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, 2010 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 in the NASDAQ Global market in the United States.

2. Basis of preparation

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, 2010.

These Unaudited Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on March 25, 2011.

a. 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, 2010 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, 2010, for cable transfers in Indian rupees as published by the Reserve Bank of India which was Rs.44.92 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, 2010 or at any other date.

b. 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, 2010.

c. **Correction of an immaterial error in the comparative unaudited condensed consolidated interim statement of income for the quarter and six months ended September 30, 2009**

Certain amounts previously reported in the unaudited condensed consolidated interim statement of income for the quarter and six months ended September 30, 2009 and furnished on Form 6-K have been corrected in preparing the comparative unaudited condensed consolidated statement of income for the quarter and six months period ended September 30, 2010. Specifically, the trading transactions relating to standard hardware and software involving arrangement of purchases from suppliers and sales to customers were reported on gross basis instead of net basis. This immaterial error has resulted in overstatement of revenue and cost of goods sold by Rs 100,840 (US $2,245) for the quarter and six months ended September 30, 2009. This immaterial error has been corrected in the comparative interim statement of income for the quarter and six months period ended September 30, 2009.

The details of such correction is set out below:

	As reported for the quarter ended September 30, 2009			Adjustments			Revised for the comparative quarter ended September 30, 2009		
Details	**Revenue**	**Cost of goods sold**	**Net profit**	**Revenue**	**Cost of goods sold**	**Net profit**	**Revenue**	**Cost of goods sold**	**Net profit**
Rs (000's)	1,838,742	1,154,607	(117,825)	(100,840)	(100,840)	-	1,737,902	1,053,767	(117,825)

	As reported for the six months ended September 30, 2009			Adjustments			Revised for the comparative six months ended September 30, 2009		
Details	**Revenue**	**Cost of goods sold**	**Net profit**	**Revenue**	**Cost of goods sold**	**Net profit**	**Revenue**	**Cost of goods sold**	**Net profit**
Rs (000's)	3,487,287	2,170,558	(247,116)	(100,840)	(100,840)	-	3,386,447	2,069,718	(247,116)

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 2010.

4. Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended September 30, 2010, and have not been applied in preparing these consolidated financial statements:

- Improvements to IFRS- In April 2009, the IASB issued "*Improvements to IFRSs*" — a collection of amendments to twelve International Financial Reporting Standards — as part of its program of annual improvements to its standards, which is intended to make necessary, but non-urgent, amendments to standards that will not be included as part of another major project. The latest amendments were included in exposure drafts of proposed amendments to IFRS published in October 2007, August 2008, and January 2009. The amendments resulting from this standard mainly have effective dates for annual periods beginning on or after January 1, 2010, although entities are permitted to adopt them earlier. In May 2010, the IASB issued *Improvements to IFRS 2010,* which comprises 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective January 1, 2011. The Company is evaluating the impact, these amendments will have on the Group's consolidated financial statements.

- In November 2009, the IASB issued *IFRS 9*, "*Financial instruments*", to introduce certain new requirements for classifying and measuring financial assets. IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications — those measured at amortized cost and those measured at fair value. The standard along with proposed expansion of IFRS 9 for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting will be applicable from the year 2013, although entities are permitted to adopt earlier. The Company is evaluating the impact which this new standard will have on the Group's financial statements.

- In November 2009, the IASB issued *IFRIC 19*, "*Extinguishing Financial Liabilities with Equity Instruments*"; to introduce requirements when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares and other equity instruments to settle the financial liability fully or partially. This interpretation is effective from annual periods beginning on or after July 1, 2010.

- In November 2009, the IASB revised *IAS 24 "Related Party Disclosures"* with an effective date of January 1,2011.

- In November 2009, the IASB issued "*Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14, IAS19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction"*, with an effective date of January 1, 2011.

5. Property, plant and equipment

The following table presents the changes in property, plant and equipment during the six months ended September 30, 2010

	Cost				**Accumulated depreciation**				**Carrying amount as at September 30, 2010**
Particulars	**As at April 1, 2010**	**Additions**	**Disposals**	**As at September 30, 2010**	**As at April 1, 2010**	**Depreciation for the period**	**Deletions**	**As at September 30, 2010**	
Building	777,419	-	-	777,419	177,072	13,877	-	190,949	586,470
Plant and machinery	5,302,696	97,919	67,030	5,333,585	2,929,688	250,495	66,744	3,113,439	2,220,146
Computer equipment	517,904	15,748	864	532,788	429,631	14,538	780	443,389	89,399
Office equipment	228,418	3,685	465	231,638	107,252	11,987	465	118,774	112,864
Furniture and fittings	706,148	1,384	4,357	703,175	445,437	32,926	4,356	474,007	229,168
Vehicles	6,191	-	2,035	4,156	6,191	-	2,035	4,156	-
Total	**7,538,776**	**118,736**	**74,751**	**7,582,761**	**4,095,271**	**323,823**	**74,380**	**4,344,714**	**3,238,047**
Add: Construction -in- Progress									12,204
Total	**7,538,776**	**118,736**	**74,751**	**7,582,761**	**4,095,271**	**323,823**	**74,380**	**4,344,714**	**3,250,251**

The following table presents the changes in property, plant and equipment during the year ended March 31, 2010

	Cost				Accumulated depreciation				Carrying amount as at March 31, 2010
Particulars	**As at April 01, 2009**	**Additions**	**Disposals**	**As at March 31, 2010**	**As at April 1, 2009**	**Depreciation for the year**	**Deletions**	**As at March 31, 2010**	
Building	769,663	7,756	-	777,419	148,401	28,671	-	177,072	600,347
Plant and machinery	4,733,122	827,043	257,469	5,302,696	2,765,920	420,314	256,546	2,929,688	2,373,008
Computer equipments	497,223	26,462	5,781	517,904	367,972	66,709	5,050	429,631	88,273
Office equipment	162,132	68,106	1,820	228,418	96,955	12,070	1,773	107,252	121,166
Furniture and fittings	628,279	101,188	23,319	706,148	389,771	77,608	21,942	445,437	260,711
Vehicles	8,269	-	2,078	6,191	6,420	1,360	1,589	6,191	-
Total	**6,798,688**	**1,030,555**	**290,467**	**7,538,776**	**3,775,439**	**606,732**	**286,900**	**4,095,271**	**3,443,505**
Add: Construction – in - Progress									8,517
Total	**6,798,688**	**1,030,555**	**290,467**	**7,538,776**	**3,775,439**	**606,732**	**286,900**	**4,095,271**	**3,452,022**

Leased assets

The Group's leased assets include certain buildings and plant and machinery acquired under finance leases. As at September 30, 2010 the net carrying amount of buildings and plant and machinery acquired under finance leases is Rs.250,085 (March 31, 2010: Rs.255,244), Rs. 229,786 (March 31, 2010: Rs. 215,669) respectively.

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.

6. Intangible assets

Intangible assets comprise the following:

	As at September 30, 2010	**As at March 31, 2010**
Goodwill	14,595	14,595
Other Intangibles	99,226	114,929
Total	**113,821**	**129,524**

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 operates 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 (USD 41) and adjusted the carrying value of these intangibles accordingly. The above impairment relates to online portal services segment.

The following table presents the changes in goodwill during the six months ended September 30, 2010 and the year ended March 31, 2009

(i) Goodwill

Particulars	As at September 30, 2010	As at March 31, 2010
Balance at the beginning of the period / year	14,595	40,461
Effect of exchange rate fluctuation	-	(2,482)
Less: Impairment loss	-	(23,384)
Net carrying amount of goodwill	**14,595**	**14,595**

The amount of goodwill as at September 30, 2010 and March 31, 2010 has been allocated to Online Portals Segment.

(ii) Other Intangibles

The following table presents the changes in other intangible assets for the six months ended September 30, 2010 and year ended March 31, 2010.

	Technical know-how	Portals and web content	Customer related intangibles	Software	License fees	Total
(A) Cost						
Balance as at April 1, 2010	**82,753**	**-**	**200,570**	**370,683**	**50,000**	**704,006**
Other acquisitions	-	-	-	10,077	-	10,077
Deletions	-	-	-	-	-	-
Balance as at September 30, 2010	**82,753**	**-**	**200,570**	**380,760**	**50,000**	**714,083**
(B) Amortization						
Balance as at April 1, 2010	**82,753**	**-**	**198,139**	**299,779**	**8,406**	**589,077**
Amortization for the period	-	-	837	21,836	1,250	23,923
Impairment loss on intangibles			1,594	263		1,857
Deletions	-	-	-	-	-	-
Balance as at September 30, 2010	**82,753**	**-**	**200,570**	**321,878**	**9,656**	**614,857**
(C) Carrying amount as at September 30, 2010	**-**	**-**	**-**	**58,882**	**40,344**	**99,226**

(A) Cost						
Balance as at April 1, 2009	**82,753**	**52,730**	**200,570**	**319,215**	**50,000**	**705,268**
Other acquisitions	-	-	-	51,468	-	51,468
Deletions	-	52,730	-	-	-	52,730
Balance as at March 31, 2010	**82,753**	**-**	**200,570**	**370,683**	**50,000**	**704,006**
(B) Amortization						
Balance as at April 1, 2009	**82,753**	**52,730**	**169,847**	**256,621**	**5,906**	**567,857**
Amortization for the period	-	-	6,144	41,421	2,500	50,065
Impairment loss on intangibles	-	-	22,148	1,737	-	23,885
Deletions	-	52,730	-	-	-	52,730
Balance as at March 31, 2010	**82,753**	**-**	**198,139**	**299,779**	**8,406**	**589,077**
(C) Carrying amount as at March 31, 2010	**-**	**-**	**2,431**	**70,904**	**41,594**	**114,929**

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 is related to Online Portals 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, 2010 and March 31, 2010, 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:

Balance sheet	**As at September 30, 2010**	**As at March 31, 2010**
Total assets	4,496,904	3,974,094
Total liabilities	2,246,773	1,851,919
Shareholders' equity	2,250,131	2,122,175
Total liabilities and shareholders' equity	4,496,904	3,974,094

Statement of Operations	**Three months ended**		**Half year ended**	
	September 30, 2010	**September 30, 2009**	**September 30, 2010**	**September 30, 2009**
Revenues	488,076	388,774	919,191	789,363
Net Profit	76,367	67,946	128,938	121,322

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.

8. Cash and cash equivalents

Cash and cash equivalents as at September 30, 2010 amounted to Rs.303,318 (Rs.517,789 as at March 31, 2010). This excludes cash-restricted of Rs.440,941 as at September 30, 2010 (Rs.360,909 as at March 31, 2010), 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, 2010	**As at March 31, 2010**	**As at September 30, 2009**	**As at March 31, 2009**
Non-current				
Against future performance obligation	-	-	-	1,000
Current				
Bank deposits held under lien against borrowings from banks	440,941	360,909	256,185	1,329,756
Total restricted cash	**440,941**	**360,909**	**256,185**	**1,330,756**

(b) Non restricted cash				
Current				
Cash and bank balances	**303,318**	**517,789**	**243,742**	**380,042**
Total cash (a+b)	**744,259**	**878,698**	**499,927**	**1,710,798**
Bank overdraft used for cash management purposes	(1,139,667)	(1,060,284)	(815,497)	(1,397,083)
Less:- Non current restricted cash	-	-	-	(1,000)
Cash and cash equivalents for the statement of cash flows	**(395,408)**	**(181,586)**	**(315,570)**	**312,715**

9. Lease prepayments

	As at September 30,2010	As at March 31, 2010
Towards buildings	305,022	273,911
	305,022	**273,911**

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, 2010	As at March 31, 2010
(i) Trade receivables, net	1,924,584	1,912,348
(ii) Other receivables including deposits	1,206,594	1,916,450
(iii) Construction Contract in Progress	246,956	86,214
	3,378,134	**3,915,012**

Trade receivable as at September 30, 2010 and March 31, 2010 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, 2010	As at March 31, 2010
Trade receivables from related parties	-	-
Due from customers	2,164,446	2,083,054
	2,164,446	**2,083,054**
Less: Allowance for doubtful receivables	(239,862)	(170,706)
Balance at the end of the period	**1,924,584**	**1,912,348**

The activity in the allowance for doubtful accounts receivable is given below:	Half year ended September 30, 2010	As at March 31, 2010
Balance at the beginning of the period	170,706	116,295
Add : Additional provision	73,951	121,987
Less : Bad debts written off	(4,795)	(67,576)
Balance at the end of the period	**239,862**	**170,706**

11. Employee benefits

	As at September 30, 2010	As at March 31, 2010
Gratuity payable	28,939	16,753
Compensated absences	34,641	38,054
	63,580	**54,807**

Gratuity cost

The components of gratuity cost recognized in the income statement for the three months and six months ended September 30, 2010 and 2009 consists of the following:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Half year ended September 30, 2010	Half year ended September 30, 2009
Service cost	3,906	3,624	6,243	7,248
Interest cost	1,543	1,125	2,515	2,250
Expected returns on plan assets	(864)	(740)	(1,540)	(1,481)
Past service cost	1,047	-	7,789	-
Net gratuity costs recognized in statement of income	**5,632**	**4,009**	**15,007**	**8,017**

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

	September 30, 2010	March 31, 2010
Present value of projected benefit obligation at the end of the period / year	61,740	51,046
Funded status of the plans	(30,574)	(34,293)
Past service cost	(2,227)	-
Liability recognized in the statement of financial position	**28,939**	**16,753**

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

Change in projected benefit obligation	September 30, 2010	March 31, 2010
Projected benefit obligation at the beginning of the period / year	51,046	43,389
Service cost	6,243	14,498
Interest cost	2,515	4,501
Actuarial (gain)/ loss	(3,112)	(5,957)
Past service cost	10,016	

Benefits paid	(4,968)	(5,385)
Projected benefit obligation at the end of the period / year	**61,740**	**51,046**

Change in plan assets	**September 30, 2010**	**March 31, 2010**
Fair value of plan assets at the beginning of the period / year	34,293	28,307
Expected return on plan assets	1,540	2,963
Actuarial gain / (loss)	(291)	(450)
Employer contributions	-	8,858
Benefits paid	(4,968)	(5,385)
Fair value of plan assets at the end of the period / year	**30,574**	**34,293**

Actuarial Assumptions at reporting date:

	As at September 30, 2010	**As at March 31, 2010**
Discount rate	8.00% p.a	8.15% 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, 2010 and 2009 are as follows:

	Half year ended September 30, 2010	**Half year ended September 30, 2009**
Actuarial gain / (loss)	2,821	1,584
	2,821	**1,584**

12. Borrowings

	September 30, 2010	**March 31, 2010**
Current		
Loan secured against fixed deposits from banks	-	-
Term loans from banks (Refer note 1 below)	216,000	216,000
Other working capital facilities from banks (Refer note 2 below)	574,854	697,165
Loan from other financial institutions (Refer note 3 below)	104,463	39,681
	895,317	**952,846**
Non current		
Term loans from banks	218,000	325,940
Loan from other financial institutions (Refer note 3 below)	146,581	123,484
	364,581	**449,424**

Note

1. Term loans from banks are secured by moveable fixed assets of the Group. These loans bear interest ranging from 9.50% to 13.50% p.a.

2. Other working capital facilities are secured by certain non-current assets, current assets and trade receivables of the Company and bear interest ranging from 12% to 14% p.a. These facilities are subject to an annual renewal.

3. Loan from other financial institutions includes loan of Rs. 154,015 which is secured against specific fixed assets.

13. Revenue

	Quarter ended		Half year ended	
	September 30, 2010	**September 30, 2009**	**September 30, 2010**	**September 30, 2009**
Rendering of services				
Service revenue	1,367,938	1,408,555	2,601,237	2,732,001
Initial franchise fee	3,615	3,017	5,146	8,346
Installation service revenue	173,260	57,866	402,845	139,102
	1,544,813	**1,469,438**	**3,009,228**	**2,879,449**
Sale of products	171,919	268,464	435,330	506,998
Total	**1,716,732**	**1,737,902**	**3,444,558**	**3,386,447**

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, 2010	**September 30, 2009**	**September 30, 2010**	**September 30, 2009**
Salaries and wages	295,819	337,533	600,343	689,170
Contribution to provident fund and other funds	16,922	15,178	41,598	30,103
Staff welfare expenses	3,223	7,939	7,810	14,479
Employee Stock compensation expense	4,483	5,286	7,020	13,174
	320,447	**365,936**	**656,771**	**746,926**
Attributable to Cost of goods sold and services rendered	221,041	176,130	424,475	360,212
Attributable to selling, general and administrative expenses	99,406	189,806	232,296	386,714

16. Net finance income and expense

	Quarter ended		Half year ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Interest income on bank deposits	12,610	1,720	17,791	14,474
Others	1,468	1,570	2,836	5,876
Finance income	**14,078**	**3,290**	**20,627**	**20,350**
Interest expense on financial liabilities leases	5,229	3,927	9,269	7,556
Bank charges	25,080	29,395	48,820	44,593
Other interest	42,117	38,916	83,059	91,675
Finance expense	**72,426**	**72,238**	**141,148**	**143,824**
Net finance income / (expense) recognised in profit or loss	**(58,348)**	**(68,948)**	**(120,521)**	**(123,474)**

17. Loss per share

The calculation of basic loss per share for the quarter and half year ended September 30, 2010 and 2009 is based on the loss attributable to ordinary shareholders.

	Quarter ended		Half year ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Net profit / (loss) – as reported	(134,411)	(117,825)	(315,768)	(256,902)
Weighted average number of shares – Basic and diluted *	53,351,498	53,350,082	53,351,498	48,401,557
Basic earnings /(loss) per share	(2.52)	(2.21)	(5.92)	(5.31)

* Ordinary shares arising out of potential exercise of outstanding stock options as at September 30, 2010 and 2009 were not included in the computation of diluted earnings per share, as their effect was anti-dilutive.

18. Segment reporting

There has been no change in the composition of reportable segments for the six months ended September 30, 2010 as compared to the year ended March 31, 2010.

The primary operating segments of the Group are:

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

Quarter ended September 30, 2010

	Corporate Network / Data Services	Internet Access Services	Online Portal Services	Consumer One	Other Services	Total
		A	B	A+B		
Segment revenue	1,408,641	109,805	26,285	136,090	172,001	1,716,732
Allocated segment expenses	(1,000,174)	(145,182)	(25,755)	(170,937)	(129,028)	(1,300,139)
Segment operating income / (loss)	**408,467**	**(35,377)**	**530**	**(34,847)**	**42,973**	**416,593**
Unallocated expenses						
Cost of goods sold						(127,206)
Selling, general and administrative expenses						(235,257)
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
Profit or (Loss) before Tax						**(134,411)**
Income tax(expense)/benefit						-
Profit/(loss) for the quarter						**(134,411)**

Quarter ended September 30, 2009

	Corporate Network / Data Services	Internet Access Services	Online Portal Services	Consumer One	Other Services	Total
		A	B	A+B		
Segment revenue	1,359,863	202,587	32,733	235,320	142,719	1,737,902
Allocated segment expenses	(1,005,790)	(196,045)	(33,467)	(229,512)	(108,386)	(1,343,688)
Segment operating income / (loss)	**354,073**	**6,542**	**(734)**	**5,808**	**34,333**	**394,214**
Unallocated expenses						
Cost of goods sold						(114,959)
Selling, general and administrative expenses						(228,794)
Depreciation and amortization						(149,869)
Other income / (expense), net						30,248
Finance income						3,290
Finance expenses						(72,238)
Share of profit of equity accounted investee						20,283
Profit or (Loss) before Tax						**(117,825)**
Income tax(expense)/benefit						-
Profit/(loss) for the quarter						**(117,825)**

Six months ended September 30, 2010

	Corporate Network / Data Services	Internet Access Services	Online Portal Services	Consumer One	Other Services	Total
		A	B	A+B		
Segment revenue	2,851,901	225,132	54,897	280,029	312,628	3,444,558
Allocated segment expenses	(2,011,873)	(297,631)	(53,196)	(350,827)	(242,558)	(2,605,258)
Segment operating income / (loss)	**840,028**	**(72,499)**	**1,701**	**(70,798)**	**70,070**	**839,300**
Unallocated expenses						
Cost of goods sold						(256,076)
Selling, general and administrative expenses						(506,557)
Depreciation and amortization						(347,745)
Impairment loss on intangibles						(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
Profit or (Loss) before Tax						**(315,768)**
Income tax(expense)/benefit						-
Profit/(loss) for the quarter						**(315,768)**

Six months ended September 30, 2009

	Corporate Network / Data Services	Internet Access Services	Online Portal Services	Consumer One	Other Services	Total
		A	B	A+B		
Segment revenue	2,627,730	424,012	69,557	493,569	265,148	3,386,447
Allocated segment expenses	(1,904,639)	(435,102)	(78,591)	(513,693)	(212,347)	(2,630,679)
Segment operating income / (loss)	**723,091**	**(11,090)**	**(9,034)**	**(20,124)**	**52,801**	**755,768**
Unallocated expenses						
Cost of goods sold						(234,984)
Selling, general and administrative expenses						(480,012)
Depreciation and amortization						(297,139)
Impairment loss on Intangibles including goodwill						(47,269)
Other income / (expense), net						62,299
Finance income						20,350
Finance expenses						(143,824)
Share of profit of equity accounted investee						36,216
Profit or (Loss) before Tax						**(328,595)**
Income tax(expense)/benefit						81,479
Profit/(loss) for the six months period						**(247,116)**

19. Capital Commitments

Contracts pending to be executed on capital account as at September 30, 2010 and not provided for amounted to Rs.34,194 (net of advances Rs.11,123), [March 31, 2010 Rs.30,552 (net of advances Rs,8,516). In addition, the Company has a commitment to make payments aggregating to Rs.480,552 (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.332,568 (USD 7.40 million) as at September 30, 2010.

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:

As at September 30, 2010

Lease obligations	**Total**	**Less than 1 year**	**1-5 years**	**More than 5 years**
Non-cancellable operating lease obligations	1,545,296	103,669	417,324	1,024,303
Non-cancellable obligations towards proposed lease *	2,423,554	85,700	528,525	1,809,329

As at March 31, 2010

Lease obligations	**Total**	**Less than 1 year**	**1-5 years**	**More than 5 years**
Non-cancellable operating lease obligations	1,608,509	119,871	407,890	1,080,748
Non-cancellable obligations towards proposed lease *	2,423,554	22,850	520,808	1,879,896

* VALS Developers Private Limited ("VALS") is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, a Company in which Mr. Raju Vegesna , the principal share holder and Chief Executive Officer of Sify is holding 35.99% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into a memorandum of understanding with VALS Developers Private Limited to obtain land and building which is in the process of being constructed on a long term lease. The lease agreement, when final, is expected to have an initial non-cancellable term of 5 years, with a further option for Sify to renew or cancel the lease for two five year terms. In connection with this lease, Sify has paid a security deposit of Rs. 125,700 and advance rental of Rs.157,125 to VALS. The security deposit will be refunded at the end of lease term and the advance rental would be adjusted over a period of 15 months from the commencement of the lease. Subsequently on October 30, 2010, the Board of Directors have proposed to cancel the MoU for lease arrangement and have decided to acquire the property which is under construction from the third party directly. The above deposits would be adjusted against the consideration payable for acquiring the property. To give effect to the above, the company has entered into a multiparty agreement with all the concerned parties and has paid Rs 400,000 as part consideration for the above purchase.

20. Legal proceedings

(a) The Group 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 Sify's initial public offering of American Depositary Shares as defendants. This class action is brought on behalf of a purported class of purchasers of Sify's ADSs from the time of Sify's Initial Public Offering ("IPO") in October 1999 through December 2000. The central allegation in this action is that the underwriters in Sify's IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased Sify's ADSs in the IPO and the aftermarket. The complaint also alleges that Sify violated the United States Federal Securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers have been named in similar lawsuits.

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

On August 14, 2007, the plaintiffs filed Amended Master Allegations. On September 27, 2007, the Plaintiffs filed a Motion for Class Certification. Defendants filed a Motion to dismiss the focus cases on November 9, 2007. On March 26, 2008, the Court ruled on the Motion to Dismiss, holding that the plaintiffs had adequately pleaded their Section 10(b) claims against the Issuer Defendants and the Underwriter Defendants in the focus cases. As to the Section 11 claim, the Court dismissed the claims brought by those plaintiffs who sold their securities for a price in excess of the initial offering price, on the grounds that they could not show cognizable damages, and by those who purchased outside the previously certified class period, on the grounds that those claims were time barred. This ruling, while not binding on the Company's case, provides guidance to all of the parties involved in this litigation. On October 2, 2008, plaintiffs requested that the class certification motion in the focus cases be withdrawn without prejudice. On October 10, 2008, the Court signed an order granting that request. On April 2, 2009, the parties lodged with the Court a motion for preliminary approval of a proposed settlement between all parties, including the Company and its former officers and directors. The proposed settlement provides the plaintiffs with $586 million in recoveries from all defendants. Under the proposed settlement, the Issuer Defendants collectively would be responsible for $100 million, which would be paid by the Issuers' insurers, on behalf of the Issuer Defendants and their officers and directors.

Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Company's insurers. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On 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 are several notices of appeal filed. Most were filed by the same parties that objected to the settlement in front of the District Court. These will likely be consolidated into a single appeal and briefing schedule will be provided shortly. Any direct financial impact of the preliminary approved settlement is expected to be borne by the Company's insurers. The Company believes, the maximum exposure under this settlement is approximately US$ 338,983, an amount which the Company believes is fully recoverable from the Company's insurer.

(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 responded to the above demand notices stating that the above demands are not tenable as the demands were not in accordance with the Telecom Disputes Settlement & Appellate Tribunal ('TDSAT') Order, in which Order the TDSAT has clarified 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. The TDSAT Order however has been challenged and is presently pending before the Supreme Court. Till such time the Supreme Court pronounces its final verdict on this case, the TDSAT Order continues to be in force and the Company currently continues to pay the license fee in accordance with the TDSAT Order. Sify believes that it has adequate legal defenses for these demands and the ultimate outcome of these actions will not have a material adverse effect on Sify.

(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 $ 7.68 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, 2010, 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 9,051 (March 31, 2010: Rs 9,051)

21. Liquidity

As of September 30, 2010 the current liabilities of the Group exceeded the current assets by Rs.308,010. Based on the projected cash flow, available lines of credit and capital infusion by promoter group that was consummated in October 2010, the Company will have sufficient resources to meet capital expenditure needs and working capital requirements over the course of the next 12 months.

22. Related party transactions

The following is a summary of significant transactions with related parties during the six months ended September 30, 2010:

Transactions	**Six months ended September 30, 2010**	**Six months ended September 30, 2009**
Consultancy services received	120	120
Issuance of shares on amalgamation of erstwhile Sify Communications Limited with Sify Technologies Limited	-	842,837
Lease deposit paid (Refer note 2 below)	2,558	-
Lease rentals paid (Refer note 2 below)	1,024	-
Amount of outstanding balances		
Debtors	-	-
Advance lease rentals and refundable deposits made (Refer note 1 and 2 below)	285,383	282,825

Note

1. Represents deposits made to VALS Developers Private Limited ("VALS").VALS is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, in which Mr. Raju Vegesna, our principal share holder and Chief Executive Officer, is holding 35.99% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into a Memorandum of Understanding ('MoU)' for long term lease with VALS Developers Private Limited to obtain land and building which is 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 connection with this memorandum of understanding, Sify has paid a security deposit of Rs.125,700 and advance rental of Rs.157,125 to VALS. As per the terms of the MOU, the security deposit was to 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. Subsequently on October 30,2010, the Board of Directors have cancelled the MoU for lease arrangement and has decided to acquire the property which is under construction from the third party directly. The above deposits would be adjusted against the consideration payable for acquiring the property. To give effect to the above, the company has entered into a multiparty agreement with all the concerned parties and has paid Rs 400,000 as part consideration for the above purchase.

2. The Company has entered has 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.

23. 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, 2010.

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 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.

24. Subsequent event

On August 4, 2010, the Board of Directors of the company approved the issuance, in a private placement, of upto an aggregate of 125,000,000 of the company's equity shares, par value Rs.10 per share ("Equity shares"), for an aggregate purchase price of Rs 400 crores (USD 86 million), to a group of investors affiliated with the company's promoter group, including entities affiliated with Mr Raju Vegesna, the company's Chief Executive Officer 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.

Subsequently, on October 22 2010, the company entered into a Subscription Agreement with Mr Ananda Raju Vegesna, acting as representative (the "Representative") of the acquirers in connection with the offering. The company issued 125,000,000 equity shares to the Representative on October 30, 2010. Accordingly, a sum of Rs 0.50 per share was received on October 30, 2010 and a further sum of Rs 2.00 per share was received on allotment of these shares. The remaining amount of the purchase price will be called up at such time as determined by the company. Until the full purchase price is paid by the purchasers, the company retains a lien on the equity shares purchased in connection with the Offering.

As a result of the consummation of the Offering, Mr Raju Vegesna and Mr Ananda Raju Vegesna together beneficially hold approximately 86.4% of the outstanding Equity Shares of the company.

25. Group entities

The following are the entities that comprise the group as of September 30, 2010 and March 31, 2010

Particulars	**Country of incorporation**	**% of Ownership interest**	
Significant subsidiaries		**September 30, 2010**	**March 31, 2010**
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
Associates			
MF Global-Sify Securities India Private Limited	India	29.85	29.85