

**SIFY TECHNOLOGIES LIMITED**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(In thousands of Rupees, except share, per 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 Unaudited Condensed Consolidated Interim Financial Statements as at and for the three months and six months ended September 30, 2011 comprise the Company and its subsidiaries (Sify Software Limited, Sify International Inc and Sify Technologies (Singapore) Pte Limited) (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in MF Global Sify Securities India Private Limited, an equity accounted investee. 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 Select market in the United States.

**2. Basis of preparation**

**a. Statement of compliance**

The Unaudited Condensed Consolidated Interim Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS), *IAS 34 Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended March 31, 2011.

These Unaudited Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on March 21, 2012.

**b. 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. US dollar is the functional currency of Sify's foreign subsidiary located in the US and Singapore.

The Unaudited Condensed Consolidated Interim 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: Solely for the convenience of the reader, the financial statements as of and for the three months and six months ended September 30, 2011 have been translated into United States dollars (neither the presentation currency nor the functional currency) based on the reference rate in the City of Mumbai on September 30, 2011, for cable transfers in Indian rupees as published by the Reserve Bank of India which was Rs.48.93 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 September 30, 2011 or at any other date.

**c. Use of estimates and judgements**

The preparation of these Unaudited Condensed Consolidated Interim 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 during the period. Accounting estimates could change from period to period. 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 and, if material, their effects are disclosed in the notes to the financial statements.

In preparing the Unaudited Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimating uncertainties were the same as that were applied to the consolidated financial statements as at and for the year ended March 31, 2011.

### 3. Significant accounting policies

The accounting policies applied by the group in these Unaudited Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended March 31 2011.

### 4. Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended September 30, 2011, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 Financial Instruments:** In November 2009, the International Accounting Standards Board issued IFRS 9, Financial Instruments: Recognition and Measurement, to reduce the complexity of the current rules on financial instruments as mandated in IAS 39. The effective date for IFRS 9 is annual periods beginning on or after January 1, 2013 with early adoption permitted. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. IFRS 9, was further amended in October 2010, and such amendment introduced requirements on accounting for financial liabilities. This amendment addresses the issue of volatility in the profit or loss due to changes in the fair value of an entity's own debt. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. The company is required to adopt IFRS 9 by accounting year commencing April 1, 2013. The company is currently evaluating the requirements of IFRS 9, and has not yet determined the impact on the consolidated financial statements.
- IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities:**

In May 2011, the International Accounting Standards Board issued IFRS 10, IFRS 11 and IFRS 12. The effective date for IFRS 10, IFRS 11 and IFRS 12 is annual periods beginning on or after January 1, 2013 with early adoption permitted.

IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation of Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. The standard provides additional guidance for determining of control in cases of ambiguity for instance in case of franchisor franchisee relationship, de facto agent, silos and potential voting rights.

IFRS 11 Joint Arrangements determines the nature of an arrangement by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities-Non-monetary Contributions by Venturers. IFRS 11 addresses only forms of joint arrangements (joint operations and joint ventures) where there is joint control whereas IAS 31 had identified three forms of joint ventures, namely jointly controlled operations, jointly controlled assets and jointly controlled entities. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities, which is the equity method.

IFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. One major requirement of IFRS 12 is that an entity needs to disclose the significant judgments and assumptions it has made in determining:

- whether it has control, joint control or significant influence over another entity; and
- the type of joint arrangement when the joint arrangement is structured through a separate vehicle.

IFRS 12 also expands the disclosure requirements for subsidiaries with non-controlling interest, joint arrangements and associates that are individually material. IFRS 12 introduces the term "structured entity" by replacing Special Purpose entities and requires enhanced disclosures by way of nature and extent of, and changes in, the risks associated with its interests in both its consolidated and unconsolidated structured entities.

The company is required to adopt IFRS 10, IFRS 11 and IFRS 12 effective April 1, 2013. The company is currently evaluating the requirements of IFRS 10, IFRS 11 and IFRS 12, and has not yet determined the impact on the consolidated financial statements.

- **IFRS 13 Fair Value Measurement:** In May 2011, the International Accounting Standards Board issued IFRS 13, Fair Value Measurement to provide specific guidance on fair value measurement and requires enhanced disclosures for all assets and liabilities measured at fair value, and not restricted to financial assets and liabilities. The standard introduces a precise definition of fair value and a consistent measure for fair valuation across assets and liabilities, with a few specified exceptions. The effective date for IFRS 13 is annual periods beginning on or after January 1, 2013 with early adoption permitted. The company is required to adopt IFRS 13 by accounting year commencing April 1, 2013 and is currently evaluating the requirements of IFRS 13, and has not yet determined the impact on the consolidated financial statements.
- **IAS 1 (Amended) Presentation of Financial Statements:** In June 2011, the International Accounting Standard Board published amendments to IAS 1 Presentation of Financial Statements. The amendments to IAS 1 Presentation of Financial Statements require companies preparing financial statements in accordance with IFRS to group items within other comprehensive income that may be reclassified to the profit or loss separately from those items which would not be recyclable in the profit or loss section of the income statement. It also requires the tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax).

The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. This amendment is applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted. The company is required to adopt IAS 1 (Amended) by accounting year commencing April 1, 2013. The company has evaluated the requirements of IAS 1 (Amended) and the company does not believe that the adoption of IAS 1 (Amended) will have a material effect on its consolidated financial statements.

- **IAS 19 (Amended) Employee Benefits:** In June 2011, International Accounting Standards Board issued IAS 19 (Amended), Employee Benefits. The effective date for adoption of IAS 19 (Amended) is annual periods beginning on or after January 1, 2013, though early adoption is permitted.

IAS 19 (Amended) has eliminated an option to defer the recognition of gains and losses through re-measurements and requires such gain or loss to be recognized through other comprehensive income in the year of occurrence to reduce volatility. The amended standard requires immediate recognition of effects of any plan amendments. Further it also requires assets in profit or loss to be restricted to government bond yields or corporate bond yields, considered for valuation of Projected Benefit Obligation, irrespective of actual portfolio allocations. The actual return from the portfolio in excess of or less than such yields is recognized through other comprehensive income.

These amendments enhance the disclosure requirements for defined benefit plans by requiring information about the characteristics of defined benefit plans and risks that entities are exposed to through participation in those plans.

The amendments need to be adopted retrospectively. The company is required to adopt IAS 19 (Amended) by accounting year commencing April 1, 2013. The company is currently evaluating the requirements of IAS 19 (Amended) and has not yet determined the impact on the consolidated financial statements.

## 5. Property, plant and equipment

The following table presents the changes in property, plant and equipment during the six months ended September 30, 2011

Particulars	Cost			Accumulated depreciation				Carrying amount as at September 30, 2011
	As at April 1, 2011	Additions	Disposals	As at September 30, 2011	As at April 1, 2011	Depreciation for the period	Deletions	As at September 30, 2011
Building	777,419	—	—	777,419	204,826	13,877	—	218,703
Plant and machinery	5,433,359	128,575	25,904	5,536,030	3,335,610	249,488	25,772	3,559,326
Computer equipment	563,776	27,493	361	590,908	478,705	16,209	343	494,571
Office equipment	234,125	104	25	234,204	129,932	10,655	25	140,562
Furniture and fittings	713,359	2,521	1,336	714,544	503,102	30,456	1,189	532,369
Vehicles	2,929	2,907	1,089	4,747	2,929	323	1,089	2,163
<b>Total</b>	<b>7,724,967</b>	<b>161,600</b>	<b>28,715</b>	<b>7,857,852</b>	<b>4,655,104</b>	<b>321,008</b>	<b>28,418</b>	<b>4,947,694</b>
Add: Construction -in- Progress								949,146
<b>Total</b>	<b>7,724,967</b>	<b>161,600</b>	<b>28,715</b>	<b>7,857,852</b>	<b>4,655,104</b>	<b>321,008</b>	<b>28,418</b>	<b>3,859,304</b>

The following table presents the changes in property, plant and equipment during the year ended March 31, 2011

Particulars	Cost			Accumulated depreciation				Carrying amount as at March 31, 2011
	As at April 01, 2010	Additions	Disposals	As at March 31, 2011	As at April 1, 2010	Depreciation for the year	Deletions	As at March 31, 2011
Building	777,419	—	—	777,419	177,072	27,754	—	204,826
Plant and machinery	5,302,696	199,591	68,928	5,433,359	2,929,688	474,168	68,246	3,335,610
Computer equipments	517,904	46,736	864	563,776	429,631	49,854	780	478,705
Office equipment	228,418	6,214	507	234,125	107,252	23,181	501	129,932
Furniture and fittings	706,148	15,731	8,520	713,359	445,437	64,442	6,777	503,102
Vehicles	6,191	—	3,262	2,929	6,191	—	3,262	2,929
<b>Total</b>	<b>7,538,776</b>	<b>268,272</b>	<b>82,081</b>	<b>7,724,967</b>	<b>4,095,271</b>	<b>639,399</b>	<b>79,566</b>	<b>4,655,104</b>
Add: Construction — in — Progress								690,610
<b>Total</b>	<b>7,538,776</b>	<b>268,272</b>	<b>82,081</b>	<b>7,724,967</b>	<b>4,095,271</b>	<b>639,399</b>	<b>79,566</b>	<b>3,760,473</b>

### Leased assets

The Group's leased assets include certain buildings and plant and machinery acquired under finance leases. As at September 30, 2011 the net carrying amount of buildings, vehicles and plant and machinery acquired under finance leases is Rs 239,767 (March 31, 2011: Rs.244,926), Rs.2,584 (March 31, 2011 : Nil) and Rs.223,689 (March 31, 2011: Rs. 217,625) respectively. During the period, the Group acquired leased assets of Rs.30,356 (March 31, 2011: Rs 38,111)

**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 for use are disclosed under construction-in-progress. As of September 30, 2011, Construction work in progress includes Rs.909,825 (March 31, 2011 : 682,825) paid towards acquisition of leasehold land together with the building being constructed thereon belonging to Pace Info Com Park Private Limited by way of acquisition of the entire shareholding of its holding company M/s Hermit Projects Private Limited. Also refer note 23.

**6. Intangible assets**

Intangible assets comprise the following:

	As at September 30, 2011	As at March 31, 2011
Goodwill	14,595	14,595
Other Intangibles	99,404	90,031
<b>Total</b>	<b>113,999</b>	<b>104,626</b>

In May 2006, the group acquired travel business for a consideration of USD 2.5 million (Rs. 112,220 thousands) in cash along with an option to purchase 125,000 shares of Sify Technologies Limited and certain earn out payments aggregating to USD 0.5 million (Rs. 22,444 thousands). The assets acquired consist of System software, customer contracts and goodwill. The said business operated from India and United States.

During the six months ended September 30, 2010, triggered by certain adverse market conditions such as decrease in revenue and increase in the cost of services, continued losses and other technological matters, which are confirmed by other subsequent events, the group tested the carrying value of the above business for impairment. The recoverable amount of these intangibles were determined based on the higher of the value in use (using discounted cash flow approach) and fair value less cost to sell. As a result of the above review, the group has recorded an impairment of the above intangibles amounting to Rs 1,857 and adjusted the carrying value of these intangibles accordingly. The above impairment relates to Commercial and Consumer Services segment.

The following table presents the changes in goodwill during the six months ended September 30, 2011 and the year ended March 31, 2011

**(i) Goodwill**

<u>Particulars</u>	As at September 30, 2011	As at March 31, 2011
Balance at the beginning of the period / year	14,595	14,595
Less: Impairment loss	—	—
<b>Net carrying amount of goodwill</b>	<b>14,595</b>	<b>14,595</b>

The amount of goodwill as at September 30, 2011 and March 31, 2011 has been allocated to Commercial and Consumer Services Segment.

**(ii) Other Intangibles**

The following table presents the changes in other intangible assets for the six months ended September 30, 2011 and year ended March 31, 2011.

	<u>Technical know-how</u>	<u>Customer related intangibles</u>	<u>Software</u>	<u>License fees</u>	<u>Total</u>
<b>(A) Cost</b>					
<b>Balance as at April 1, 2011</b>	<b>82,753</b>	<b>200,570</b>	<b>394,080</b>	<b>50,000</b>	<b>727,403</b>
Other acquisitions	—	—	30,819	—	30,819
Deletions	—	—	—	—	—
<b>Balance as at September 30, 2011</b>	<b>82,753</b>	<b>200,570</b>	<b>424,899</b>	<b>50,000</b>	<b>758,222</b>
<b>(B) Amortization</b>					
<b>Balance as at April 1, 2011</b>	<b>82,753</b>	<b>200,570</b>	<b>343,143</b>	<b>10,906</b>	<b>637,372</b>
Amortization for the period	—	—	20,196	1,250	21,446
Impairment loss on intangibles	—	—	—	—	—
Deletions	—	—	—	—	—
<b>Balance as at September 30, 2011</b>	<b>82,753</b>	<b>200,570</b>	<b>363,339</b>	<b>12,156</b>	<b>658,818</b>
<b>(C) Carrying amount as at September 30, 2011</b>	<b>—</b>	<b>—</b>	<b>61,560</b>	<b>37,844</b>	<b>99,404</b>
<b>(A) Cost</b>					
<b>Balance as at April 1, 2010</b>	<b>82,753</b>	<b>200,570</b>	<b>370,683</b>	<b>50,000</b>	<b>704,006</b>
Other acquisitions	—	—	23,397	—	23,397
Deletions	—	—	—	—	—
<b>Balance as at March 31, 2011</b>	<b>82,753</b>	<b>200,570</b>	<b>394,080</b>	<b>50,000</b>	<b>727,403</b>
<b>(B) Amortization</b>					
<b>Balance as at April 1, 2010</b>	<b>82,753</b>	<b>198,139</b>	<b>299,779</b>	<b>8,406</b>	<b>589,077</b>
Amortization for the period	—	837	43,101	2,500	46,438
Impairment loss on intangibles	—	1,594	263	—	1,857
Deletions	—	—	—	—	—
<b>Balance as at March 31, 2011</b>	<b>82,753</b>	<b>200,570</b>	<b>343,143</b>	<b>10,906</b>	<b>637,372</b>
<b>(C) Carrying amount as at March 31, 2011</b>	<b>—</b>	<b>—</b>	<b>50,937</b>	<b>39,094</b>	<b>90,031</b>

During the six months ended September 30, 2010, the Group has impaired intangible assets relating to its travel business to the extent of Rs.1,857. The above impairment loss related to Commercial and Consumer Services segment.

## 7. Investments in associates

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 India Private Limited, formerly Man Financial-Sify Securities India Private Limited ('MF Global') from Refco Group Inc., USA ('Refco'). As at September 30, 2011 and March 31, 2011, 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 Holdings Limited, Bermuda.

A summary of key unaudited financial information of MF Global and its subsidiaries which is not adjusted for the percentage ownership held by the Group is presented below:

	As at September 30, 2011	As at March 31, 2011
<b>Balance sheet</b>		
Total assets	5,039,711	4,546,919
Total liabilities	2,564,781	2,193,943
Shareholders' equity	<u>2,474,930</u>	<u>2,352,976</u>
Total liabilities and shareholders' equity	<u>5,039,711</u>	<u>4,546,919</u>

	Three months ended		Half year ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Statement of Operations</b>				
Revenues	402,264	488,076	777,093	919,191
Net Profit	62,548	76,367	114,717	128,938

During October 2010, Sify Technologies Ltd, the minority shareholder of MF Global holding 29.85 percent of the outstanding shares, requested MF Global's Board of Directors to reconsider certain costs charged to the MF Global by MF Global Holdings Ltd and its affiliated and associated group companies, who hold 70.15 percent of the outstanding shares of the MF Global. These charges are currently recorded in the financial statements of the MF Global for year ended March 31, 2008 aggregating to INR 43,478,911 and March 31, 2009 aggregating to INR 15,374,528. The resolution of this matter between the shareholders of MF Global remains uncertain and any financial adjustment that may arise is not presently known and accordingly no adjustment related to this matter has been provided for in MF Global's consolidated financial statements. Any financial adjustment that may arise on resolution of the said matter would be expected to be handled prospectively and therefore would be reported in the period in which it is resolved. Consequently, no adjustment related to the said matter was considered by Sify for equity method of accounting for MF Global. The effect of such recorded cross charge is not material to the financial statements of Sify Technologies Limited. Also refer to note 23 elsewhere in the Report.

## 8. Cash and cash equivalents

Cash and cash equivalents as at September 30, 2011 amounted to Rs.458,437 (Rs.458,559 as at March 31, 2011). This excludes cash-restricted of Rs.89,448 as at September 30, 2011 (Rs.84,538 as at March 31, 2011) representing deposits held under lien against working capital facilities availed and bank guarantees given by the Group towards future performance obligations.

**(a) Restricted cash**

	As at September 30, 2011	As at March 31, 2011	As at September 30, 2010	As at March 31, 2010
<i>Non-current</i>				
Against future performance obligation	—	—	—	—
<i>Current</i>				
Bank deposits held under lien against borrowings from banks	89,448	84,538	440,941	360,909
<b>Total restricted cash</b>	<b>89,448</b>	<b>84,538</b>	<b>440,941</b>	<b>360,909</b>
<b>(b) Non restricted cash</b>				
<i>Current</i>				
Cash and bank balances	458,437	458,559	303,318	517,789
<b>Total cash (a+b)</b>	<b>547,886</b>	<b>543,097</b>	<b>744,259</b>	<b>878,698</b>
Bank overdraft used for cash management purposes	(220,738)	(678,901)	(1,139,667)	(1,060,284)
<b>Cash and cash equivalents for the statement of cash flows</b>	<b>(327,147)</b>	<b>(135,804)</b>	<b>(395,408)</b>	<b>(181,586)</b>

**9. Lease prepayments**

	As at September 30, 2011	As at March 31, 2011
Towards buildings	60,530	63,068
	<b>60,530</b>	<b>63,068</b>

Prepayments made towards buildings accounted for as operating leases are amortised over the lease term on a straight line basis.

**10. Trade and other receivables**

Trade and other receivables comprise:

	As at September 30, 2011	As at March 31, 2011
(i) Trade receivables, net	2,326,899	1,839,966
(ii) Other receivables including deposits	1,083,304	1,251,690
(iii) Construction Contract in Progress	305,249	94,257
	<b>3,715,452</b>	<b>3,185,913</b>

Trade receivable as at September 30, 2011 and March 31, 2011 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 collateralised except to the extent of refundable deposits received from cybercafé franchisees and from cable television operators. Trade receivables consist of:

	As at September 30, 2011	As at March 31, 2011
Trade receivables from related parties	—	—
Due from customers	2,554,859	2,055,974
	<b>2,554,859</b>	<b>2,055,974</b>
Less: Allowance for doubtful receivables	(227,960)	(216,008)
<b>Balance at the end of the period</b>	<b>2,326,899</b>	<b>1,839,966</b>



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

	Half year ended September 30, 2011	As at March 31, 2011
Balance at the beginning of the period	216,008	170,706
Add : Additional provision	32,201	161,922
Less : Bad debts written off	(20,249)	(116,620)
<b>Balance at the end of the period</b>	<b>227,960</b>	<b>216,008</b>

#### 11. Employee benefits

	As at September 30, 2011	As at March 31, 2011
Gratuity payable	19,783	19,116
Compensated absences	29,336	28,672
	<b>49,119</b>	<b>47,788</b>

#### Gratuity cost

The components of gratuity cost recognized in the income statement for the three months and six months ended September 30, 2011 and 2010 consists of the following:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Half year ended September 30, 2011	Half year ended September 30, 2010
Service cost	3,973	3,906	7,946	6,243
Interest cost	1,141	1,543	2,319	2,515
Expected returns on plan assets	(758)	(864)	(1,553)	(1,540)
Past service cost	—	1,047	—	7,789
<b>Net gratuity costs recognized in statement of income</b>	<b>4,356</b>	<b>5,632</b>	<b>8,712</b>	<b>15,007</b>

Details of employee benefit obligations and plan assets are as follows:

	September 30, 2011	March 31, 2011
Present value of projected benefit obligation at the end of the period / year	58,555	59,571
Funded status of the plans	(38,772)	(40,455)
<b>Liability recognized in the statement of financial position</b>	<b>19,783</b>	<b>19,116</b>

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

	September 30, 2011	March 31, 2011
<b>Change in projected benefit obligation</b>		
Projected benefit obligation at the beginning of the period / year	59,571	51,046
Service cost	7,946	22,275
Interest cost	2,319	3,786
Actuarial (gain)/ loss	(8,045)	(8,358)
Benefits paid	(3,236)	(9,178)
<b>Projected benefit obligation at the end of the period / year</b>	<b>58,555</b>	<b>59,571</b>

	September 30, 2011	March 31, 2011
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of the period / year	40,455	34,293
Expected return on plan assets	1,553	2,875
Employer contributions	—	12,465
Benefits paid	(3,236)	(9,178)
<b>Fair value of plan assets at the end of the period / year</b>	<b>38,772</b>	<b>40,455</b>

**Actuarial Assumptions at reporting date:**

	As at September 30, 2011	As at March 31, 2011
Discount rate	8.30% p.a	8.00% p.a
Long-term rate of compensation increase	8.00% p.a	8.00% p.a
Rate of return on plan assets	8.00% p.a	8.00% p.a

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

**Actuarial gains and losses recognised in other comprehensive income**

The amount of actuarial gains and losses recognized directly in other comprehensive income for the six months ended September 30, 2011 and 2010 are as follows:

	Half year ended September 30, 2011	Half year ended September 30, 2010
Actuarial gain / (loss)	8,045	2,821
	<b>8,045</b>	<b>2,821</b>

**12. Borrowings**

	September 30, 2011	March 31, 2011
<i>Current</i>		
Term loans from banks (Refer note 1 below)	220,966	216,000
Other working capital facilities from banks (Refer note 2 below)	650,103	679,542
Loan from other financial institutions (Refer note 3 below)	165,717	140,260
	<b>1,036,786</b>	<b>1,035,802</b>
<i>Non current</i>		
Term loans from banks	—	113,880
Loan from other financial institutions (Refer note 3 below)	184,653	148,728
	<b>184,653</b>	<b>262,608</b>

**Notes**

1. Term loans from banks are secured by moveable fixed assets of the Group. These loans bear interest ranging from 14.50% to 16.50% p.a.
2. Other working capital facilities are secured by pari-passu charge on current assets of the Company and moveable assets of the company, both present and future. Foreign currency demand loan bears an interest of 650 bps over one year USD Libor. Other working capital borrowings bear interest ranging from 13.50% to 15.50% p.a. Such facilities are renewable every year.
3. Loan from other financial institutions includes loan are secured against specific fixed assets.

**13. Revenue**

	Quarter ended		Half year ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Rendering of services</b>				
Service revenue	1,419,432	1,367,938	2,784,926	2,601,237
Initial franchisee fees	1,644	3,615	4,326	5,146
Installation service revenue	310,151	173,260	591,050	402,845
	<b>1,731,227</b>	<b>1,544,813</b>	<b>3,380,302</b>	<b>3,009,228</b>
Sale of products	84,203	171,919	435,329	435,330
<b>Total</b>	<b>1,815,430</b>	<b>1,716,732</b>	<b>4,074,471</b>	<b>3,444,558</b>

**14. 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 amortization 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 margin.

**15. Personnel expenses**

	Quarter ended		Half year ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Salaries and wages	334,928	295,819	648,886	600,343
Contribution to provident fund and other funds	14,789	16,922	28,940	41,598
Staff welfare expenses	3,415	3,223	7,885	7,810
Employee Stock compensation expense	1,484	4,483	2,703	7,020
	<b>354,616</b>	<b>320,447</b>	<b>688,414</b>	<b>656,771</b>
Attributable to Cost of goods sold and services rendered	227,888	221,041	451,174	424,475
Attributable to selling, general and administrative expenses	126,728	99,406	237,240	232,296

**16. Net finance income and expense**

	Quarter ended		Half year ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Interest income on bank deposits	4,100	12,610	5,795	17,791
Others	888	1,468	1,732	2,836
<b>Finance income</b>	<b>4,988</b>	<b>14,078</b>	<b>7,527</b>	<b>20,627</b>
Interest expense on financial liabilities leases	6,828	5,229	12,455	9,269
Bank charges	37,047	25,080	73,506	48,820
Other interest	33,486	42,117	59,865	83,059
<b>Finance expense</b>	<b>77,361</b>	<b>72,426</b>	<b>145,826</b>	<b>141,148</b>
<b>Net finance income / (expense) recognised in profit or loss</b>	<b>(72,373)</b>	<b>(58,348)</b>	<b>(138,299)</b>	<b>(120,521)</b>

**17. Loss per share**

The calculation of basic loss per share for the quarter and half year ended September 30, 2011 and 2010 is based on the loss attributable to ordinary shareholders.

	Quarter ended		Half year ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net profit / (loss) – as reported	(88,410)	(134,411)	(198,636)	(315,768)
Weighted average number of shares – Basic and diluted *	95,906,307	53,351,498	90,302,450	53,351,498
Basic earnings /(loss) per share	(0.92)	(2.52)	(2.20)	(5.92)

\* Ordinary shares arising out of potential exercise of outstanding stock options as at September 30, 2011 and 2010 were not included in the computation of diluted earnings per share, as their effect was anti-dilutive.

Note 1: During the year ended March 31, 2011, 125,000,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of September 30, 2011, these shares were partly paid up to the extent of Rs 5.00 per share.

**18. Segment reporting**

There has been change in the composition of reportable segments for the six months ended September 30, 2011 as compared to the year ended March 31, 2011.

Effective April 1, 2011, the primary operating segments of the Group are as below:

*Enterprise Service:* This segment includes Network Services and IT services. Connectivity and voice services will be offered as Network Services, while Data Center Hosting and Managed Services, along with System Integration, will comprise IT services. This segment would service both domestic and International clients from large corporate and mid-market customers.

*Commercial and Consumer Service:* The scope of the Consumer business is being expanded to include SOHOs and SMBs apart from the cybercafés, Portals and broadband-to-home services, offering network, IT services and applications through the Cloud.

*Software Service:* The application services and e-learning would form Software services. This business line will offer applications through the Cloud, primarily targeted at enterprise and international customers.

#### *Enterprise Services*

Enterprise services revenue primarily includes Network services and IT services. Network Services include revenues from connectivity services such as recurring revenues, installation of the connectivity link, and, to a lesser extent, revenue from sale of hardware and software purchased from third party vendors and Voice services viz., NLD (National Long Distance) and ILD (International Long Distance) services carrying voice traffic for carriers. Connectivity services include IP VPN services, Internet connectivity, and last mile connectivity (predominantly through wireless). IT Services includes web hosting revenues, primarily generated from co-location services and Managed services including infrastructure management services offered in overseas markets and System Integration services, security and consulting services. Sify, part of international offering, offers Network management services, Data center services, Security and information assurance services. Sify remotely manages the Information Technology infrastructure of global enterprises from India.

#### *Commercial and consumer – Retail Internet access services and Online Portal and content offerings*

Internet access service revenues are generated from providing internet connectivity to our retail customers through public access and home access services which are primarily provided through broadband connectivity in arrangement with Cable Television Operators (CTOs). Our public access services with host of value added services are provided through franchised and Company-owned cybercafés, or “e-ports”. Additionally, we generate revenue by providing Internet Telephony services, allowing customers to make international telephone calls over the Internet. We also offer the premium broadband connection, branded Platinum to the SOHO market segment including domain names, e mail Ids, static IP

Online portal services and content offerings revenues include advertising revenues from the various channels of our Internet portal, www.sify.com. We enter into contracts with customers to serve advertisements in the portal, and we are paid on the basis of impressions, click-through or leads.

#### *Software services*

Our software services offer Application management services and e Learning services. As part of Application management services we offer online assessment, Document management services, web development and mailing solutions. E-learning services consist of structuring of contents, developing modules, delivery and training users in the modules developed. As these activities represent development of customised services, revenue is recognised based on percentage of completion method.

#### **Quarter ended September 30, 2011**

	<b>Enterprise Services</b>	<b>Commercial and Consumer Services</b>	<b>Software Services</b>	<b>Total</b>
Segment revenue	1,544,353	95,246	175,831	1,815,430
Allocated segment expenses	(1,232,057)	(57,338)	(153,192)	(1,442,587)
<b>Segment operating income / (loss)</b>	<b>312,296</b>	<b>37,908</b>	<b>22,639</b>	<b>372,843</b>
<i>Unallocated expenses</i>				
Selling, general and administrative expenses				(235,822)
Depreciation and amortization				(171,945)
Other income / (expense), net				216
Finance income				4,988
Finance expenses				(77,361)
Share of profit of equity accounted investee				18,671
<b>Profit or (Loss) before Tax</b>				<b>(88,410)</b>
Income tax(expense)/benefit				—
<b>Profit/(loss) for the quarter</b>				<b>(88,410)</b>

**Quarter ended September 30, 2010**

	<b>Enterprise Services</b>	<b>Commercial and Consumer Services</b>	<b>Software Services</b>	<b>Total</b>
Segment revenue	1,436,144	136,090	144,498	1,716,732
Allocated segment expenses	(1,145,423)	(180,972)	(120,385)	(1,446,780)
<b>Segment operating income / (loss)</b>	<b>290,721</b>	<b>(44,882)</b>	<b>24,113</b>	<b>269,952</b>
<i>Unallocated expenses</i>				
Selling, general and administrative expenses				(215,822)
Depreciation and amortization				(173,353)
Other income / (expense), net				20,364
Finance income				14,078
Finance expenses				(72,426)
Share of profit of equity accounted investee				22,796
<b>Profit or (Loss) before Tax</b>				<b>(134,411)</b>
Income tax(expense)/benefit				
<b>Profit/(loss) for the quarter</b>				<b>(134,411)</b>

**Six months ended September 30, 2011**

	<b>Enterprise Services</b>	<b>Commercial and Consumer Services</b>	<b>Software Services</b>	<b>Total</b>
Segment revenue	3,547,337	195,465	331,669	4,074,471
Allocated segment expenses	(2,956,093)	(120,812)	(296,185)	(3,373,090)
<b>Segment operating income / (loss)</b>	<b>591,244</b>	<b>74,653</b>	<b>35,484</b>	<b>701,381</b>
<i>Unallocated expenses</i>				
Selling, general and administrative expenses				(455,147)
Depreciation and amortization				(342,454)
Other income / (expense), net				1,640
Finance income				7,527
Finance expenses				(145,826)
Share of profit of equity accounted investee				34,243
<b>Profit or (Loss) before Tax</b>				<b>(198,636)</b>
Income tax(expense)/benefit				—
<b>Profit/(loss) for the quarter</b>				<b>(198,636)</b>

**Six months ended September 30, 2010**

	<b>Enterprise Services</b>	<b>Commercial and Consumer Services</b>	<b>Software Services</b>	<b>Total</b>
Segment revenue	2,878,201	280,029	286,328	3,444,558
Allocated segment expenses	(2,307,866)	(369,593)	(249,036)	(2,926,495)
<b>Segment operating income / (loss)</b>	<b>570,335</b>	<b>(89,564)</b>	<b>37,292</b>	<b>518,063</b>
<i>Unallocated expenses</i>				
Selling, general and administrative expenses				(441,396)
Depreciation and amortization				(347,745)
Impairment loss on Intangibles including goodwill				(1,857)
Other income / (expense), net				39,200
Finance income				20,627
Finance expenses				(141,148)
Share of profit of equity accounted investee				38,488
<b>Profit or (Loss) before Tax</b>				<b>(315,768)</b>
Income tax(expense)/benefit				—
<b>Profit/(loss) for the six months period</b>				<b>(315,768)</b>

As the revenue with a single external customer during the six months ended September 30, 2011 and 2010 did not exceed 10% of the Company's revenue for the respective periods, the disclosure regarding the revenue from major customers and identity and segment generating such revenue is not provided.

**19. Capital Commitments**

Contracts pending to be executed on capital account as at September 30, 2011 and not provided for amounted to Rs.311,878 (net of advances Rs.948,837), [March 31, 2011 Rs.521,562 (net of advances Rs.691,338)]. In addition, the Company has a commitment to make payments aggregating to USD 10 million to Emirates Integrated Telecommunications Company PJSC under the agreement for supply of capacity from the Europe India Gateway, of which the Company has already made payments amounting to Rs.410,609 (USD 8.80 million) as at September 30, 2011.

*Operating leases:* The Group leases 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. The schedule of future minimum rental payments in respect of operating leases is set out below:

<b>Non-cancellable operating lease obligations</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
As at September 30, 2011	1,833,032	108,701	471,706	1,252,625
As at March 31, 2011	1,884,543	105,693	588,973	1,189,877

**20. Legal proceedings**

(a) 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.

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 Sify's insurers. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On October 6, 2009, the District Court issued an order granting final approval of the settlement. Subsequent to the final approval of Settlement agreement by the District court, there were several notices of appeal filed. Most were filed by the same parties that objected to the settlement in front of the District Court. These appeals were consolidated into a single appeal and briefing schedule was held. On January 9, 2012 the class counsel and objectors counsel entered into a settlement agreement, which agreement includes an agreement to dismiss the above appeal. Thus the above Appeal has been dismissed with prejudice confirming the Settlement agreement entered before the District Court.

The Company believes, the maximum exposure under this settlement is approximately USD 338,983, an amount which its insurer will pay as per the Settlement agreement on behalf of the Company.

(b) Proceedings before Department of Telecommunications

(i) License fees

- On October 12, 2009 (as later clarified by the DoT), the Department of Telecommunications ('DOT') raised a demand on Sify Technologies for INR 14 million after correcting the arithmetical error in the Assessment letter.
- On February 26, 2010 DOT raised a demand on Sify Communications (erstwhile subsidiary merged with Sify Technologies Limited) for INR 26 million.

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

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

(ii) In November 2009, the Company received a demand notice pertaining to the allocation of spectrum in the 3.3-3.4 GHz frequency, from DoT, demanding INR 345 million (US \$ 7.05 million) towards spectrum charges payable from the date of issue of allocation letter for 170 Base Stations. As per the notice, in case no payment is received within 15 days from the date of issue of the notice, then it would be presumed that the Company is no longer interested for the frequency assignments in 3.3-3.4 GHz band.

Whilst the Company received allotment letter for Spectrum in *3.3 GHz band* (3303.5/3353.5 MHz) (Total 12 MHz) the Company had neither started any operations in this frequency band nor had applied for any Operating License from DOT/ Wireless Planning Commission (WPC). Sify believes that the obligation to make payment will arise only after obtaining the operating license from DOT/WPC. Sify also believes that it has adequate legal defences for these demands, as the Company has not yet obtained any operative license, hence such demand is not tenable. Nevertheless, the Company has as a commitment to hold and use the spectrum in the above band has paid INR 11.56 million towards 40 Base Stations and has surrendered the remaining 130 Base Stations. The Company believes that the ultimate outcome of these actions will not have a material adverse effect.

c) The Group is party to additional legal actions arising in the ordinary course of business. Based on the available information, as at September 30, 2011, Group believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgement in all these cases, the maximum financial exposure would be Rs 12,668 (March 31, 2011: Rs 9,051)



## 21. Related party transactions

The following is a summary of significant transactions with related parties during the six months ended September 30, 2011:

<u>Transactions</u>	<u>Six months ended September 30, 2011</u>	<u>Six months ended September 30, 2010</u>
Consultancy services received	120	120
Share capital and share premium money received from promoter group	100,000	—
Lease deposit paid (Refer note below)	2,558	2,558
Lease rentals paid (Refer note below)	1,536	1,024
<b>Amount of outstanding balances</b>		
Advance lease rentals and refundable deposits made (Refer note below)	2,558	285,383

### Note

- The Company has entered into a lease agreement with Ms Radhika Vegesna, Daughter of Mr Anand Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of Rs.256 per month and payment of refundable security deposit of Rs.2,558. This arrangement will be automatically renewed for a further period of two blocks of three years with all the terms remaining unchanged.

## 22. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as of and for the year ended March 31, 2011.

**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 contractual obligations 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 influenced mainly by the individual characteristics of each customer. Management considers that 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 terms 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, and also to investments made in mutual funds.

### *Guarantees*

The Group's policy is to provide financial guarantees only to subsidiaries and Companies within the Group.

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.

**Liquidity risk** : Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 when due, under normal and stressed conditions, 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 infusing further capital from its promoter group for funding its requirements.

**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 to 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.

## 23. Subsequent events

### a) **Insolvency petition filed by MF Global Overseas Limited, holding company of MF Global Sify Securities India Private Limited (Associate)**

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

As at September 30, 2011, the Company holds 29.85% in the Joint Venture Company and the remaining 70.15% was held by MFG. On October 31, 2011, M F Global Holding Limited, USA, sought bankruptcy protection through a chapter 11 filing in the U.S. Bankruptcy Court in New York. Consequent to this, MFG also filed for bankruptcy proceedings in the United Kingdom and 3 individual administrators from KPMG were appointed as Joint administrators for MFG which holds the shares in the Joint Venture Company.

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

Hence, the Company has filed a petition under section 9 of the Arbitration and Conciliation Act 1996 in Bombay High Court, seeking for an interim relief restraining the Joint Administrators and MFG from proceeding with the proposed auction in respect of the sale of shares held by MFG in the Joint Venture Company in violation of share holders agreement dated November 25, 2005. The above petition came up for hearing on December 16, 2011 and has been adjourned to January 2012 for further proceedings. In parallel, the Company without prejudice to its legal rights is in discussion with the Joint Administrators of MFG for an early amicable settlement in this regard.

The company continues to evaluate various options available to ensure its interests in the associate is fully protected and are taking adequate legal support in India and US. MF Global is solvent and the Company believes that there is no material impact on the carrying value of the above investment in the consolidated financial statements of the Company.

Also refer note 7 to the consolidated financial statement for the quarter and six months ended September 30, 2011 elsewhere in this report.

**b) Acquisition of shares of Hermit Projects private Limited**

During the year ended March 31, 2009, Sify entered into an agreement for Sub Lease with VALS Developers Private Limited (“VALS”), who has entered into a Memorandum of Understanding (MoU) with the original owner of the property, to take on lease on long term basis the proposed building which was in the process of being constructed. The lease agreement, when final and executed, was expected to have an initial non-cancellable term of 5 years, with a further option for Sify to renew or cancel the lease for the incremental five year terms. In terms of this Agreement for Sub Lease, Sify has paid a security deposit of Rs.125,700 and advance rental of Rs.157,125 to VALS. As per the terms of the Sub Lease, 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.

On October 30, 2010, with the consent of VALS, the Board of Directors of the Company has approved the cancellation of the Agreement for Sub lease and has decided to acquire the building along with land directly through acquisition of Pace Info Com Park Private Limited (“PACE”), an unrelated third party, which is the owner of the land and building for total consideration of Rs.1,140,000. The above deposits would be adjusted against the consideration payable for acquiring the shares of PACE. To give effect to the above, the company has entered into an amendment Agreement with all concerned parties and VALS has assigned its rights and obligations to the company and the company paid Rs.400,000 as part consideration for the above purchase. On May 24, 2011 and on June 9, 2011, the company has paid a further sum of Rs.50,000 each as part consideration for the above purchase. On September 28, 2011, the company has paid a further sum of Rs.127,000 as per terms of MoU. As on date, the Company has paid an aggregate amount of Rs.909,800 towards the consideration. Also refer note 5 to the consolidated financial statement for the quarter and six months ended September 30, 2011.

Subsequently on November 28, 2011, the company acquired controlling interest by acquiring the entire shares of PACE through acquisition of shares of Hermit Projects Private Limited, its holding Company.

**24. Group entities**

The following are the entities that comprise the group as of September 30, 2011 and March 31, 2011

Particulars	Country of incorporation	% of Ownership interest	
		September 30, 2011	March 31, 2011
<b>Significant subsidiaries</b>			
Sify International Inc	US	100	100
Sify Software Limited (formerly known as Sify Networks Private Limited)	India	100	100
Sify Technologies Singapore Pte. Ltd	Singapore	100	100
<b>Associates</b>			
MF Global-Sify Securities India Private Limited	India	29.85	29.85