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, 2013 comprise the Company and its subsidiaries (Sify Software Limited, Sify Technologies (Singapore) Pte Limited, Hermit Projects Private Limited and Pace Infocom Park Private Limited) (together referred to as the 'Group' and individually as 'Group entities'). The Group is primarily involved in providing services, such as Telecom services, Data Center Hosting Services, Cloud and Managed services, Application services and Technology Integration 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, 2013.

These Unaudited Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on December 30, 2013.

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, 2013 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, 2013, for cable transfers in Indian rupees as published by the Reserve Bank of India which was Rs.62.77 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, 2013 or at any other date.

c. Use of estimates

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, 2013.

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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 2013 except the changes specified below on account of adoption of new accounting standards.

a. Basis of consolidation

The financial statements of the Group companies are consolidated on a line-by-line basis. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. These financial statements are prepared by applying uniform accounting policies in use at the Group.

Introduction of IFRS 10, the Group has changed its accounting policy with respect to the basis for determining control. Control exists when the parent has power over the entity, is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

Previously, control existed when the Group had the power 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 were currently exercisable were also taken into account.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion at April 1, 2013 and has concluded that there is no change to the scope of the entities to be consolidated as a result of the adoption of IFRS 10.

b. Change in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with effect from April 1, 2013.

1. Amendments to IAS 1- Presentation of Items of Other Comprehensive Income (Refer statement of comprehensive income).

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statements of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

2. IFRS 10 Consolidated Financial Statements (2011) (Refer 3.a)
3. IAS 19 Employee Benefits (2011) (Revised IAS 19)*
4. IFRS 11 Joint Arrangements*
5. IFRS 12 Disclosure of Interests in Other Entities*
6. IFRS 13 Fair Value Measurement*
7. Amendments to IAS 32- Financial Instruments: Income taxes arising from distribution to equity holders*
8. Amendments to IAS 34- Interim Financial Reporting: Segment information for total assets and liabilities*
9. Amendments to IFRS 7 Financial Instruments: Disclosures*

** The adoption of these standards does not have any impact on the unaudited condensed consolidated interim financial statements of the group. IFRS 13 would have impact on disclosures in the annual financial statements*

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c. Recent accounting pronouncements

(i) **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, 2015 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 standard is further amended in November 2013 to introduce new hedge accounting model with a choice to continue with hedge accounting under IAS 39. This amendment has removed the earlier mandatory effective date of 1 st January 2015, though earlier application of standard is permitted. The effective date will be notified when the impairment provisions and limited revisions to measurement and recognition principles are finalised. The company would not be adopting the standard until the mandatory effective date is notified and any impact on consolidated financial statements would be assessed at such date in the future.

(ii) Amendment to IAS 32 Offsetting of Financial Assets and Financial Liabilities: In December 2011, the International Accounting Standards Board issued amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities. The amendments clarify that an entity has a legally enforceable right to set-off if that right is not contingent on future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments also clarified that gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The company is required to adopt the amendment by accounting year commencing April 1,2014 and currently evaluating impact on the consolidated financial statements.

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4. Property, plant and equipment

The following table presents the changes in property, plant and equipment during the six months ended September 30, 2013

	Cost				Accumulated depreciation				Carrying
Particulars	As at April 01, 2013	Additions	Disposals	As at September 30, 2013	As at April 1, 2013	Depreciation for the year	Deletions	As at September 30, 2013	amount as at September 30, 2013
Building	777,419	1,259,000	-	2,036,419	260,421	36,350	-	296,771	1,739,648
Plant and machinery	6,113,788	391,072	219,817	6,285,043	4,379,345	397,990	236,617	4,540,718	1,744,325
Computer equipments	689,245	31,751	16,880	704,116	561,267	3,788	-	565,055	139,061
Office equipment	240,449	6,022	2,630	243,841	171,180	9,579	2,630	178,129	65,712
Furniture and fittings	745,058	399	49,084	696,373	622,930	25,124	49,084	598,970	97,403
Vehicles	2,456	-	-	2,456	1,326	484	-	1,810	646
Total	**8,568,415**	**1,688,244**	**288,411**	**9,968,248**	**5,996,469**	**473,315**	**288,331**	**6,181,453**	**3,786,795**
Add: Construction in progress									1,728,868
Total	**8,568,415**	**1,688,244**	**288,411**	**9,968,248**	**5,996,469**	**473,315**	**288,331**	**6,181,453**	**5,515,663**

The following table presents the changes in property, plant and equipment during the year ended March 31, 2013

	Cost				Accumulated depreciation				Carrying
Particulars	As at April 01, 2012	Additions	Disposals	As at March 31, 2013	As at April 1, 2012	Depreciation for the year	Deletions	As at March 31, 2013	amount as at March 31, 2013
Building	777,419	-	-	777,419	232,667	27,754	-	260,421	516,998
Plant and machinery	5,731,924	415,512	33,648	6,113,788	3,788,648	608,832	18,135	4,379,345	1,734,443
Computer equipments	629,605	59,926	286	689,245	510,001	51,552	286	561,267	127,978
Office equipment	237,347	3,297	195	240,449	150,983	20,387	190	171,180	69,269
Furniture and fittings	739,994	5,209	145	745,058	563,931	59,126	127	622,930	122,128
Vehicles	4,747	-	2,291	2,456	2,647	970	2,291	1,326	1,130
Total	**8,121,036**	**483,944**	**36,565**	**8,568,415**	**5,248,877**	**768,621**	**21,029**	**5,996,469**	**2,571,946**
Add: Construction in progress									2,497,732
Total	**8,121,036**	**483,944**	**36,565**	**8,568,415**	**5,248,877**	**768,621**	**21,029**	**5,996,469**	**5,069,678**

As of September 30, 2013, Buildings included an amount of Rs.840,000 (March 31, 2013 : Rs. NIL) paid towards acquisition of building on a leasehold land 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. As of March 31, 2013, the amount of Rs.808,785 was included under Construction work in progress.

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Leased assets
The Group's leased assets include certain buildings, plant and machinery acquired under finance leases. As at September 30, 2013 the net carrying amount of buildings, plant and machinery and vehicles acquired under finance leases is Rs.219,131 (March 31, 2013: Rs. 224,291), Rs.311,961 (March 31, 2013: Rs. 233,193) and Rs.646 (March 31, 2013 : 1,130) respectively. During the six months ended September 30, 2013, the Group acquired leased assets of Rs. 292,371 (March 31, 2012 : Rs 404,307).

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.

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..

5. Intangible assets
Intangible assets comprise the following:

	September 30, 2013	March 31, 2013
Goodwill	14,595	14,595
Other intangible assets	556,348	586,027
	570,943	**600,622**

(i) Goodwill
The following table presents the changes in goodwill during the period ended

	September 30, 2013	March 31, 2013
Balance at the beginning of the period	14,595	14,595
Effect of movement in exchange rates	-	-
Impairment loss recognized during the period	-	-
Net carrying amount of goodwill	**14,595**	**14,595**

(ii) Other intangibles
The following table presents the changes in intangible assets during the six months ended September 30, 2013 and year ended March 31, 2013.

	Technical know-how	Bandwidth Capacity	Customer related intangibles	Software	License fees	Total
(A) Cost						
Balance as at April 1, 2012	**82,753**	**-**	**200,570**	**438,683**	**50,000**	**772,006**
Acquisitions during the year	-	553,302	-	21,182	-	574,484
Disposals during the year	-	-	-	-	-	-
Balance as at March 31, 2013	**82,753**	**553,302**	**200,570**	**459,865**	**50,000**	**1,346,490**
Acquisitions during the year	-	-	-	8,840	-	8,840
Disposals during the year	-	-	-	(19,157)	-	(19,157)
Balance as at September 30, 2013	**82,753**	**553,302**	**200,570**	**449,548**	**50,000**	**1,336,173**
(B) Amortization						
Balance as at April 1,2012	**82,753**	**-**	**200,570**	**384,145**	**13,406**	**680,874**
Amortization for the year	**-**	46,090	**-**	30,999	2,500	79,589
Impairment loss on intangibles	**-**	**-**	**-**	-	-	-
Balance as at March 31,2013	**82,753**	**46,090**	**200,570**	**415,144**	**15,906**	**760,463**
Amortization for the year	**-**	23,045	**-**	14,171	1,250	38,466
Impairment loss on intangibles	**-**	**-**	**-**	-	-	-
Deletions	**-**	**-**	**-**	(19,104)		(19,104)
Balance as at September 30,2013	**82,753**	**69,135**	**200,570**	**410,211**	**17,156**	**779,825**
(C) Carrying amounts						
As at March 31, 2013	**-**	**507,212**	**-**	**44,719**	**34,094**	**586,027**

As at September 30, 2013	**-**	**484,167**	**-**	**39,337**	**32,844**	**556,348**

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6. Cash and cash equivalents

Cash and cash equivalents as at September 30, 2013 amounted to Rs.1,374,907 (March 31, 2013: Rs. 849,854). This excludes cash-restricted of Rs.234,199 (March 31, 2013: Rs. 151,198), representing deposits held under lien against working capital facilities availed and bank guarantees given by the Group towards future performance obligations.

(a) Restricted cash

	September 30, 2013	March 31, 2013	September 30,2012	March 31, 2012
Non current				
Against future performance obligation		-	-	-
Current				
Bank deposits held under lien against borrowings / guarantees from banks / Government authorities	234,199	151,198	57,537	150,533
Total restricted cash	**234,199**	**151,198**	**57,537**	**150,533**
(b) Non restricted cash				
Current				
Cash and bank balances	**1,374,907**	**849,854**	**849,522**	**742,235**
Total cash (a+b)	**1,609,106**	**1,001,052**	**907,059**	**892,768**
Bank overdraft used for cash management purposes	(421,489)	(644,606)	(469,789)	(798,180)
Less: Non current restricted cash	-	-	-	-
Cash and cash equivalents for the statement of cash flows	**1,187,617**	**356,446**	**437,270**	**94,588**

7. Lease prepayments

	September 30, 2013	March 31, 2013
Towards land and buildings*	351,065	355,347
	351,065	**355,347**

* Includes Rs.295,258 (March 31, 2013: Rs. 302,509) paid for acquiring leasehold rights of land for construction of Data center in Noida, India. The prepayment towards land is amortized over the period of the lease on a straight line basis. In respect of buildings under operating lease, prepayments are amortized over the lease term on a straight line basis.

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8. Trade and other receivables

Trade and other receivables comprise:

	September 30, 2013	March 31, 2013
(i) Trade receivables, net	3,293,965	2,708,879
(ii) Other receivables including deposits	1,051,921	1,037,549
(iii) Construction contract related accruals	47,600	49,139
	4,393,486	**3,795,567**

Trade receivables consist of:

	September 30, 2013	March 31, 2013
Trade receivables from related parties		-
Other trade receivables	3,550,870	2,919,438
	3,550,870	**2,919,438**
Less: Allowance for doubtful receivables	(256,905)	(210,559)
Balance at the end of the period	**3,293,965**	**2,708,879**

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

	For the year ended	
	September 30, 2013	March 31, 2013
Balance at the beginning of the period	210,559	193,242
Add : Additional provision, net	110,000	186,600
Less : Bad debts written off	(63,654)	(169,283)
Balance at the end of the period	**256,905**	**210,559**

9. Employee benefits

	September 30, 2013	March 31, 2013
Gratuity payable	20,646	23,160
Compensated absences	27,920	29,069
	48,566	**52,229**

Gratuity cost

The components of gratuity cost recognized in the income statement for the three months and six months ended September 30, 2013 and 2012 consists of the following:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Six months ended September 30, 2013	Six months ended September 30, 2012
Service cost	4,004	3,975	8,008	7,950
Interest cost	1,249	1,266	2,550	2,593
Expected returns on plan assets	(787)	(787)	(1,624)	(1,632)
Net gratuity costs recognized in statement of income	**4,466**	**4,454**	**8,934**	**8,911**

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

	September 30, 2013	March 31, 2013
Present value of projected benefit obligation at the end of the year	60,903	65,723
Funded status of the plans	(40,257)	(42,563)
Recognized (asset) / liability	**20,646**	**23,160**

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

Change in defined benefit obligation	September 30, 2013	March 31, 2013
Projected benefit obligation at the beginning of the period	65,723	62,610
Service cost	8,008	15,900
Interest cost	2,550	4,876
Actuarial (gain) / loss	(11,448)	(5,835)
Benefits paid	(3,930)	(11,828)
Projected benefit obligation at the end of the period	**60,903**	**65,723**

Change in plan assets	September 30, 2013	March 31, 2013
Fair value of plan assets at the beginning of the period	42,563	43,095
Expected return on plan assets	1,624	3,296
Actuarial gain / (loss)		-
Employer contributions	-	8,000
Benefits paid	(3,930)	(11,828)
Fair value of plan assets at the end of the period	**40,257**	**42,563**

Actuarial Assumptions at reporting date :

	As at September 30, 2013	As at March 31, 2013
Discount rate	9.00% p.a	8.60% 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.

Remeasurement of defined benefit plans recognised in other comprehensive income

The amount gains and losses on Remeasurement of defined benefit plans recognized directly in other comprehensive income for the six months ended September 30, 2013 and 2012 are as follows:

	Six months ended September 30, 2013	Six months ended September 30, 2012
Gain or (loss) on Remeasurement of defined benefit plans	11,448	959
	11,448	**959**

10. Revenue

	Quarter ended		Six months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Rendering of services				
Service revenue	2,091,341	1,755,054	4,188,707	3,452,836
Installation service revenue	314,717	215,802	786,766	409,580
	2,406,058	**1,970,856**	**4,975,473**	**3,862,416**
Sale of products	98,776	88,143	157,735	169,325
Total	**2,504,834**	**2,058,999**	**5,133,208**	**4,031,741**

11. 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 income.

12. Personnel expenses

	Quarter ended		Six months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Salaries and wages	289,798	361,851	610,027	708,195
Contribution to provident fund and other funds	19,825	13,593	34,902	39,604
Staff welfare expenses	3,535	10,560	7,451	14,572
Employee Stock compensation expense	12	439	43	1,692
	313,170	**386,443**	**652,423**	**764,063**
Attributable to Cost of goods sold and services rendered	187,404	223,286	367,120	451,174
Attributable to selling, general and administrative expenses	125,766	163,157	285,303	312,889

13. Financial income and expense

	Quarter ended		Six months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Interest income on bank deposits	9,426	10,321	18,774	14,577
Others	15,772	26,709	17,746	28,399
Finance income	**25,198**	**37,030**	**36,520**	**42,976**
Interest expense on financial liabilities leases	35,587	8,062	53,815	12,534
Bank charges	21,409	14,292	40,837	22,894
Other interest	42,734	31,993	69,895	81,757
Finance expense	**99,730**	**54,347**	**(164,547)**	**117,185**
Net finance income / (expense) recognised in profit or loss	**(74,532)**	**(17,317)**	**(128,027)**	**(74,209)**

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14. Earnings / (loss) per share

The calculation of basic earnings / (loss) per share for the quarter and six months ended September 30, 2013 is based on the earnings / (loss) attributable to ordinary shareholders:

	Quarter ended		Six months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net profit / (loss) – as reported	106,623	600,584	269,886	524,339
Weighted average number of shares – Basic	133,943,917	131,638,589	133,943,917	133,638,589
Basic earnings /(loss) per share	0.80	4.56	2.01	3.93
Weighted average number of shares – Diluted	133,943,917	131,651,387	133,943,917	133,651,387
Diluted earnings /(loss) per share	0.80	4.56	2.01	3.93

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, 2013, these shares were partly paid up to the extent of Rs.7.00 (March 31, 2013 : Rs.6.25) per share.

15. Segment reporting

Enterprises these days, are entertaining only those services providers who provided services across the ICT ecosystem. More importantly, for better RoI , they were consolidating their outsourcing to these select number of service providers who could extend and monitor their entire range of IT engagements. Translated, it meant their time and energies was spent working with fewer and more focussed service providers. Sify has a wide variety of services and solutions for the entire ICT eco-system. The Group can provide depth and elasticity by consolidating these services across several price points and implementation scale. Sify was in the enviable position of having credible results to back their wide range of solutions and services. All it required was to consolidate our entire range of services into elastic offerings based on reach and impact.

So, Sify reorganised its business offerings into the following offerings.

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

The Chief Operating Decision Maker (“CODM”), i.e, The Board of Directors and the senior management, evaluate the Group’s performance and allocate 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 amortization” 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, is allocated to Telecom Services. Manpower costs of Technology resources rendering services to support Infrastructure operations, Managed services and Application services, are identified to an operating segment specifically. The Group believes that the resulting allocations are reasonable .

Certain expenses, such as depreciation 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.

The Group’s operating segment information for the quarter ended September 30, 2013, 2012 and six months ended September 30, 2013, 2012, are presented below:

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Quarter ended September 30, 2013

	Telecom Services	Datacenter Services	Cloud and Managed Services	Technology Integration Services	Application Services	Total
Segment revenue	1,725,506	300,443	95,211	160,353	223,321	2,504,834
Allocated segment expenses	(1,214,501)	(235,705)	(110,487)	(167,312)	(131,427)	(1,859,432)
Segment operating income / (loss)	**511,005**	**64,738**	**(15,276)**	**(6,959)**	**91,894**	**645,402**
Unallocated expenses:						
Selling, general and administrative expenses						(222,100)
Depreciation and amortization						(250,892)
Other income / (expense), net						8,745
Finance income						25,198
Finance expenses						(99,730)
Profit / (loss) before tax						**106,623**
Income tax (expense) / benefit						-
Profit / (loss) for the year						**106,623**

Quarter ended September 30, 2012 (As adjusted)

	Telecom Services	Datacenter Services	Cloud and Managed Services	Technology Integration Services	Application Services	Total
Segment revenue	1,237,342	302,895	149,176	191,939	177,647	2,058,999
Allocated segment expenses	(983,111)	(255,743)	(67,168)	(218,822)	(193,850)	(1,718,694)
Segment operating income / (loss)	**254,232**	**47,152**	**82,008**	**(26,883)**	**(16,203)**	**340,305**
Unallocated expenses:						
Selling, general and administrative expenses						(188,945)
Depreciation and amortization						(207,928)
Other income / (expense), net						16,891
Finance income						37,030
Finance expenses						(54,347)
Profit from sale of shares in Associate and rights therein						657,578
Profit / (loss) before tax						**600,584**
Income tax (expense) / benefit						-
Profit / (loss) for the year						**600,584**

Six months ended September 30, 2013

	Telecom Services	Datacenter Services	Cloud and Managed Services	Technology Integration Services	Application Services	Total
Segment revenue	3,484,189	601,779	203,534	423,371	420,335	5,133,208
Allocated segment expenses	(2,568,673)	(452,082)	(198,085)	(440,168)	(269,772)	(3,928,780)
Segment operating income / (loss)	**915,516**	**149,697**	**5,449**	**(16,797)**	**150,563**	**1,204,428**
Unallocated expenses:						
Selling, general and administrative expenses						(315,860)
Depreciation and amortization						(511,781)
Other income / (expense), net						21,127
Finance income						36,520
Finance expenses						(164,548)
Profit / (loss) before tax						**269,886**
Income tax (expense) / benefit						-
Profit / (loss) for the year						**269,886**

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Six months ended September 30, 2012 (As adjusted)

	Telecom Services	Datacenter Services	Cloud and Managed Services	Technology Integration Services	Application Services	Total
Segment revenue	2,413,835	618,102	227,134	437,331	335,339	4,031,741
Allocated segment expenses	(1,982,038)	(495,145)	(137,613)	(395,468)	(371,681)	(3,381,945)
Segment operating income / (loss)	**431,797**	**122,957**	**89,521**	**41,863**	**(36,342)**	**649,796**
Unallocated expenses:						
Selling, general and administrative expenses						(313,279)
Depreciation and amortization						(416,469)
Other income / (expense), net						20,922
Finance income						42,976
Finance expenses						(117,185)
Profit from sale of shares in Associate and rights therein						657,578
Profit / (loss) before tax						**524,339**
Income tax (expense) / benefit						-
Profit / (loss) for the year						**524,339**

Revenue reclassifications

For the quarter ended September 30, 2012

Previous operating segments	Enterprise services	Software services	Revised operating segments
As previously reported	**1,881,352**	**177,647**	**2,058,999**
Telecom services	(1,237,342)	-	1,237,342
Datacenter services	(302,895)		302,895
Cloud and Managed services	(149,176)		149,176
Technology Integration services	(191,939)		191,939
Application services		(177,647)	177,647
Revised revenue	**-**	**-**	**2,058,999**

For the six months ended September 30, 2012

Previous operating segments	Enterprise services	Software services	Revised operating segments
As previously reported	**3,696,402**	**335,339**	**4,031,741**
Telecom services	(2,413,835)	-	2,413,835
Datacenter services	(618,102)		618,102
Cloud and Managed services	(227,134)		227,134
Technology Integration services	(437,331)		437,331
Application services		(335,339)	335,339
Revised revenue	**-**	**-**	**4,031,741**

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Operating cost reclassifications:

For the quarter ended September 30, 2012

Previous operating segments	Enterprise services	Software services	Revised operating segments
As previously reported	**1,524,844**	**193,850**	**1,718,694**
Telecom services	(983,111)	-	983,111
Datacenter services	(255,743)		255,743
Cloud and Managed services	(67,168)		67,168
Technology Integration services	(218,822)		218,822
Application services		(193,850)	193,850
Revised Operating Costs	**-**	**-**	**1,718,694**

For the six months ended September 30, 2012

Previous operating segments	Enterprise services	Software services	Revised operating segments
As previously reported	**3,010,264**	**371,681**	**3,381,945**
Telecom services	(1,982,038)	-	1,982,038
Datacenter services	(495,145)		495,145
Cloud and Managed services	(137,613)		137,613
Technology Integration services	(395,468)		395,468
Application services		(371,681)	371,681
Revised Operating Costs	**-**	**-**	**3,381,945**

16. Capital commitments

Contracts pending to be executed on capital account as at September 30, 2013 and not provided for amounted to 741,271 (March 31, 2013 Rs. 412,698) .

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:

Non-cancellable operating lease obligations	Total	Less than 1 year	1-5 years	More than 5 years
As at September 30, 2013	1,746,991	117,006	531,019	1,098,965
As at March 31, 2013	1,803,863	113,744	519,254	1,170,865

17. Legal proceedings

a) The Company and certain of its officers and directors are named as defendants in a 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 Company's initial public offering of American Depository Shares as defendants. This class action is brought on behalf of a purported class of purchasers of Company's ADSs from the time of Company's Initial Public Offering ("IPO") in October 1999 through December 2000. The central allegation in this action is that the underwriters in Company's IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased Company's ADSs in the IPO and the aftermarket. The complaint also alleges that Company 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 Company'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 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.

As of September 30, 2013, the exposure under this settlement has been settled by the insurer as per the settlement agreement.

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 Rs.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 Rs.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 inspite of the Supreme Court order, the above demands are not tenable under law nor fit into the definition of Adjusted Gross Revenue as defined by DoT. The company believes it has adequate defenses for these demands and the ultimate outcome of these actions may not have a material adverse effect.

(ii) In November 2009, the Company received a demand notice pertaining to the allocation of spectrum in the 3.3-3.4 GHz frequency, from DoT, demanding Rs.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). The Company believes that the obligation to make payment will arise only after obtaining the operating license from DOT/WPC. The Company also believes that it has adequate legal defences for these demands, as the Company has not yet obtained any operative license, hence such demand is not tenable Nevertheless, the Company has as a commitment to hold and use the spectrum in the above band has paid Rs.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 company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at September 30, 2013, the Company believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgement in all these cases, the maximum financial exposure would be Rs.10.6 million (March 31, 2013: Rs. 10.6 million).

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18. Related parties

The following is a summary of significant transactions with related parties during the six months ended September 30, 2013 and September 30, 2012:

Transactions	Six months ended September 30, 2013	Six months ended September 30, 2012
Consultancy services received	120	120
Share capital and share premium money received from promoter group	300,000	-
Lease rentals paid (Refer notes below)	2,166	2,166
Amount of outstanding balances		
Advance lease rentals and refundable deposits made (Refer note below)	2,558	2,558

Notes:

1. The Company had entered into a lease agreement with M/s Raju Vegesna Infotech and Industries Private Limited, the holding Company, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of Rs.75 per month.

2. The Company had entered into a lease agreement with M/s Raju Vegesna Developers Private Limited, a Company in which Mr.Ananda Raju Vegesna, Executive Director of the Company and Mr Raju Vegesna, Chairman of the Company exercise significant influence, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of Rs.30 per month.

19. Financial Risk Management

The Group has exposure to the 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 appropriate 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 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.

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 risks : 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 negotiating additional facilities with Banks 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.

20. Issue of shares on a private placement basis to the existing promoter group

On August 4, 2010, the Board of Directors of the company approved the issuance, in a private placement, of up to an aggregate of 125,000,000 of the company's equity shares, par value Rs.10 per share ("Equity shares") at a discount compared to market value of , for an aggregate purchase price of Rs.4,000,000, to a group of investors affiliated with the company's promoter group, including entities affiliated with Mr Raju Vegesna, the company's Chairman and Managing Director and Mr Ananda Raju Vegesna, Executive Director and brother of Mr Raju Vegesna (the "Offering"). The company's shareholders approved the terms of the Offering at the Company's Annual General Meeting held on September 27, 2010.

On October 22 2010, the company entered into a Subscription Agreement with Mr Ananda Raju Vegesna, acting as representative (the "Representative") of the purchasers in connection with the Offering. In pursuance of the Agreement, the company issued and allotted 125,000,000 equity shares to M/s Raju Vegesna Infotech and Industries Private Limited ("RVIIPL"), a promoter group company. In accordance with Indian law, the purchase price is to be paid at such time as determined by Board of Directors of the company.

On August 14, 2011, the company received a letter from RVIIPL expressing its intention to transfer the above partly paid shares to its wholly owned subsidiary M/s Ramanand Core Investment Company Private limited ("RCICPL"). The company, on August 26, 2011, registered such transfer of partly paid shares in the name of RCICPL.

On September 7, 2011, the parties entered into an amendment to the Subscription Agreement (the "Amendment") extending the validity of the agreement period to September 26, 2013. This agreement was further amended on August 21, 2013 that provided the Board of Directors of the Company with additional time to call upon the purchasers to pay the balance money, in accordance with the terms of the Subscription Agreement.

As on March 31, 2013, these shares are partly paid to the extent of Rs. 6.25 per share. During the period, the company received Re. 0.75 per share under the agreement. Hence these shares are paid to the extent of Rs. 7.00 per share as on September 30,2013. Until the full purchase price is paid by the purchasers, the company retains a lien on the equity shares purchased in connection with the Offering. As of September 30, 2013, entities affiliated with our Chairman and Managing Director, Raju Vegesna, beneficially owned approximately 86.27% of our outstanding equity shares, which includes the 125,000,000 shares (partly paid with proportionate voting rights) issued in connection with the above Offering.

21. Group entities

The following are the entities that comprise the group as of September 30, 2013 and March 31, 2013:

Particulars	Country of incorporation	% of Ownership interest	
Significant subsidiaries		**September 30, 2013**	**March 31, 2013**
Sify Software Limited (formerly known as Sify Networks Private Limited)	India	100	100
Sify Technologies Singapore Pte. Ltd	Singapore	100	100
Hermit Projects Private Limited	India	100	100
Pace Info Com Park Private Limited	India	100	100