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 nine months ended December 31, 2009 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 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

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, 2009.

These Unaudited Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on **November 30, 2010.**

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 in 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 nine months ended December 31, 2009 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 December 31, 2009, for cable transfers in Indian rupees as published by the Reserve Bank of India which was Rs. 46.68 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 December 31, 2009 or at any other date.

c. Use of estimates and judgements

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

In preparing the Unaudited Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimating uncertainties were the same as that were applied to the consolidated financial statements as at and for the year ended March 31, 2009.

d. Correction of an immaterial error in the 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 in form 6-K have been corrected in preparing the unaudited condensed consolidated statement of income for the nine months period ended December 31, 2009. 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 $2,160) for the three months and six months ended September 30, 2009. This immaterial error has been corrected in the interim statement of income for the nine months period ended December 31, 2009.

The details of such correction is set out below:

	As reported for the quarter ended September 30, 2009			Adjustments			Revised for the 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 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 2009, except for new accounting policies adopted by the Group as described below.

(i) ***Presentation of financial statements:*** The Group has applied revised *IAS 1 Presentation of Financial Statements (2007)*, which has became effective as of April 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Furthermore, the Group has included two statements to display all items of income and expense recognized during the period i.e., a 'Statement of Income' and a 'Statement of Comprehensive Income'. This presentation has been applied in these Unaudited Condensed Consolidated Interim Financial Statements as of and for the three months and nine months ended December 31, 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings/ loss per share.

Revenue recognition from construction contracts: Upto the periods ended March 31, 2009, the Company did not derive any revenues from construction contracts. During the quarter ended June 30, 2009, the Company started generating revenues from a construction contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the cost incurred till date to the total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

4. Recent accounting pronouncements

a) Standards early adopted by the Company

- *IFRS 3 (Revised), Business Combinations,* as amended, is applicable for annual periods beginning on or after July 1, 2009. This standard was early adopted by the Group as at April 1, 2009. Business Combinations consummated after April 1, 2009 will be recorded under this standard. IFRS 3 (Revised) primarily requires the acquisition-related costs to be recognized as period expenses in accordance with the relevant IFRS. Costs incurred to issue debt or equity securities are required to be recognized in accordance with IAS 39. Consideration, after this amendment, will include fair values of all interests previously held by the acquirer. Re-measurement of such interests to fair value would be carried out through net profit in the statement of comprehensive income. Contingent consideration is required to be recognized at fair value even if not deemed probable of payment at the date of acquisition.

  IFRS 3 (Revised) provides an explicit option on a transaction-by-transaction basis, to measure any Non-controlling interest (NCI) in the entity acquired at fair value of their proportion of identifiable assets and liabilities or at full fair value. The first method will result in a marginal difference in the measurement of goodwill from the existing IFRS 3; however the second approach will require recording goodwill on NCI as well as on the acquired controlling interest. Upon consummating a business combination in future, the company is likely to adopt the first method for measuring NCI.

- IAS 27, as amended, is applicable for annual periods beginning on or after July 1, 2009. Earlier adoption is permitted provided IFRS 3 (Revised) is also early adopted. This standard was early adopted by the Company as at April 1, 2009. It requires a mandatory adoption of economic entity model which treats all providers of equity capital as shareholders of the entity. Consequently, a partial disposal of interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity. Additionally purchase of some or all of the non-controlling interests is treated as treasury transaction and accounted for in equity and a partial disposal of interest in a subsidiary in which the parent company loses control triggers recognition of gain or loss on the entire interest. A gain or loss is recognized on the portion that has been disposed off and a further holding gain is recognized on the interest retained, being the difference between the fair value and carrying value of the interest retained. This Standard requires an entity to attribute their share of net profit / loss and reserves to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Consistent with the provisions of IFRS 3 (Revised), the Group accounted for its acquisition of 26% non-controlling interest in Sify Communications Limited on June 26, 2009 as an equity transaction. Also refer to note 21.

b) Recently adopted accounting pronouncements

- The Company adopted *IAS 1 (revised), "Presentation of Financial Statements"*, effective April 1, 2009. The revision aims to improve users' ability to analyze and compare the information given in financial statements. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The revisions include non-mandatory changes in the titles of some of the financial statements to reflect their function more clearly (for example, the balance sheet is renamed as statement of financial position). The revised IAS 1 resulted in consequential amendments to other standards and interpretations. The Group has applied revised *IAS 1 Presentation of Financial Statements (2007)*, which has became effective as of April 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Furthermore, the Group has included two statements to display all items of income and expense recognized during the period i.e., a 'Statement of Income' and a 'Statement of Comprehensive Income'. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings/ loss per share.
- *IFRIC 18 – 'Transfer of assets from customers'* defines the treatment for property, plant and equipment transferred by customers to companies or for cash received to be invested in property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to both. The item of property, plant and equipment is to be initially recognized by the Company at fair value with a corresponding credit to revenue. If an ongoing service is identified as a part of the agreement, the period over which revenue will be recognized for that service would

be determined by the terms of the agreement with the customer. If the period is not clearly defined, then revenue should be recognized over a period no longer than the useful life of the transferred asset used to provide the ongoing service. This interpretation is applicable prospectively to transfers of assets from customers received on or after July 1, 2009. The Company has adopted this interpretation prospectively for all assets transferred after July 1, 2009. There has been no impact on the Group's consolidated financial statements as a result of the adoption of this interpretation.

- In March 2009, the Amendments to *IFRS 7* "*Financial Instrument disclosure*", amended certain disclosure requirements in the standard. As a result, entities are required to classify fair value measurements for financial instruments measured at fair value in the statement of financial position, using a three level fair value hierarchy that reflects the significance of inputs used in the measurements. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risks to which an entity is exposed. The Amendments to IFRS 7 apply for annual periods beginning on or after January 1, 2009 and provides an exception in the first year of application for providing comparative information.

c) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the period December 31, 2010, and have not been applied in preparing these unaudited condensed consolidated interim 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 October 2009, the IASB issued "*Classification of Rights Issue – Amendment to IAS 32 Financial Instruments: Presentation'* with an effective date of February 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 nine months ended December 31, 2009

	Cost				Accumulated depreciation				Carrying amount as at December 31, 2009
Particulars	**As at April 1, 2009**	**Additions**	**Disposals**	**As at December 31, 2009**	**As at April 1, 2009**	**Depreciation for the period**	**Deletions**	**As at December 31, 2009**	
Building	769,663	7,756	-	777,419	148,401	21,706	-	170,107	607,312
Plant and machinery	4,733,122	767,114	214,831	5,285,405	2,765,920	329,848	218,128	2,877,640	2,407,765
Computer equipment	497,223	11,909	5,780	503,352	367,972	33,332	5,079	396,225	107,127
Office equipment	162,132	82,291	4,171	240,252	96,955	13,044	1,011	108,988	131,264
Furniture and fittings	628,279	86,112	14,784	699,607	389,771	47,142	14,347	422,566	277,041
Vehicles	8,269	-	1,034	7,235	6,420	1,419	604	7,235	-
Total	**6,798,688**	**955,182**	**240,600**	**7,513,270**	**3,775,439**	**446,491**	**239,169**	**3,982,761**	**3,530,509**
Add: Construction -in- progress									13,510
Total	**6,798,688**	**955,182**	**240,600**	**7,513,270**	**3,775,439**	**446,491**	**239,169**	**3,982,761**	**3,544,019**

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

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

Leased assets

The Group's leased assets include certain buildings, plant and machinery and motor vehicles acquired under finance leases. As at December 31, 2009 the net carrying amount of buildings, plant and machinery and vehicles acquired under finance leases is Rs 257,826 (March 31, 2009: Rs.260,968), Rs. 196,004 (March 31, 2009: Rs. 135,595) and Nil (March 31, 2009: Rs.2,l59) respectively.

In case prepayments are made towards building accounted as 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 for use are disclosed under construction in progress.

6. Intangible assets

Intangible assets comprise the following:

	As at December 31, 2009	As at March 31, 2009
Goodwill	14,595	40,461
Other Intangibles	119,094	137,411
Total	**133,689**	**177,872**

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 nine months ended December 31, 2010, triggered by certain adverse market conditions such as decrease in revenue and increase in the cost of services, and other technological matters, the Group tested the carrying value of the above business for impairment. The recoverable amount of these intangibles including goodwill were determined based on the higher of the value in use (using discounted cash flow approach) and fair value less cost to sell. Fair value less cost to sell, being the higher of the two was determined as the recoverable amount of the CGU. Based on this assessment, the carrying value of the CGU was higher than its recoverable amount and as a result of the above, the group has recorded an impairment of the above intangibles including goodwill amounting to Rs 47,269 (US$ 1,013) 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 nine months ended December 31, 2009 and the year ended March 31, 2009

(i) Goodwill

Particulars	**As at December 31, 2009**	**As at March 31, 2009**
Balance at the beginning of the period / year	40,461	50,796
Effect of exchange rate fluctuation	(2,482)	4,865
Less: Impairment loss	(23,384)	(15,200)
Net carrying amount of goodwill	**14,595**	**40,461**

During the nine months ended December 31, 2009, the group has impaired goodwill relating to its travel business to the extent of Rs 23,384. The amount of goodwill as at December 31, 2009 and March 31, 2009 has been allocated to Online Portals Segment.

(ii) Other intangibles

The following table presents the changes in other intangible assets for the nine months ended December 31, 2009 and year ended March 31, 2009.

	Technical know-how	Portals and web content	Customer related intangibles	Software	License fees	Total
(A) Cost						
Balance as at April 1, 2009	**82,753**	**52,730**	**200,570**	**319,215**	**50,000**	**705,268**
Other acquisitions	-	-	-	42,171	-	42,171
Deletions	-	52,730	-	-	-	52,730
Balance as at December 31, 2009	**82,753**	**-**	**200,570**	**361,386**	**50,000**	**694,709**
(B) Amortization						
Balance as at April 1, 2009	**82,753**	**52,730**	**169,847**	**256,621**	**5,906**	**567,857**
Amortization for the period	-	-	5,307	29,421	1,875	36,603
Impairment loss on intangibles			22,148	1,737	-	23,885
Deletions	-	52,730	-	-	-	52,730
Balance as at December 31, 2009	**82,753**	**-**	**197,302**	**287,779**	**7,781**	**575,615**
(C) Carrying amounts as at December 31, 2009	**-**	**-**	**3,268**	**73,607**	**42,219**	**119,094**

	Technical know-how	Portals and web content	Customer related intangibles	Software	License fees	Total
(A) Cost						
Balance as at April 1, 2008	**82,753**	**52,730**	**199,554**	**271,116**	**50,000**	**656,153**
Other acquisitions	-	-	1,016	48,099	-	49,115
Balance as at March 31, 2009	**82,753**	**52,730**	**200,570**	**319,215**	**50,000**	**705,268**
(B) Amortization						
Balance as at April 1, 2008	**82,753**	**52,730**	**149,926**	**235,827**	**3,406**	**524,642**
Amortization for the year	-	-	19,921	20,794	2,500	43,215
Balance as at March 31, 2009	**82,753**	**52,730**	**169,847**	**256,621**	**5,906**	**567,857**
(C) Carrying amounts as at March 31, 2009	**-**	**-**	**30,723**	**62,594**	**44,094**	**137,411**

During the nine months ended December 31, 2009, the group has impaired intangible assets relating to its travel business to the extent of Rs 23,886. 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 Private Limited, formerly Man Financial-Sify Securities India Private Limited (‘MF Global) from Refco Group Inc., USA (‘Refco’). As at December 31, 2009 and March 31, 2009, 29.85% of MF Global equity shares is held by the Company. The remaining 70.15% is owned by MFG, an unrelated third party. MFG is a subsidiary of MF Global Limited, Bermuda.

A summary of key 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 December 31, 2009	As at March 31, 2009
Total assets	4,546,547	3,435,921
Total liabilities	2,515,167	1,617,159
Shareholders' equity	2,031,380	1,818,762
Total liabilities and shareholders' equity	4,546,547	3,435,921

Statement of operations	Three months ended		Nine months ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Revenues	403,488	266,034	1,192,850	1,113,313
Net profit	95,124	5,108	216,447	129,385

During October 2010, Sify Technologies Ltd, the minority shareholder of MF Global holding 29.85 percent of the outstanding shares of the MF Global, 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 31st Mar 2008 aggregating to INR 43,478,911 and 31st March 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 auditors of MF Global have included an emphasis of matter with an explanatory paragraph in their audit report issued on the consolidated financial statements of MF Global for the quarter and nine months ended December 31,2009 in connection with such recorded cross charges. The effect of such recorded cross charge is not material to the financial statements of Sify.

8. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2009 amounted to Rs.811,325 (Rs.380,042 as at March 31, 2009). This excludes cash-restricted of Rs.56,368 as at December 31, 2009 (Rs.1,330,756 as at March 31, 2009), 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 December 31, 2009	As at March 31, 2009	As at December 31, 2008	As at March 31, 2008
Non current				
Against future performance obligation	-	1,000	1,000	1,000
Current				
Bank deposits held under lien against borrowings from banks	56,368	1,329,756	868,958	877,582
Total restricted cash	**56,368**	**1,330,756**	**869,958**	**878,582**
(b) Non restricted cash				
Current				
Cash and bank balances	**811,325**	**380,042**	**433,600**	**628,745**
Total cash (a+b)	**867,693**	**1,710,798**	**1,303,558**	**1,507,327**

Bank overdraft used for cash management purposes	(953,686)	(1,397,083)	(1,353,766)	(617,637)
Less:- Non current restricted cash	-	(1,000)	(1,000)	(1,000)
Cash and cash equivalents for the statement of cash flows	**(85,993)**	**312,715**	**(51,208)**	**888,690**

9.

9. Lease prepayments

	As at December 31,2009	As at March 31, 2009
Towards buildings	307,952	311,185
	307,952	**311,185**

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 December 31, 2009	As at March 31, 2009
(i) Trade receivables, net	1,992,924	1,504,927
(ii) Other receivables including deposits	1,182,926	950,599
	3,175,850	**2,455,526**

Trade receivable as at December 31, 2009 and March 31, 2009 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 December 31, 2009	As at March 31, 2009
Trade receivables from related parties	-	698
Due from customers	2,140,466	1,620,524
	2,140,466	**1,621,222**
Less: Allowance for doubtful receivables	(147,542)	(116,295)
Balance at the end of the period	**1,992,924**	**1,504,927**

The activity in the allowance for doubtful accounts receivable is given below:	Nine months ended December 31, 2009	Year ended March 31, 2009
Balance at the beginning of the period	116,295	83,316
Add : Additional provision	89,069	84,346
Less : Bad debts written off	(57,822)	(51,367)
Balance at the end of the period	**147,542**	**116,295**

11. Employee benefits

	As at December 31, 2009	As at March 31, 2009
Gratuity payable	22,547	15,082
Compensated absences	45,638	49,218
	68,185	**64,300**

Gratuity cost

The components of gratuity cost recognized in the income statement for the three months and nine months ended December 31, 2009 and 2008 consists of the following:

	Three months ended December 31, 2009	Three months ended December 31, 2008	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Service cost	3,625	3,017	10,873	9,051
Interest cost	1,126	759	3,376	2,278
Expected returns on plan assets	(741)	(419)	(2,222)	(1,255)
Net gratuity costs recognized in statement of income	**4,010**	**3,357**	**12,027**	**10,074**

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

	December 31, 2009	March 31, 2009
Present value of projected benefit obligation at the end of the period / year	48,220	43,389
Funded status of the plans	(25,673)	(28,307)
Liability recognized in the statement of financial position	**22,547**	**15,082**

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

Change in projected benefit obligation	**December 31, 2009**	**March 31, 2009**
Projected benefit obligation at the beginning of the period / year	43,390	27,333
Service cost	10,873	12,067
Interest cost	3,376	3,038
Actuarial (gain)/ loss	(4,994)	3,662
Benefits paid	(4,425)	(2,710)
Projected benefit obligation at the end of the period / year	**48,220**	**43,390**

Change in plan assets	**December 31, 2009**	**March 31, 2009**
Fair value of plan assets at the beginning of the period / year	28,307	18,740
Expected return on plan assets	2,222	1,672
Actuarial gain / (loss)	(556)	(684)
Employer contributions	125	11,289
Benefits paid	(4,425)	(2,710)
Fair value of plan assets at the end of the period / year	**25,673**	**28,307**

Actuarial Assumptions at reporting date:

	As at December 31, 2009	As at March 31, 2009
Discount rate	7.70% p.a	7.95% 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 nine months ended December 31, 2009 and 2008 are as follows:

	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Actuarial gain / (loss)	4,438	(18,743)
	4,438	**(18,743)**

12. Borrowings

	December 31, 2009	March 31, 2009
Current		
Loan secured against fixed deposits from banks (Refer note 1 below)	-	310,000
Term loans from banks (Refer note 2 below)	216,000	331,944
Other working capital facilities from banks (Refer note 3 below)	622,796	540,826
Borrowings from others (Refer note 4 below)	33,161	-
	871,957	**1,182,770**
Non current		
Term loans from banks (Refer note 2 below)	373,726	201,389
Borrowings from others (Refer note 4 below)	86,558	-
	460,284	**201,389**

The Group has borrowings which include:

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

2. Term bank loans bear interest ranging from 9.50% to 13.50% p.a. The term loans are secured by way of pari-passu first charge over the unencumbered movable fixed assets acquired out of such term loans availed by the Company. Further these loans are collaterally secured by way of equitable mortgage over the office premises and also by way of pari passu second charge on the entire current assets of the Company.

3. Letter of credit discounted (including buyer's credit) is secured by pari-passu charge on current assets of the Company and moveable assets of the company, both present and future. These borrowings bear interest ranging from 11% to 14% p.a. Such facilities are renewable every year.

4. Borrowings from others are secured against relevant assets and software. However, the Company is in the process of obtaining no objection certificate from the bank with whom such relevant assets and software are hypothecated.

13. Revenue

	Quarter ended		Nine months ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Rendering of services				
Service revenue	1,370,299	1,336,228	4,102,300	3,954,445
Initial franchise fee	1,336	8,292	9,682	25,164
Installation service revenue	49,943	58,380	189,045	187,778
	1,421,578	**1,402,900**	**4,301,027**	**4,167,387**
Sale of products	304,269	147,867	811,267	458,006
Total	**1,725,847**	**1,550,767**	**5,112,294**	**4,625,393**

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		Nine months ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Salaries and wages	285,664	399,031	974,834	1,168,269
Contribution to provident fund and other funds	13,732	35,441	43,835	69,892
Staff welfare expenses	8,515	10,103	22,994	30,623
Employee Stock compensation expense	14,752	15,970	27,926	47,347
	322,663	**460,545**	**1,069,589**	**1,316,131**
Attributable to Cost of goods sold and services rendered	151,867	184,980	512,079	556,947
Attributable to selling, general and administrative expenses	170,796	275,565	557,510	759,184

16. Share-based payments

Share-based payments are designed as equity-settled plans. Under the equity settled plans, the Group had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007.

The terms and conditions of ASOP are disclosed in the Consolidated Financial Statements as at and for the year ended March 31, 2009.

During the three months ended December 31, 2009, the Company has granted 10,000 options under ASOP 2007. The fair value of share options granted during the three months ended December 31, 2009 was estimated using the following assumptions:
1. Dividend Yield – 0%
2. Assumed Volatility – 119.00% - 136.77%
3. Risk free rate – 2.46%
4. Expected term – 3.0 - 4.5 yrs

The basis of measuring fair value is consistent with that disclosed in the Consolidated Financial Statements as at and for the year ended March 31, 2009. Compensation cost recognized for the three months and nine months ended December 31, 2009 is Rs.14,752 and Rs.27,926 respectively (Rs.15,970 and Rs.47,347 for the three months and nine months ended December 31, 2008 respectively).

17. Net finance income and expense

	Quarter ended		Nine months ended	
	December 31, 2009	**December 31, 2008**	**December 31, 2009**	**December 31, 2008**
Interest income on bank deposits	952	22,337	15,426	76,158
Interest income from leases	-	2,695	-	12,238
Others	1,286	2,404	7,162	4,297
Finance income	**2,238**	**27,436**	**22,588**	**92,693**
Interest expense on financial liabilities leases	4,227	99	11,783	370
Bank charges	36,234	28,581	80,827	56,186
Other interest	43,367	51,614	135,042	109,541
Finance expense	**83,828**	**80,294**	**227,652**	**166,097**
Net finance income / (expense) recognised in profit or loss	**(81,590)**	**(52,858)**	**(205,064)**	**(73,404)**

18. Earnings / (Loss) per share

The calculation of basic earnings / (loss) per share for the quarter and nine months ended December 31, 2009 and 2008 is based on the earnings / (loss) attributable to ordinary shareholders.

	Quarter ended		Nine months ended	
	December 31, 2009	**December 31, 2008**	**December 31, 2009**	**December 31, 2008**
Net profit / (loss) – as reported	414,801	(258,548)	157,898	(685,056)
Weighted average number of shares – Basic	53,350,082	42,820,082	50,057,064	43,523,852
Basic earnings / (loss) per share	7.78	(6.04)	3.15	(15.74)

The calculation of diluted earnings / (loss) per share for the quarter and nine months ended December 31, 2009 and 2008 is based on the earnings / (loss) attributable to ordinary shareholders.

	Quarter ended		Nine months ended	
	December 31, 2009	**December 31, 2008**	**December 31, 2009**	**December 31, 2008**
Net profit / (loss) – as reported	414,801	(258,548)	157,898	(685,056)
Weighted average number of shares – diluted	53,369,520	42,820,082	50,072,334	43,523,852
Diluted earnings /(loss) per share	7.77	(6.04)	3.15	(15.74)

19. Segment reporting

There has been no change in the composition of reportable segments for the nine months ended December 31, 2009 as compared to the year ended March 31, 2009.

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 December 31, 2009

	Corporate network / data services	Internet access services	Online portal services	Consumer one	Other services	Total
		A	B	A+B		
Segment revenue	1,389,325	158,272	34,904	193,176	143,346	1,725,847
Allocated segment expenses	(1,066,696)	(164,898)	(33,310)	(198,208)	(92,197)	(1,357,101)
Segment operating income / (loss)	**322,629**	**(6,626)**	**1,594**	**(5,032)**	**51,149**	**368,746**
Unallocated expenses						
Cost of goods sold						(128,807)
Selling, general and administrative expenses						(216,903)
Depreciation and amortization						(185,955)
Other income / (expense), net						40,062
Income from legal settlement						561,120
Finance income						2,238
Finance expenses						(54,094)
Share of profit of equity accounted investee						28,394
Profit or (loss) before tax						**414,801**
Income tax(expense)/benefit						-
Profit or (loss) for the period						**414,801**

Quarter ended December 31, 2008

	Corporate network / data services	Internet access services	Online portal services	Consumer one	Other services	Total
		A	B	A+B		
Segment revenue	1,095,962	265,302	44,770	310,072	144,733	1,550,767
Allocated segment expenses	(685,956)	(317,287)	(56,279)	(373,566)	(112,638)	(1,172,160)
Impairment loss on goodwill	-	-	(15,200)	(15,200)	-	(15,200)
Segment operating income / (loss)	**410,006**	**(51,985)**	**(26,709)**	**(78,694)**	**32,095**	**363,407**
Unallocated expenses						
Cost of goods sold						(128,478)
Selling, general and administrative expenses						(285,892)
Depreciation and amortization						(126,800)
Other income / (expense), net						27,112
Finance income						27,436
Finance expenses						(80,294)
Share of profit of equity accounted investee						1,525
Profit or (loss) before tax						**(201,984)**
Income tax(expense)/benefit						(45,038)
Profit/(loss) for the period						**(247,022)**

Nine months ended December 31, 2009

	Corporate network / data services	Internet access services	Online portal services	Consumer one	Other services	Total
		A	B	A+B		
Segment revenue	4,017,054	582,284	104,461	686,745	408,496	5,112,295
Allocated segment expenses	(2,971,223)	(600,000)	(111,901)	(711,901)	(304,545)	(3,987,669)
Impairment loss on intangibles including goodwill	-	-	(47,269)	(47,269)	-	(47,269)
Segment operating income / (loss)	**1,045,831**	**(17,716)**	**(54,709)**	**(72,425)**	**103,951**	**1,077,357**
Unallocated expenses						
Cost of goods sold						(363,792)
Selling, general and administrative expenses						(724,681)
Depreciation and amortization						(483,094)
Other income / (expense), net						102,361
Income from legal settlement						561,120
Finance income						22,588
Finance expenses						(170,263)
Share of profit of equity accounted investee						64,609
Profit or (loss) before tax						**86,205**
Income tax(expense)/benefit						81,479
Profit/(loss) for the period						**167,684**

Nine months ended December 31, 2008

	Corporate network / data services	Internet access services	Online portal services	Consumer one	Other services	Total
		A	B	A+B		
Segment revenue	3,177,625	888,792	144,325	1,033,117	414,651	4,625,393
Allocated segment expenses	(2,079,672)	(1,004,502)	(168,343)	(1,172,845)	(359,810)	(3,612,327)
Impairment loss on goodwill	-	-	(15,200)	(15,200)	-	(15,200)
Segment operating income / (loss)	**1,097,953**	**(115,710)**	**(39,218)**	**(154,928)**	**54,841**	**997,866**
Unallocated expenses						
Cost of goods sold						(364,551)
Selling, general and administrative expenses						(860,746)
Depreciation and amortization						(360,168)
Other income / (expense), net						60,697
Finance income						92,693
Finance expenses						(166,093)
Share of profit of equity accounted investee						38,622
Profit or (loss) before tax						**(561,680)**
Income tax(expense)/benefit						(85,368)
Profit or (loss) for the year						**(647,048)**

20. Capital commitments

Contracts pending to be executed on capital account as at December 31, 2009 and not provided for amounted to Rs.44,371 (net of advances Rs.13,510), [March 31, 2009 Rs.322,607 (net of advances Rs,177,183)]. In addition, the Company has a commitment to make payments aggregating to Rs.466,800 (USD 10 million) to Emirates Integrated Telecommunications Company PJSC under the agreement supply of capacity from the Europe India Gateway, of which the Company has already made payments amounting to Rs.261,414 (USD 5.60 million) as at December 31, 2009.

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 December 31, 2009

Lease obligations	**Total**	**Less than 1 year**	**1-5 years**	**More than 5 years**
Non-cancellable operating lease obligations	1,639,666	122,699	408,182	1,108,785
Non-cancellable obligations towards proposed lease *	2,423,554	-	549,538	1,874,016

As at March 31, 2009

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

***** VALS Developers Private Limited (“VALS”) is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, in which Mr. Raju Vegesna, our principal share holder and Chief Executive Officer, is holding 94.66% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into a Memorandum of Understanding (‘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 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 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.

21. 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

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

These demands were primarily alleged that Sify has not paid license fee on the following;

- Certain items of income have been considered by DOT as licensed activities for payment of licensee fee as the information was not available to DOT.

- Certain items like other income, interest on deposits, gain on foreign exchange fluctuation, profit on sale of assets, provision written back has been considered by DOT as income eligible for licensed activities as against the Company's claim that they are not liable for license fee.

  The Company has responded to the above said 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 which has clarified in its Order that the items of income which are liable for license fee and items of income on which license fees are not liable to be paid. However the TDSAT Order has been challenged in Supreme Court by DoT and Associations of service providers and finality would be arrived only after the decision of the Court. The Company currently pays license fee in accordance with the TDSAT Order and 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) During the period, 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 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 on Sify.

c) The Group is party to additional legal actions arising in the ordinary course of business. Based on the available information, as at March 31, 2010, Sify 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 on Sify. However in the event of adverse judgement in all these cases, the maximum financial exposure would be Rs 9,051 (March 31, 2009: Rs 9,200)

22. Acquisition of non-controlling interest in subsidiary

The Board of Directors and shareholders of the Company at their meeting held on November 24, 2008 approved the merger of Sify's subsidiary Sify Communications Limited, subject to approval by the Honourable High Court of Madras and other statutory authorities. Subsequently, the Company obtained the approval of Honourable High Court on June 26, 2009 which is binding on the Company and its subsidiary Sify Communications Limited and as part of the merger, the Company issued 10,530,000 equity shares to Infinity Satcom Universal Pvt. Limited (a company promoted by the principal shareholders of Sify) and acquired the remaining 26% equity interest of Sify Communications Limited. Although the merger was approved by the High Court on June 26, 2009, which is considered as the acquisition date for accounting purposes, for Income-tax purpose the effect of merger is retrospectively applied from April 1, 2008. The acquisition of this non-controlling interest has been accounted as a transaction with equity holders in their capacity as equity holders and accordingly no goodwill has been recognized. As a result of the acquisition of non-controlling interest, the following adjustments were incorporated in the unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2009:

- As a consequence of the merger, the Company was eligible under the Indian Income-tax laws to consolidate the Income-tax returns of Sify and Sify Communications Limited retrospectively from April 1, 2008. Accordingly, the taxable income reported by Sify Communications Limited for the period subsequent to April 1, 2008 has been off-set against the previously fully reserved business losses of the Company. This resulted in the reversal of income tax liabilities aggregating to Rs.90,003 and a write off of deferred tax assets of Rs.8,524 during the nine months ended December 31, 2009.

- Consequent to the approval of the merger by the Honorable High Court on June 26, 2009, the Company was obliged to issue 10,530,000 shares which the Company has duly issued on July 16, 2009, and accordingly, the fair value of shares to be issued as at June 26, 2009 has been considered as the consideration for the acquisition of the non-controlling interest. The difference between the fair value of the consideration paid and the face value of equity shares issued is recorded as share premium and the difference between the fair value of the consideration paid and the carrying amount of non-controlling interests is recorded as an adjustment in equity and is included as part of share premium.

23. IPO Listing

The Ministry of Finance of the Government of India (‘MoF’) issued a press release dated March 31, 2006, making amendments to the ’Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993’ (‘the Scheme’). The amendments included a statement that unlisted Companies which had accessed FCCBs, ADR/GDRs in terms of guidelines of May 22, 1998 and are not making profit, be permitted to comply with listing condition on the domestic stock exchanges within three years of having started making profit. Further, the press release states that no fresh issues of FCCBs, ADR/GDRs by such companies will be permitted without listing first in the domestic exchanges. Since the Company has made one time book profits in the financial year 2006-07, the Company has applied to MoF through its letter dated September 10, 2009, requesting the MOF:

i. to provide extension of time for listing the shares in the Indian stock exchanges

ii. to grant a special permission to issue shares on rights basis to the existing shareholders

Subsequently on November 9, 2009, the MoF has informed that the Company’s request was not in accordance with the existing policy. The Company again on March 4, 2010 has applied to MoF reiterating its previous request and the Ministry of Finance has again informed the Company that such request is not in accordance with the existing policy. The Company, based on a legal opinion, believes that there are no financial implications that would arise in connection with said press release by MoF.

24. Contingencies

a) During the previous years, the Group had received assessment orders from the Income-tax Department of India for various financial years disallowing certain expenditure like bandwidth charges and foreign currency payments for non-deduction of withholding taxes. The Company appealed against those order before Commissioner of Income Tax (Appeals) (CIT(A)) and received favourable orders. The department has filed appeals before Income Tax Appellate Tribunal (ITAT) disputing CIT(A) orders. The group believes that the appeal by the department is not sustainable and consequently no loss contingency is necessary as at December 31, 2009.

b) Contingencies due to certain service tax claims as at December 31, 2009 amounted to Rs 33,280 (March 31, 2009: Rs.19,637).

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

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

25. Related party transactions

The following is a summary of significant transactions with related parties:

Transactions	**Nine months ended December 31, 2009**	**Nine months ended December 31, 2008**
Consultancy services received	180	180
Sale of services (Refer Note 1 below)	-	6,473
Issuance of shares on amalgamation of erstwhile Sify Communications limited with Sify Technologies limited	842,837	-
Amount of outstanding balances	**-**	**-**
Debtors	-	523
Advance lease rentals and refundable deposits made (Refer note 2 below)	282,825	282,825

Note

1. Represents invoices raised in relation to services rendered to MF Global Sify Securities Private Limited, an equity accounted affiliate.

2. Represents deposits made to VALS Developers Private Limited ("VALS").VALS is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, in which Mr. Raju Vegesna, our principal share holder and Chief Executive Officer, is holding 94.66% equity in his personal capacity. During the year ended March 31, 2009, Sify entered into a Memorandum of Understanding ('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 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 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.

26. 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, 2009.

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.

27. Group entities

The following are the entities that comprise the group as of December 31, 2009 and March 31, 2009

Particulars	**Country of incorporation**	**% of Ownership interest**	
Significant subsidiaries		**December 31, 2009**	**March 31, 2009**
Sify International Inc	US	100	100
Sify Software Limited (formerly known as Sify Networks Private Limited)	India	100	100
Sify Technologies (Singapore) Pte Limited	Singapore	100	--
Associates			
MF Global-Sify Securities India Private Limited	India	29.85	29.85

28. Subsequent event

Issuance of shares to existing promoter group

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 approxiamately US$ 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 and brother of Mr Raju Vegesna (the "Offreing"). 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 AnandaRaju Vegesna, acting as representative (the "Representative") of the purchasers in connection with the offering. The company issued 125,000,000 equity shares to the Representative on October 30, 2010. In accordance with Indian law, a portion of the purchase price was paid on October 30,2010, with the remaining amount of the purchase price to be paid 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 beneficially holds approxiamately 86.4% of the outstanding equity shares of the company.

Recent Accounting Pronouncements

a) Standards early adopted by the Company

- *IFRS 3 (Revised), Business Combinations,* as amended, is applicable for annual periods beginning on or after July 1, 2009. This standard was early adopted by the Group as at April 1, 2009. Business Combinations consummated after April 1, 2009 will be recorded under this standard. IFRS 3 (Revised) primarily requires the acquisition-related costs to be recognized as period expenses in accordance with the relevant IFRS. Costs incurred to issue debt or equity securities are required to be recognized in accordance with IAS 39. Consideration, after this amendment, will include fair values of all interests previously held by the acquirer. Re-measurement of such interests to fair value would be carried out through net profit in the statement of comprehensive income. Contingent consideration is required to be recognized at fair value even if not deemed probable of payment at the date of acquisition.

IFRS 3 (Revised) provides an explicit option on a transaction-by-transaction basis, to measure any Non-controlling interest (NCI) in the entity acquired at fair value of their proportion of identifiable assets and liabilities or at full fair value. The first method will result in a marginal difference in the measurement of goodwill from the existing IFRS 3; however the second approach will require recording goodwill on NCI as well as on the acquired controlling interest. Upon consummating a business combination in future, the company is likely to adopt the first method for measuring NCI.

- IAS 27, as amended, is applicable for annual periods beginning on or after July 1, 2009. Earlier adoption is permitted provided IFRS 3 (Revised) is also early adopted. This standard was early adopted by the Company as at April 1, 2009. It requires a mandatory adoption of economic entity model which treats all providers of equity capital as shareholders of the entity. Consequently, a partial disposal of interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity. Additionally purchase of some or all of the non-controlling interests is treated as treasury transaction and accounted for in equity and a partial disposal of interest in a subsidiary in which the parent company loses control triggers recognition of gain or loss on the entire interest. A gain or loss is recognized on the portion that has been disposed off and a further holding gain is recognized on the interest retained, being the difference between the fair value and carrying value of the interest retained. This Standard requires an entity to attribute their share of net profit / loss and reserves to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Consistent with the provisions of IFRS 3 (Revised), the Group accounted for its acquisition of 26% non-controlling interest in Sify Communications Limited on June 26, 2009 as an equity transaction. Also refer to note 21.

b) Recently adopted accounting pronouncements

- The Company adopted *IAS 1 (revised), "Presentation of Financial Statements"*, effective April 1, 2009. The revision aims to improve users' ability to analyze and compare the information given in financial statements. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The revisions include non-mandatory changes in the titles of some of the financial statements to reflect their function more clearly (for example, the balance sheet is renamed as statement of financial position). The revised IAS 1 resulted in consequential amendments to other standards and interpretations. The Group has applied revised *IAS 1 Presentation of Financial Statements (2007)*, which has became effective as of April 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Furthermore, the Group has included two statements to display all items of income and expense recognized during the period i.e., a 'Statement of Income' and a 'Statement of Comprehensive Income'. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings/ loss per share.
- *IFRIC 18 – 'Transfer of assets from customers'* defines the treatment for property, plant and equipment transferred by customers to companies or for cash received to be invested in property, plant and equipment that must be used to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to both. The item of property, plant and equipment is to be initially recognized by the Company at fair value with a corresponding credit to revenue. If an ongoing service is identified as a part of the agreement, the period over which revenue will be recognized for that service would be determined by the terms of the agreement with the customer. If the period is not clearly defined, then revenue should be recognized over a period no longer than the useful life of the transferred asset used to provide the ongoing service. This interpretation is applicable prospectively to transfers of assets from customers received on or after July 1, 2009. The Company has adopted this interpretation prospectively for all assets transferred after July 1, 2009. There has been no impact on the Group's consolidated financial statements as a result of the adoption of this interpretation.

- In March 2009, the Amendments to *IFRS 7* "*Financial Instrument disclosure*", amended certain disclosure requirements in the standard. As a result, entities are required to classify fair value measurements for financial instruments measured at fair value in the statement of financial position, using a three level fair value hierarchy that reflects the significance of inputs used in the measurements. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risks to which an entity is exposed. The Amendments to IFRS 7 apply for annual periods beginning on or after January 1, 2009 and provides an exception in the first year of application for providing comparative information.

c) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the period December 31, 2010, and have not been applied in preparing these unaudited condensed consolidated interim 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 October 2009, the IASB issued "*Classification of Rights Issue – Amendment to IAS 32 Financial Instruments: Presentation'* with an effective date of February 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.

Critical 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 2009 except for the following:

(i) The Group has applied revised *IAS 1 Presentation of Financial Statements (2007)*, which has became effective as of April 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Furthermore, the Group has included two statements to display all items of income and expense recognized during the period i.e., a 'Statement of Income' and a 'Statement of Comprehensive Income'. This presentation has been applied in these Unaudited Condensed Consolidated Interim Financial Statements as of and for the three months and nine months ended December 31, 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings/ loss per share.

(ii) During the quarter ended June 30, 2009, the Company started generating revenues from a construction contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the cost incurred till date to the total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.