31, 2008**
Cash and cash equivalents	1,710,798	1,507,327
Other assets	227,468	154,237
Trade receivables	1,504,927	1,694,542
Other receivables	402,992	298,862
Derivative financial instruments	2,997	-
Other investments	20,315	20,315

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired other than trade receivables. The age analysis of trade receivables have been considered from the date of invoice. The ageing of trade receivables, net of allowances that are past due, is given below:

Period (in days)	**March 31, 2009**	**March 31, 2008**
Past due 181 - 270 days	120,662	121,339
Past due 271 - 365 days	59,534	55,703
	180,196	**177,042**

See note 13 for the activity in the allowance for impairment of trade account receivables.

Financial assets that are neither past due nor impaired

Cash and cash equivalents, other assets, other receivables and finance lease receivables are neither past due nor impaired. Of the total trade receivables, Rs.1,324,731 as at March 31, 2009 and Rs.1,517,500 are neither past due nor impaired.

Details of collaterals and other credit enhancements held

	March 31, 2009	**March 31, 2008**
Security deposits received for internet access services	32,918	36,413

Liquidity Risks: Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, without incurring unacceptable losses or risking damage to the Group's reputation. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, servicing of financial obligations. In addition, the Group has concluded arrangements with well reputed Banks, and has unused lines of credit that could be drawn upon should there be a need. The Company is also in the process of negotiating additional facilities with Banks for funding its requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

As at March 31, 2009

	Carrying amount	**Contractual cash flows**	**0-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities					
Bank overdrafts	1,397,083	1,397,083	1,397,083	-	-
Finance lease liabilities	155,325	180,989	42,743	84,746	53,500
Other liabilities	134,116	134,116	134,116	-	-
Borrowing from banks	1,384,159	1,498,236	1,261,604	200,694	35,938
Trade and other payables	1,411,358	1,411,358	1,411,358	-	-
	4,482,041	**4,621,782**	**4,246,904**	**285,440**	**89,438**

As at March 31, 2008

	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
Non-derivative financial liabilities					
Bank overdrafts	617,637	617,637	617,637	-	-
Finance lease liabilities	5,392	6,600	3,344	2,656	-
Other liabilities	124,472	124,472	124,472	-	-
Borrowings from banks	156,426	156,426	156,426	-	-
Trade and other payables	1,463,976	1,463,976	1,463,976	-	-
	2,367,903	**2,369,111**	**2,365,855**	**2,656**	**-**

Market Risk: Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign exchange rates and other market changes that affect market risk sensitive instruments. Market risk is attributable all market risk sensitive financial instruments including foreign currency receivables and payables. The Group is exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and the market value of its investments. Thus the Group's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Currency Risk: The Group's exposure in USD, Euro and other foreign currency denominated transactions gives rise to Exchange Rate fluctuation risk. Group's policy in this regard incorporates:

- Forecasting inflows and outflows denominated in US$ for a twelve-month period
- Estimating the net-exposure in foreign currency, in terms of timing and amount
- Determining the extent to which exposure should be protected through one or more risk-mitigating instruments to maintain the permissible limits of uncovered exposures.
- Carrying out a variance analysis between estimate and actual on an ongoing basis, and taking stop-loss action when the adverse movements breaches the 5% barrier of deviation, subject to review by Audit Committee.

The Group's exposure to foreign currency risk as at March 31, 2009 was as follows:

All amounts in respective currencies as mentioned (in thousands)

	USD	CAD	CHF	Euro	GBP	SGD	HKD
Cash and cash equivalents	1,347	-	-	-	-	-	-
Trade receivables	5,770	301	161	2	91	16	-
Trade payables	(3,390)	-	-	(15)	(14)	(26)	(6)
Gross balance sheet exposure	**3,727**	**301**	**161**	**(13)**	**77**	**(10)**	**(6)**
Forward exchange / option contracts	(3,750)	-	-	-	-	-	-
Net exposure	**(23)**	**301**	**161**	**(14)**	**77**	**(10)**	**(6)**

The Group's exposure to foreign currency risk as at March 31, 2008 was as follows:

All amounts in respective currencies as mentioned (in thousands)

	USD	CAD	CHF	Euro	GBP	SGD	DHS
Cash and cash equivalents	267						
Trade receivables	6,608	27	-	1	55	-	-
Trade payables	(2,383)	-	-	(15)	(1)	-	(68)
Gross balance sheet exposure	**4,492**	**27**	**-**	**(14)**	**54**	**-**	**(68)**
Forward exchange / option contracts	(4,750)	-	-	-	-	-	-
Net exposure	**(258)**	**27**	**-**	**(14)**	**54**	**-**	**(68)**

Sensitivity analysis

A 10% strengthening of the rupee against the respective currencies as at 31 March 2009 and 2008 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Equity	Profit or loss
March 31, 2009	-	(2,253)
March 31, 2008	-	658

A 10% weakening of the rupee against the above currencies as at March 31, 2009 and 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk: Interest rate risk is the risk that an upward movement in interest rates would adversely affect the borrowing costs of the group.

Profile

At the reporting date the interest rate profile of the Group's interest –bearing financial instruments were as follows:

	Carrying amount	
	March 31, 2009	**March 31, 2008**
Fixed rate instruments		
Financial assets		
- Fixed deposits with banks	1,401,224	1,309,219
Financial liabilities		
- Borrowings from banks	850,826	156,426
Variable rate instruments		
Financial liabilities		
- Borrowings from banks	533,333	-
- Bank overdrafts	1,397,083	617,637

Fair value sensitivity for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis has been performed on the same basis as 2008.

	Equity	Profit or loss
March 31, 2009	-	(19,304)
March 31, 2008	-	(6,176)

A decrease of 100 basis points in the interest rates at the reporting date would have had equal but opposite effect on the amounts shown above, on the basis that all other variable remain constant.

38. Subsequent events

Acquisition of minority interest in subsidiary

The Board of Directors and shareholders of the Company at their meeting held on November 24, 2008 approved the merger of Sify's subsidiary Sify Communications Limited with retrospective effect from April 1, 2008, subject to approval by the Honourable High Court of Madras and other statutory authorities. Subsequent to the balance sheet date, the Company has obtained the approval of Honourable High Court on June 26, 2009. As a part of the merger, the Company has issued 10,530,000 equity shares to Infinity Satcom Universal Pvt. Limited (on July 16, 2009) and acquired the remaining 26% equity interest of Sify Communications. The adjustments arising out of such merger would be given effect to in the period in which such approval is received. The adjustments would relate to the following

- reversal of current tax provision established by Sify Communications Limited for the period subsequent to April 1, 2008 amounting to Rs.90,003.
- write off of deferred tax assets established in the books of Sify Communications Limited amounting to Rs.8,524.
- recognition of the difference between the fair value of the consideration paid and the carrying amount of minority interests as an adjustment in equity.

The above adjustments would be given effect in the first quarter of the year ending 31 March 2010.