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Board of Directors

Sify Technologies Limited

Raju Vegesna
Chairman, Managing Director & CEO

Ananda Raju Vegesna
Executive Director

T H Chowdary

C B Mouli

P S Raju

S K Rao

S R Sukumara

Audit Committee

C B Mouli
Chairman & Financial Expert

S K Rao

S R Sukumara

Compensation Committee

T H Chowdary
Chairman

P S Raju

S K Rao

S R Sukumara

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Registered Office

2nd Floor, Tidel Park
4, Rajiv Gandhi Salai
Taramani, Chennai 600 113

Bankers

State Bank of India
AXIS Bank Limited
Oriental Bank of Commerce
IDBI Bank Limited
Citibank N.A.
ICICI Bank Limited

Auditors

ASA & Associates
Chartered Accountants
Chennai

DIRECTORS' REPORT

Dear Members,

Your Directors present the Sixteenth Annual Report together with the audited financials of your Company for the financial year ended March 31, 2012.

Financial highlights

₹ in million

Details	Year ended March 31, 2012	Year ended March 31, 2011
Income from operations	**6,971**	6,566
Other Income	**200**	156
Earnings Before Interest, Tax, Depreciation & Amortization	**717**	386
Depreciation and amortization	**(687)**	(682)
Financial expenses	**(274)**	(246)
Profit / (Loss) for the year before tax	**(244)**	(542)
Taxation including Fringe Benefit Tax	**(4)**	–
Loss for the year	**(240)**	(542)

Financial Review

During the year under review, your Company registered a revenue of Rs.6,971 million as against Rs.6,566 million in the previous year recording a marginal growth of 6%. The EBITDA for the year was Rs.717 million, as compared to Rs.386 million in the previous year, a growth of 86%. The loss before tax for the year was Rs.244 million compared to Rs.542 million during the previous year, which is lower by Rs.298 million (55%), reflecting improvement in the performance of the Company.

Major Corporate Developments

Issue of fresh capital

In terms of the Subscription Agreement executed with the Company, the Promoters have paid in Rs.1500 million during the year thus aggregating to Rs.2500 million towards the subscription of 125 million Equity Shares on private placement. The remaining Rs.1500 million would be called upon by the Board of Directors in such installments closer to the time when the funds would be required by the Company for its various ongoing projects during the validity of the Agreement.

Divestment of stake in MF Global Sify Securities India Private Limited

Consequent to the bankruptcy of MF Global Overseas Limited, UK, the holding Company of MF Global Sify Securities India Private Limited, your Company has entered into a Sale and Purchase of Shares Agreement with Phillip (Mauritius) Private Limited and MF Global Sify Securities India Private Limited Management Employees Trust for divestment of the entire stake of the Company in MFG Sify for a consideration of USD 25 million. The transaction is expected to be consummated before end July 2012.

Acquisition of new subsidiaries

During the year under review, the Company has acquired M/s Hermit Projects Private Limited (HERMIT), New Delhi for the setting up of state-of-art Data Center Project at Noida, through its wholly owned subsidiary M/s Pace Info Com Park Private Limited (PACE), the original allottee of the land at Noida, U.P.

Merger of subsidiary Companies

The Company has shifted the Registered Office of both HERMIT and PACE, the wholly owned subsidiaries, from New Delhi to the State of Tamilnadu for administrative convenience and to save costs.

As HERMIT does not have any operations, it is proposed to merge the same with PACE, its subsidiary effective April 1, 2012. This will help to save administrative, legal and compliance costs.

The proposed merger is subject to the approval of the shareholders of both the Companies and the Hon'ble High Court of Judicature at Madras.

Inclusion of the Company in the NASDAQ Global Select Market

Your Directors are pleased to inform you that based on the annual review of NASDAQ, your Company has been included in the NASDAQ Global Select Market. Pursuant to this acknowledgement, NASDAQ has notified that the Company's securities were listed on this market effective January 3, 2012.

It is a recognition from a market applying the most stringent financial listing standards and corporate governance in the world, and significant acknowledgement of your Company's consistent pursuance of ethical corporate governance, financial and business practices.

Business Review

The Enterprise Services (consisting of both Network services and IT services) accounted for Rs. 6285 million; around 91% of the total revenue of the Company. On a year on year basis, the Enterprise business has grown by around 9% in terms of revenue.

The Wireless access links have increased by 27% over same time last year. Revenue from Data services is up by 6% over last year. While margins continued to be under pressure in the high volume Voice business, the business in Wholesale Voice grew by 21% over last year.

Your Company entered into a very elite club by becoming the first ICT player and among only a handful few to own an undersea cable landing station in India. Simultaneously, your company's investment in EIG cable system went live during this financial year.

Your Company continues to be a partner of choice for global carriers, with our Carrier business registering a growth of 20 % in revenues over last year. Your Company has entered into an agreement with STC, the largest operator in Saudi Arabia to support their network extension in India. Significant wins this year were a National Banking major and large orders from a National level Retail and Healthcare major.

Revenue of IT Services has grown by 24% over the last year.

Your Company bagged several large clients this year. Some of them were long term contracts for Managed Services from an automobile major, one of India's largest commodity exchanges and a national body of Practising Accountants. Significant Hosting Services orders came in from two of India's IT majors and a telecom major.

Your Company also won orders for its Enterprise Cloud Services from two large banks, an automobile and a travel major, a State Government and several IT players.

Our long running partnership with an IT major has been further strengthened with repeat orders this year too.

On the services front, your Company has launched Desktop-as-a-Services (DaaS), IP Surveillance and Cloud Disaster Recovery as a service. The Company introduced new Information Security Consulting service which involved ERP application suite assessment, control audit, business process audit and IS audit.

Your Company's Data Center capacity will receive a huge fillip with the new Tier III facilities coming up in Noida and Rabale to be launched in the later half of Year 2012.

Your Company is also becoming regular at the national award forums and this year was no exception. Your Company won the Best Telecom Data Center Award for the Year 2011 by CMAI, the second year in succession.

Recognition also came from industry peers with VMware awarding Sify "The best Service Provider Partner Award for FY 2011. This unique distinction carries a high credential as the "first V-Cloud Powered Partner" for VMware in India.

Gartner Inc, a research giant, in their report on India Datacenter report analysis, has acknowledged your Company as one of the India's largest Data Center players.

The Commercial and Consumer business accounted for Rs 390 million, about 6% of the total revenue of the Company during the year under review.

The reengineering of the Consumer Services Division effected since the last year was consolidated on the ground with specific products and services. Marketing teams with knowledge of Tier II and Tier III markets and the SOHO / SMB segments were drafted to ensure complicity in the larger plan.

Your Company is proud to record that Sify.com became the first website to partner "The Hindu" to do a live web-streaming of the Union Budget 2012 across the websites of Sify.com, The Hindu and Business line.

Your company launched online storage as a product for the Emerging Enterprise space. The big differentiator with this product is that it automates the backup and storage of even your desktop eliminating the need to invest in conventional backup systems.

Sify mystorage is a furtherance of the Sify mylife ecosystem and pans both retail and emerging enterprises.

Technology Initiatives

- Sify's network now reaches 721 cities with 1464 base stations across the country.
- Post the launch of cable landing station in Mumbai, the Company now has a second cable landing at the same facility catering to the Middle East and African continents.
- The Company launched audio conferencing and videoconferencing for Large and Emerging Enterprises this year.

Business reorganization:

In keeping with the ultimate goal of being a premier converged ICT player, the Strategic Business Unit (SBU) has been recast into Network and IT services vertical to reflect deeper focus.

- Network services consist of Connectivity services, Managed services, Network integration, Communication services and Carrier services.
- IT services will comprise of Hosting services, Enterprise cloud services, Managed services, Security services and System Integration.
- Under Software services, we offer Talent Management Solutions, Collaborative Applications and Business Solutions through Sify Software Limited, a wholly owned subsidiary of the Company.

Subsidiary Companies and Associate Company

Sify Software Limited

During the year under review, the Company reported a revenue of Rs.591.90 million as against Rs. 494.80 million in the previous year ended March 31, 2011. The loss incurred was Rs.238 million as compared to Rs. 120.62 million in the previous year.

Sify Technologies (Singapore) Pte. Ltd.

During the year under review, the Company reported a revenue of Rs.400.03 million as against Rs.5.64 million in the previous year. The profit incurred was Rs. 3.50 million as compared to Rs.1.06 million in the previous year.

Sify International Inc.

During the year under review, the Company reported a revenue of Rs.12.71 million as against Rs.16.56 million in the previous year. The loss was Rs. 0.12 million as against profit of Rs. 1.36 million in the previous year.

MF Global Sify Securities India Private Limited

During the year under review, the Associate Company registered revenue of Rs.737.68 million against Rs. 1397.26 million in the previous year. The Net Profit for the year under review was Rs. 53.82 million as compared to Rs. 258.69 million in the previous year.

Consequent to the execution of Sale and Purchase of Shares Agreement for divestment of stake in MF Global Sify Securities India Private Limited and the likely completion of the transaction by end July 2012, this Company will cease to be an affiliate of your Company.

Corporate governance

Your Company is compliant with the requirements of SEC / NASDAQ Regulations relating to the independence of Directors in Board, Audit, Compensation and Nominating Committees.

Your Company ensures strict compliance of the Whistle Blower Policy and Code of Conduct for the Board of Directors and Senior Management.

The applicable provisions of Sarbanes Oxley Act of 2002 are fully complied with.

Directors

Mr S R Sukumara, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Your Directors recommend his reappointment.

Audit Committee

The present Audit Committee consists of Mr C B Mouli, Dr S K Rao and Mr S R Sukumara.

Compensation Committee

The present Compensation Committee consists of Dr T H Chowdary, Dr S K Rao, Mr P S Raju and Mr S R Sukumara.

Remuneration Committee

The present Remuneration Committee consists of Dr T H Chowdary, Dr S K Rao and Mr S R Sukumara.

Nominating Committee

The present Nominating Committee consists of Dr T H Chowdary, Dr S K Rao and Mr S R Sukumara.

Directors' Responsibility Statement

Your Directors state:

((i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) that they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

(iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) that they had prepared the annual accounts on a going concern basis.

Auditors

Our Statutory Auditors, M/s ASA & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment.

Cost Auditors

The Central Government has notified the Cost Audit of the Company's records under Cost Accounting Records (Telecommunication Industry) Rules 2011. In terms of the Rules, the Company is required to conduct the audit of its Cost Accounting records and submit the Report to the Government before September 30 every year from the financial year 2012-13 onwards. Your Company has appointed Mr A Madhavan (Regn. No. 3034) as the Cost Auditor to conduct the cost audit under Section 233B (1) of the Companies Act, 1956.

Fixed Deposits

Your Company has not accepted any deposits and as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

Conservation of Energy and Technology Absorption

In view of the nature of activities that are being carried out by the Company, the particulars prescribed under clause (e) of sub section (1) of Section 217 of the Indian Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 on conservation of energy and technology absorption are not applicable to the Company.

Foreign Exchange Earnings and Outgo

During the year, the Company earned foreign exchange of Rs. 2449 million and the outgoing in foreign exchange were Rs.608 million.

Employees' Particulars in terms of Section 217(2A) of the Indian Companies Act, 1956

The statement containing the particulars of employees as required under Section 217(2A) of the Companies Act, 1956 forms part of this report. However, in terms of Section 219(1) (b) (iv) of the said Act, the same is open for inspection at the Registered Office of the Company. Copies of this statement may be obtained by the members by writing to the Company Secretary at the Registered Office.

Acknowledgement

Your Directors take this opportunity to thank all investors, customers, vendors, banks and Government authorities for their continued support. Your Directors also wish to place on record their appreciation of the valuable contribution made by the employees.

For and on behalf of the Board

C B Mouli	***Ananda Raju Vegesna***	***Raju Vegesna***
Director	Executive Director	Chairman & Managing Director

Chennai
July 24, 2012

AUDITORS' REPORT TO THE MEMBERS OF SIFY TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of **SIFY TECHNOLOGIES LIMITED** ("the Company") as at March 31, 2012 and the related Profit and Loss statement and cash flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004 (together the "order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

   (c) The Balance Sheet, Profit and Loss statement and cash flow statement dealt with by this report are in agreement with the books of accounts.

   (d) In our opinion, the Balance Sheet, Profit and Loss statement and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act.

   (e) On the basis of written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274 (1)(g) of the Act.

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;

      (ii) in the case of the Profit and Loss statement, of the loss for the year ended March 31, 2012; and

      (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **ASA & Associates**
Chartered Accountants
Firm's Registration No.: 009571N

J. Sivasankaran
Partner
Membership No. 022103

Chennai
July 16, 2012

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Sify Technologies Limited on the financial statements for the year ended March 31, 2012]

i. (a) The Company is maintaining proper records showing full particulars including quantitative details of fixed assets. The Company is in the process of integrating the situation details of fixed assets into fixed asset records.

(b) The Company has a regular programme of physical verification of fixed assets in a phased manner in a period of three years. The Company is in the process of reconciliation of the results of the verification with the book records, to identify the discrepancies, if any.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed asset have not been disposed of by the Company during the year.

ii (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records, which have been properly dealt with in the books of accounts, were not material.

iii (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

iv. In our opinion and according to the information and explanations given to us there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

v. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.

vii In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

viii The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the Company.

ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax/Value Added Tax (VAT), wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax/ Value Added Tax (VAT), wealth tax,service tax, customs duty, excise duty and cess as at March 31, 2012 which have not been deposited on account of a dispute are as follows:

Name of the Statute	Period to which it relates	Amount in ₹ lakhs	Forum where pending
Finance Act, 1994 (Service tax)	01-04-2005 to 31-03-2006, 01-04-2006 to 30-09-2006, 01-10-2006 to 30-09-2007, 01-10-2007 to 31-03-2008	3,216	CESTAT, Chennai
	April 2008 & May 2008	111	
	Oct 2005 to Mar 2006	361	
	Prior to 16-May-2009	138	
	Oct 2005 to Mar 2010	2,780	
	Oct 2005 to Mar 2009	156	
	Apr 2005 to Sept 2005	7	Commissioner, LTU, Chennai
	Oct 2005 to Mar 2010	344	
	Apr 2005 to Mar 2010	718	
	Apr 07 to Mar 09	4	
	Apr 10 to Mar 11	31	
	Apr 10 to Mar 11	51	
	Apr 10 to Mar 11	236	
	Apr 10 to Mar 11	93	
	May 06 to Jun 11	480	
Uttar Pradesh Value Added Tax Act, 2008	2003-04 to 2005-06	127	At Various levels including Joint Commissioner (Appeals), Commercial Tax Officer, etc
	2011-12	11	Commercial Tax Officer, UP
Income Tax Act, 1956	2007-08	850	Commissioner of Income Tax (Appeals) Chennai

x The accumulated losses of the Company are less than 50% of the net-worth of the Company as at the end of the financial year. The Company has not incurred cash loss in the current year or in the immediately preceding financial year.

xi According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of any dues to financial institution or banks as at the balance sheet date.

xii The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

xiii The provisions of any special statute applicable to Chit fund/Nidhi/Mutual benefit fund/ Societies are not applicable to the Company.

xiv In our opinion, the Company is not a dealer or trader in shares, securities, debentures or other investments.

xv In our opinion and according to the information and explanations given to us, the Company has given a Corporate guarantee for working capital loans availed from a bank by a wholly owned subsidiary company of the Company.

xvi In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

xvii On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

xviii The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

xix The Company has not issued any debentures.

xx The Company has not raised any money by public issues during the year.

xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **ASA & Associates**
Chartered Accountants
Firm's Registration No.: 009571N

J. Sivasankaran
Partner
Membership No. 022103

Chennai
July 16, 2012

Balance Sheet as at March 31, 2012

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note C	As at March 31, 2012	As at March 31, 2011
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share capital	1	13,292	8,588
(b) Reserves and surplus	2	45,535	37,421
		58,827	46,009
(2) Non - current liabilities			
(a) Long term borrowings	3	2,893	3,888
(b) Other long term liabilities	4	2,097	1,657
(c) Long term provisions	5	299	318
		5,289	5,863
(3) Current liabilities			
(a) Short term borrowings	6	9,639	12,740
(b) Trade payables	7 & 41	20,219	16,168
(c) Other current liabilities	8	10,655	11,549
(d) Short term provisions	5	25	26
		40,538	40,483
TOTAL		104,654	92,355
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	28,669	30,733
(ii) Intangible assets	10	860	845
(iii) Capital work in progress		3,031	-
(iv) Intangible assets under development		5,399	4,601
(b) Non-current investments	11	5,110	6,378
(c) Long term loans and advances	12	14,144	10,826
(d) Other non current assets	13	799	338
		58,012	53,721
(2) Current assets			
(a) Current investments	14	1,549	-
(b) Inventories	15	195	156
(c) Trade receivables	16	22,967	18,559
(d) Cash and bank balances	17	8,323	5,051
(e) Short term loans and advances	18	12,570	13,598
(f) Other current assets	19	1,038	1,270
		46,642	38,634
TOTAL		104,654	92,355
Significant accounting policies and notes to the financial statements	B & C		

The notes referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date.

for **ASA & Associates**
Chartered Accountants
Firm Registration No. 009571N

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No. 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
July 16, 2012

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Profit and Loss Statement for the year ended March 31, 2012

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Note C	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue from operations	22	69,708	65,660
Other income	23	1,999	1,561
Total Revenue		71,707	67,221
EXPENSE			
Cost of goods sold and services rendered	24	40,197	38,024
Employee benefits expense	25	9,775	10,069
Finance costs	26	2,743	2,458
Depreciation and amortisation	9 & 10	6,867	6,824
Other expenses	27	14,562	15,269
Total expenses		74,144	72,644
Profit / (Loss) before taxation		(2,437)	(5,423)
Provision for taxation:			
- Current tax		-	-
- Deferred tax		-	-
- Fringe benefit tax (net of credit relating to earlier years)		37	-
Profit / (Loss) for the year		(2,400)	(5,423)
Earnings per equity share (Rs. 10 paid up)	44		
Basic		(2.32)	(8.32)
Diluted		(2.32)	(8.32)
Earnings per equity share Rs. 6.25 (March 31, 2011 : Rs. 2.50) **paid up**		(1.45)	(2.08)
Significant accounting policies and notes to the financial statements	B & C		

The notes referred to above form an integral part of the Profit and loss statement.
This is the Profit and loss statement referred to in our report of even date.

for **ASA & Associates**
Chartered Accountants
Firm Registration No. 009571N

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No. 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
July 16, 2012

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

(All amounts are in Indian ₹ lakhs except share data and as stated)

		For the year ended March 31, 2012	For the year ended March 31, 2011
Profit / (Loss) before taxation		(2,437)	(5,423)
Adjustments for:			
Depreciation and amortisation		6,867	6,824
Finance expenses (considered separately)		2,272	2,155
Provision for doubtful debts (including bad debts written off and provision written back) (net)		1,241	1,584
Employee stock compensation expense		2	19
Provision for doubtful advances		36	-
Duty credit entitlement written off		200	416
Unrealised foreign exchange fluctuation loss/(gain), net		240	13
Duty credit entitlement		-	(212)
Interest income (considered separately)		(146)	(199)
(Profit) / loss on sale of fixed assets, net		(6)	(6)
Operating profit / (loss) before exceptional item and before working capital changes		*8,269*	*5,171*
Adjustment for:			
(Increase)/decrease in sundry debtors		(5,198)	(2,020)
(Increase)/decrease in inventories		(37)	58
(Increase)/decrease in long term loans and advances		(2,621)	(552)
(Increase)/decrease in short term loans and advances		(338)	(1,096)
(Increase)/decrease in non current assets		(461)	(213)
(Increase)/decrease in other current assets		(18)	(15)
Increase/(decrease) in trade payables		3,720	919
Increase/(decrease) in other long term liabilities		439	51
Increase/(decrease) in other current liabilities		(591)	895
Increase/(decrease) in long term provisions		(19)	(46)
Increase/(decrease) in short term provisions		(1)	-
Cash flows (used in) / from operating activities		*3,144*	*3,152*
Taxes refunded received		1,571	(301)
Net cash flows from / (used in) operating activities	***(A)***	*4,715*	*2,851*
Purchase of fixed assets		(7,226)	(3,897)
Sale proceeds of fixed assets		10	31
Interest income received		190	347
Investment in Hermit Projects Private Limited		(280)	-
Advance to subsidiaries (net)		(1,282)	-
Advance for purchase of shares		-	(4,001)
Net cash used in investing activities	***(B)***	*(8,588)*	*(7,520)*
Cash flows from financing activities			
Proceeds from issuance of share capital		15,000	10,000
Proceeds from Exercise of Associate Stock Options		214	-
Increase/(decrease) in long term borrowings		(2,230)	(1,459)
Increase/(decrease) in short term borrowings		(3,416)	(4,829)
Interest paid		(2,378)	(2,570)
Net cash (used in)/ from financing activities	***(C)***	7,190	*1,142*
Effect of exchange differences on translation of cash and cash equivalents		(45)	(5)
Net increase/(decrease) in cash and cash equivalents during the period		*3,272*	*(3,532)*
Cash and cash equivalents at the beginning of the period		5,051	8,583
Cash and cash equivalents at the end of the period *		*8,323*	*5,051*
* Cash and cash equivalents subject to lien		1,228	594

This is the cash flow statement referred to in our report of even date.

ffor **ASA & Associates**
Chartered Accountants
Firm Registration No. 009571N

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No. 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
July 16, 2012

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

(All amounts are in Indian ₹ lakhs except share data and as stated)

A BACKGROUND

1. Description of business

Sify Technologies Limited ('Sify' or 'the Company') is a Company domiciled in India. The address of the Company's registered office is 2nd Floor, Tidel Park, 4, Rajiv Gandhi Salai, Taramani, Chennai - 600113, India. The Company is primarily involved in providing services such as Network and IT services, Internet Access Services, Online Portal and Content offerings, Software services and in selling Hardware and Software related to such services. Sify was incorporated on December 12, 1995 and is listed on the NASDAQ Global Select Market.

B SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The financial statements of the Company have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of the Institute of Chartered Accountants of India and the provisions of Companies Act, 1956, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standards requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set-out in schedule VI to the Companies Act, 1956. Based on the nature of products and services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

2. Use of estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include estimates of provision for diminution in the value of investments, provision for doubtful debts, future obligations under employee retirement benefit plans and useful life of fixed assets and intangible assets. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively.

3. Revenue recognition

Revenue from the sale of goods is measured at the value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from services rendered is generally recognized in proportion to the stage of completion of the transaction at the reporting date. The revenue recognition policies in respect of various streams of revenue are described in detail below.

Enterprise Services

Revenues from Enterprise services include Network services revenue and IT services revenue. Network Service revenue includes connectivity services and voice services and to a lesser extent revenues from the sale of hardware and software purchased from third party vendors. IT service revenues consists of hosting services, Managed Services including Infrastructure Managed Services, System Integration Services including revenue from construction of data centers and to a lesser extent revenue from digital certificate based authentication services, Data Center Services and Security and Information Assurance services.

In certain cases, these elements are sold as a package consisting of all or some of the elements. In these cases it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction with different revenue allocations for each component. These multiple element arrangements are recognised as separable elements because each element constitutes a separate earning process, each element has a fair value that is reliable, verifiable and objectively determinable, and the undelivered element is not essential to functionality of the delivered elements.

The Company provides connectivity for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised rateably over the period of the contract. The revenue attributable to the installation of the link is recognised on completion of the installation work.

The Company provides NLD (National Long Distance) and ILD (International Long Distance) services through Company's network. The Company carries voice traffic, both national and international, using the network back-bone and delivers voice traffic to Inter-connect Operators. Revenue is recognised based upon metered call units of voice traffic terminated on the Company's network.

Web hosting service revenues primarily include co-location services and value added services. Revenue from hosting services is recognised over the period during which the service is provided.

The Company remotely manages the IT infrastructure of global enterprises outside India from India. The contracts are on time and material basis and revenues are recognised accordingly.

Revenue from construction contract represents revenue from construction of data centres to the specific needs and design of the customer. Such 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 the statement of profit or loss.

Digital Certification revenues include income received on account of Web certification. Generally the Company does not hold after sale service commitments after the activation of the Digital Certificates sold and accordingly, revenue is recognised fully on the date of activation of the respective certificate. Billing towards one time installation / training is recognised upon completion thereof.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Commercial and Consumer Services

Internet access services include Internet access at homes through cable operator and SMB / SOHO through direct connectivity and internet access to public through a network of cyber cafes. It also includes revenues from VoIP or Internet telephony.

Public internet access is provided to customers through a chain of franchisee cyber café outlets (e-port), network of cable operators and to a lesser extent, Sify owned cyber cafés. Sify enters into an arrangement with franchisees that provides for the payment of an initial non-refundable franchisee fee in consideration for establishing the franchisee relationship and providing certain initial services. These initial services consist of a number of activities, including installing the broadband receiver equipment at the cyber café and connecting it to one of Sify's broadcasting towers, obtaining regulatory approvals for clearance of the site for wireless transmission at the allotted frequency range and other ancillary services. Initial franchisee fee is recognised as revenue at the time of commencement of operations by the franchisee. Internet access revenue is recognised based on usage by the customer.

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

VoIP services are mainly provided through Internet Telephony Booths at e-port cybercafés and to a smaller extent through Cable TV operators or CTOs. The user purchases the packs that enable them to use the Internet telephone facility through CTO. Revenues are recognised on the basis of usage by the customer. The customer uses Internet telephony facilities at the e-port cybercafés and his account is adjusted to the extent of usage of the facility. The revenue from such services are recognised on the basis of usage.

Online portal services and content offerings

The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised rateably over the period of the contract based on actual impressions/click throughs / leads delivered. Revenues from commissions earned on electronic commerce transactions are recognised when the transactions are completed.

Software Services

The Company provides Application Services such as online assessment, document management services, web development, mailing solutions, supply chain software and e-learning software development services. e-learning software development services consists of structuring of contents, developing modules, delivery and training users in the modules developed. As these activities represent development of customised services, revenue is recognised based on percentage of completion method. Revenue in relation to 'time' is measured as the agreed rate per unit of time multiplied by the units of time expended. The element of revenue related to materials is measured in accordance with the terms of the contract.

4. Fixed assets and depreciation/amortisation

Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation / amortisation. Direct costs are capitalised until fixed assets are ready for use. These costs include freight, installation costs, duties and taxes and other directly attributable costs incurred to bring the assets to their working condition for intended use. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Depreciation:

Depreciation on fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956 or based on the useful life of the assets as estimated by the management, whichever is higher. Depreciation is calculated on a pro-rata basis for assets purchased / sold during the year. Individual assets costing less than Rs 5 (thousands) are depreciated in full in the year of acquisition.

Leasehold land is amortised using straight-line method over the lease period.

Software for internal use is acquired primarily from third-party vendors in ready-to-use condition. Costs for acquiring such software are capitalised. Capitalised software costs are amortised on straight-line basis over the estimated useful life of the software.

Management's estimates of the useful lives for various categories of fixed assets are given below.

Asset description	Estimated useful life (in years)
Buildings	28
Plant and machinery comprising computers, servers etc.	3 - 5
Plant and machinery comprising other items	8
Furniture and fittings	5
Office equipment	5
Motor vehicles	3

Depreciation on assets acquired under finance lease is provided on a straight line basis over shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Software is amortised over a period of one to three years. Other intangible assets are amortised over three to five years representing management's estimate of the useful life of the asset.

5. Investments

Long-term investments comprise investments in subsidiaries and associates and are carried at cost with provision being made for diminution if any, other than temporary, in their value. Such diminution is determined for each investment individually on the basis of the past performance of such subsidiaries / associates and the future expected benefits to the Company from such investments. Current investments are carried at lower of cost and fair value.

6. Income from investments:

Income from investments is recognised only when the right to receive the same on or before the Balance sheet date is established i.e only when it is approved by the Shareholders at the Annual General Meeting of the investee.

7. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises cost of purchase and all incidental costs incurred in bringing the inventories to their present location and condition. Cost of hardware and software purchased for the purpose of resale is determined using the first-in-first-out method.

8. Foreign currency transactions and balances

Initial Recognition:

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account.

Subsequent measurements:

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognised in the profit and loss account.

Non-Monetary items which are carried in terms of historical cost are recorded at the rates prevailing on the date of the transaction.

Integral - Foreign Operations:

Profit and loss items at the foreign branch (integral foreign operations) are translated at the respective monthly average rate. Monetary items at the branch office at the Balance Sheet date are translated using the exchange rate prevalent at the date of the Balance Sheet. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Foreign Exchange Contracts

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date. The premium or discount on all such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or expense for the period.

In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with AS-11 (revised). The exchange difference on such a forward exchange contract is calculated as the difference of the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change.

In accordance with the announcement "Accounting for derivatives" made by the Institute of Chartered Accountants of India on March 27, 2008, derivatives are marked to market and the losses are recognised in the profit and loss account.

9. Employee benefits

Short Term Employee Benefits

The short term employee benefits are recognised as an expense during the period in which services are rendered by the employees.

Post -employee benefits:

Defined contribution plan:

Provident fund: Eligible employees receive benefits from a provident fund, which is a defined contribution plan managed by the Regional Provident Fund Commissioner. Both the employee and the Company make monthly contributions to the provident fund plan equal to 12% of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions.

Defined benefit plan:

Gratuity: The Company provides for gratuity, a defined benefit retirement Plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan commenced on 1st April, 1997. The Plan provides a lump sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's last drawn salary and the tenure of employment with the Company. The Company provides the gratuity benefit through annual contribution to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme the settlement obligation remains with the Company although the LIC administers the scheme. Liabilities related to the gratuity plan are determined by actuarial valuation performed by an independent actuary as at the balance sheet date.

Long term employee benefits:

Compensated absences: Provision for compensated absences are made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

10. Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value.

11. Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period) and fringe benefit tax. The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

(All amounts are in Indian ₹ lakhs except share data and as stated)

12. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

13. Export incentives

Income in respect of duty credit entitlement arising from export sales under the "Served From India Scheme" of the Government of India is recognised in the period of exports, provided there is no significant uncertainty regarding the entitlement and availment of the credit and the amount thereof.

14. Provisions, contingent liabilities and contingent assets

Provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimates required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

15. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

16. Leases

Finance lease: Assets taken on lease where the company acquires substantially the entire risks and rewards incidental to ownership are classified as finance leases. The amount recorded is the lesser of the present value of minimum lease rental and other incidental expenses during the lease term or the fair value of the assets taken on lease. The rental obligations, net of interest charges, are reflected as secured loans. Initial direct costs incurred in connection with specific leasing activities directly attributable to activities performed by the Company for a finance lease are also capitalised.

Operating Lease: Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense on a straight line basis in the profit and loss account over the period of the lease term.

17. Employees stock options

In respect of stock option granted pursuant to the company's stock option schemes, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as employee compensation cost and is charged over the vesting period of the options.

C NOTES TO ACCOUNTS

	As at March 31, 2012	As at March 31, 2011
1. SHARE CAPITAL		
Authorised		
18,00,00,000 (March 31, 2011: 18,00,00,000) equity shares of Rs.10 each	18,000	18,000
Issued		
17,85,13,589 (March 31, 2011: 17,83,51,498) equity shares of Rs.10 each	17,831	17,835
Subscribed and fully paid		
5,35,13,589 (March 31, 2011: 5,33,51,498) equity shares of Rs.10 each fully paid up	5,351	5,335
Subscribed but not fully paid		
12,50,00,000 (March 31, 2011: 12,50,00,000) equity shares of Rs.10 each partly paid up [Refer note (c) below]	7,813	3,125
	13,164	8,460
Add: Forfeited shares - amount originally paid up on 1,28,23,202 equity shares	128	128
	13,292	8,588

(a) The equity shares are the only class of share capital having a par value of Rs.10 per share. Of the above, 3,89,82,937 shares are represented by American Depository Shares ('ADS') issued by the Company in accordance with applicable laws and regulations.

(b) Equity shares carry voting rights proportionate to the paid-up value per share. In the event of liquidation of the company, holders of the equity shares are entitled to be repaid the amounts credited as paid up on those equity shares. All surplus assets after settlement of liabilities as at the commencement of winding-up shall be paid to the holders of equity shares in proportion to their shareholdings. The above payment is subject to the rights of creditors, employees, taxes, if any, and any other sums as may be prescribed under the Companies Act, 1956. Of the above ADS,1,39,02,860 ADS held by M/s Infinity Capital Ventures LP are not tradable and are restricted.

(c) In 2010-11, the Company approved the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the Company's equity shares at a price of Rs.32 per share aggregating to Rs.40,000.These shares carry a face value of Rs.10. As of March 31, 2012, these shares are partly paid to the extent of Rs.6.25 (March 31, 2011: Rs.2.50) per share. Until the full purchase price is paid by the purchasers, the company retains a lien on these equity shares. Also refer note C (46).

(d) Of the total outstanding shares,12,50,00,000 shares (March 31, 2011: Nil) are held by M/s Ramanand Core Investment Company Private Limited, holding company and 1,45,30,000 (March 31, 2011: 1,45,30,000) shares are held by M/s Infinity Satcom Universal Private Limited, the ultimate holding company. Also refer to note C (42).

(e) Of the total outstanding shares, 13,98,832 shares are reserved for issue to eligible employees under Associate Stock Option Plans. Refer to Note C (36) for activities in Associate Stock Option plan.

(All amounts are in Indian ₹ lakhs except share data and as stated)

1.1 Reconciliation of number of shares in the beginning and at the end of the year

	As at March 31, 2012		As at March 31, 2011	
	Number of shares	Amount paid-up	Number of shares	Amount paid-up
Number of shares outstanding at the beginning of the year	17,83,51,498	8,588	5,33,51,498	5,463
Add: Shares issued during the year on private placement	-	4,688*	12,50,00,000	3,125
Add: Issues of shares on exercise of ASOP	1,62,091	16	-	-
Number of shares outstanding at the end of the year	17,85,13,589	13,292	17,83,51,498	8,588

* represents call money received at Rs.3.75 per share on 12,50,00,000 equity shares issued on a private placement during the year ended March 31, 2011.

1.2 Shareholders holding more than 5% of the shares of the Company:

	As at March 31, 2012		As at March 31, 2011	
	Number of shares held	% holding	Number of shares held	% holding
Raju Vegesena Infotech and Industries Private Limited#	-	-	12,50,00,000	70.09%
Ramanand Core Investment Company Private Limited@	12,50,00,000	70.02%	-	-
Infinity Satcom Universal Private Limited,	1,45,30,000	8.14%	1,45,30,000	8.15%
Infinity Capital Ventures, LP	1,39,02,860	7.79%	1,39,02,860	7.80%

These shares were partly paid to the extent of Rs.2.50 per share
@ These shares are partly paid-up to the extent of Rs.6.25 per share
Also refer to Notes C (42) and C(46)

		As at March 31, 2012	As at March 31, 2011
2. RESERVES AND SURPLUS			
Securities premium			
Opening balance		58,501	51,626
Add: Received during the year on fresh issue of shares/call		10,313	6,875
Add: Transfer from stock options outstanding account		24	-
Add: Received during the year on exercise of associate stock options		198	-
Closing balance	(A)	69,036	58,501
General reserve			
Opening balance		150	150
Add: Transferred from stock options outstanding account		265	255
Closing balance	(B)	415	405
Stock option outstanding account			
Opening Balance		156	227
Add: Employee stock compensation cost for the year (net of reversals for forfeited options)		3	21
Less: Transfer to general reserve in respect of grants lapsed during the year		(10)	(92)
Less: Transferred to securities premium account in respect of exercised options		(24)	-
Closing Balance	(C)	125	156
Profit and loss account			
Opening Balance		(21,641)	(16,218)
Profit / (loss) for the year		(2,400)	(5,423)
Closing Balance	(D)	(24,041)	(21,641)
	(A)+(B)+(C)+(D)	45,535	37,421

(All amounts are in Indian ₹ lakhs except share data and as stated)

3. LONG TERM BORROWINGS

	As at March 31, 2012	As at March 31, 2011	Security	Interest rate and repayment terms
Secured				
Term loan from banks	-	1,100	Pari-passu first charge over the unencumbered movable fixed assets acquired out of such loan. Collaterally secured by way of equitable mortgage over the office premises and pari-passu second charge on the entire current assets of the Company.	These loans bear interest rates ranging from 15.50% p.a to 16.50% p.a. These loans are repayable on an equal monthly instalment over a period of 36 months.
Loan from others	1,038	745	These loans taken from other financial institutions are secured against relevant assets and software.	These loans carry an interest rate ranging from 12% p.a to 15% p.a. These are repayable over a period of 18 to 60 months on equated monthly or quarterly instalments.
Long term maturities of finance lease obligations	1,011	1,277	These are secured against the specific assets.	These carry an interest rate ranging from 12.50% p.a to 14.50% p.a. These are repayable over a period of 18 to 60 months on equated monthly or quarterly instalments.
Unsecured				
Loan from others	844	766	-	These loans carry an interest rate ranging from 12% p.a to 15% p.a. These are repayable over a period of 18 to 60 months on equated monthly or quarterly instalments.
	2,893	3,888		

Note:

The current maturities of the above borrowings, carrying the aforesaid security and repayment terms are grouped under other current liabilities. Refer note C(8).

The current maturities are as under:

	As at March 31, 2012	As at March 31, 2011
Secured		
Term loan from banks	1,100	2,160
Loan from others	359	490
Long term maturities of finance lease obligations	758	605
Unsecured		
Loan from others	1,351	947
	3,568	4,202

4. OTHER LONG TERM LIABILITIES

Deposits	913	950
Unearned income	243	48
Other liabilities	941	659
	2,097	1,657

5. PROVISIONS

Short - term provisions			
Compensated absences		25	26
	(A)	25	26
Long-term Provisions			
Gratuity [Refer note C(33)]		113	131
Compensated absences		186	187
	(B)	299	318
	(A)+(B)	324	344

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2012	As at March 31, 2011
6. SHORT TERM BORROWINGS		
Loans repayable on demand from banks - Secured		
Working capital facilities [Refer notes (a) to (c) below]	9,154	7,446
Letter of credit discounted liability [Refer note (d) below]	485	5,294
	9,639	12,740

(a) Cash credit facilities amounting to Rs 5,654 are primarily secured by way of pari-passu first charge on the entire current assets of the Company. Further, these facilities are collaterally secured by way of equitable mortgage over the office premises and also by way of pari-passu charge on the unencumbered movable fixed assets of the Company.

(b) Other cash credit facilities are secured by pari-passu first charge on the current assets of the Company and pari-passu second charge on entire movable fixed assets of the Company, both present and future. Further, these facilities are additionally secured by equitable mortgage over the land and building of M/s Pace Info Com Park Private Limited, subsidiary company and also by guarantee issued by the said subsidiary.

(c) These working capital loans bear interest ranging from 13.50% to 15.50% p.a. These facilities are subject to an annual renewal.

(d) Letters of credit discounted (including Buyers' credit) is secured by pari-passu charge on the current assets of the Company and pari-passu charge on movable assets of the Company, both present and future. These loans bear interest ranging from 13.50% to 15.50% p.a.

	As at March 31, 2012	As at March 31, 2011
7. TRADE PAYABLES		
Towards purchase of goods and services	18,686	14,840
Others	1,533	1,328
	20,219	16,168
8. OTHER CURRENT LIABILITIES		
Capital creditors	1,316	820
Current maturities of long term debt*	1,100	2,160
Current maturities of finance lease obligations*	758	605
Current maturities of other loans*	1,710	1,437
Interest accrued and due on borrowings	29	44
Interest accrued but not due on borrowings	74	30
Advances received from customers	479	853
Statutory payables	533	572
Unearned income	3,401	3,761
Other payables	1,255	1,267
	10,655	11,549

*Also refer note C(3)

9. TANGIBLE ASSETS

Particulars	Gross Block				Depreciation / Amortisation / Impairment				Net Block	
	As at April 1, 2011	Additions	Deletions/ Adjustments	As at March 31, 2012	As at April 1, 2011	Depreciation/ amortisation	Deletions/ Adjustments	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Leasehold land	51	-	-	51	8	1	-	9	42	43
Buildings	4,884	-	-	4,884	1,859	174	-	2,033	2,851	3,025
Plant and equipment	57,572	3,470	522	60,520	37,510	4,843	520	41,833	18,687	20,062
Furniture and fittings	2,359	26	6	2,379	2,241	68	7	2,302	77	118
Office equipment	2,276	32	1	2,307	1,334	211	1	1,544	763	942
Leasehold improvements	4,668	254	7	4,915	2,750	552	5	3,297	1,618	1,918
Assets acquired under lease										
Building	2,911	-	-	2,911	462	103	-	565	2,346	2,449
Plant and machinery	2,873	572	-	3,445	697	483	-	1,180	2,265	2,176
Motor vehicles	34	29	11	52	34	8	10	32	20	-
	77,628	4,383	547	81,464	46,895	6,443	543	52,795	28,669	30,733
Previous year	75,801	2,648	821	77,628	41,311	6,378	794	46,895	30,733	

10. INTANGIBLE ASSETS

Particulars	As at April 1, 2011	Additions	Deletions/ Adjustments	As at March 31, 2012	As at April 1, 2011	Depreciation/ amortisation	Deletions/ Adjustments	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Goodwill	362	-	362	-	362	-	362	-	-	-
System software	3,905	439	-	4,344	3,397	399	-	3,796	548	508
Web publication rights	455	-	455	-	455	-	455	-	-	-
Customer and contract related intangibles	2,324	-	-	2,324	1,987	25	-	2012	312	337
	7,046	439	817	6,668	6,201	424	817	5,808	860	845
Previous year	6,836	210	-	7,046	5,755	446	-	6,201	845	

(All amounts are in Indian ₹ lakhs except share data and as stated)

11. NON CURRENT INVESTMENTS		As at March 31, 2012	As at March 31, 2011
Trade Investments - carried at cost			
Investments in equity instruments of subsidiaries - unquoted			
Sify Technologies (Singapore) Pte. Limited [2,000 (March 31, 2011: 1) equity shares of S$1 each fully paid up]		1	*
Sify International Inc. [100 (March 31, 2011: 100) shares of common stock of USD 0.0001 fully paid up]		3,576	3,576
Less: Decline, other than temporary, in value of investment		(3,576)	(3,576)
		-	-
Sify Software Limited (formerly Sify Networks Private Limited) [45,81,820 (March 31, 2011: 45,81,820) equity shares of Rs 10 each fully paid up]		4,827	4,827
Hermit Projects Private Limited [10,000 (March 31, 2011: Nil) equity shares of Rs.10 each fully paid up]		280	-
	(A)	5,108	4,827
Investment in equity instruments of others - unquoted			
Sify Empower India Foundation Private Limited [1,000 (March 31, 2011: 1,000) equity shares of Rs 10 each fully paid up]		*	*
Investment in Vashi Railway Station Commercial Complex Limited [15,000 (March 31, 2011: 15,000) equity shares of Rs 10 each fully paid up]		2	2
	(B)	2	2
	(A)+ (B)	5,110	4,829
Other Investments - carried at Cost			
Investment in equity instrument of associates - unquoted			
MF Global-Sify Securities India Private Limited [Refer notes C(14) & C(45)] [1,54,90,800) equity shares of Rs 10 each fully paid up]		-	1,549
	(C)	-	1,549
	(A)+(B)+ (C)	5,110	6,378
Aggregate cost of unquoted investments		8,686	9,954
Aggregate provision for diminution in value of investments		3,576	3,576

*Amount is below the rounding off norm adopted by the Company

12. LONG TERM LOANS AND ADVANCES	As at March 31, 2012	As at March 31, 2011
Unsecured , considered good		
Loans and advances to related parties		
Advances to subsidiaries [Refer notes C(35) and C (47)]	8,110	-
Others		
Advance for purchase of shares in Hermit Projects Private Limited	-	6,828
Advances recoverable in cash or in kind for value to be received [Refer note C(47)]	957	-
Deposits	2,912	2,228
Duty credit entitlement	872	1,515
Prepaid expenses	1,174	193
Capital advances	119	62
	14,144	10,826

13. OTHER NON CURRENT ASSETS	As at March 31, 2012	As at March 31, 2011
Long term trade receivable	152	114
Accrued income	522	99
Other receivables	125	125
	799	338

14. CURRENT INVESTMENTS	As at March 31, 2012	As at March 31, 2011
Other investments - carried at lower of cost and fair value		
Investment in equity instrument of associates - unquoted*		
MF Global-Sify Securities India Private Limited [Refer notes C(11) & C(45)] [1,54,90,800 equity shares of Rs.10 each fully paid up]	1,549	-
	1,549	-

*The above investment is classified as a long term investment as per AS 13 and the same is presented as per the requirements under schedule VI.

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2012	As at March 31, 2011
15. INVENTORIES (AT COST)		
Traded hardware and software (net)	195	156
	195	156
16. TRADE RECEIVABLES		
Secured		
Outstanding for a period exceeding six months from due date		
- considered good	40	36
Other debts		
- considered good	10	38
	50	74
Unsecured		
Outstanding for a period exceeding six months from due date		
- considered good	5,037	1,979
- considered doubtful	1,862	1,611
Other debts		
- considered good	17,880	16,506
	24,779	20,096
Less: Provision for doubtful debts	(1,862)	(1,611)
	22,967	18,559

	As at March 31, 2012	As at March 31, 2011
17. CASH AND BANK BALANCES		
Cash and cash equivalents		
(a) Cash on hand	6	7
(b) Balance with banks		
(i) in current accounts	4,589	4,450
(ii) in deposit accounts	2,500	-
Other Bank Balances		
Bank deposits [Refer note (a) & (b) below]	1,228	594
	8,323	5,051
(a) Balances in deposit accounts subject to lien in favour of banks for obtaining bank guarantees / against loan taken	1,228	594
(b) Deposits with more than 12 months maturity	13	-

		As at March 31, 2012	As at March 31, 2011
18. SHORT TERM LOANS AND ADVANCES			
Unsecured, considered good			
Loans and advances to related parties			
Advances to subsidiaries [Refer note C(35)]		3,616	1,339
Others			
Advances recoverable in cash or in kind for value to be received		657	1,673
Balances with service tax and sales tax authorities		1,984	1,620
Prepaid expenses		1,787	1,838
Deposits		502	1,574
Advance tax and tax deducted at source [net of provision for tax of Rs.167 (March 31,2011: Rs.167)]		4,024	5,554
	(A)	12,570	13,598
Unsecured, considered doubtful			
Advances recoverable in cash or in kind for value to be received			
- to subsidiaries [Refer note C(35)]		1,922	1,922
- to others		290	254
Less: provision for advances doubtful of recovery		(2,212)	(2,176)
	(B)	-	-
	(A) + (B)	12,570	13,598
19. OTHER CURRENT ASSETS			
Accrued income		890	1,016
Interest accrued on income tax refund		143	204
Interest accrued on bank deposits		5	50
		1,038	1,270

(All amounts are in Indian ₹ lakhs except share data and as stated)

	As at March 31, 2012	As at March 31, 2011
20. CONTINGENT LIABILITIES AND COMMITMENTS		
(a) Contingent liabilities		
(i) Claim against the Company not acknowledged as debt		
- In respect of service tax claims	4,217	2,436
- In respect of income tax claims	850	850
(ii) Liability on customer letter of credit discounted	878	-
(iii) Guarantee given to subsidiary	1,100	1,000
(b) Commitments		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for net of advances of Rs.8,552 (March 31, 2011 : Rs.6,889)	6,947	5,181
(ii) Advances committed to subsidiaries [Also refer note C(47)]	2,280	-

Notes:

(a) Refer note C(37) in respect of contingencies arising on legal proceedings.

(b) Refer note C(21) for Lease Commitments.

21. LEASE COMMITMENTS

a. The Company has taken vehicles and plant and machinery under finance lease. The future minimum lease payments under finance leases as at March 31, 2012 and as of March 31, 2011 are as follows:

	As at March 31, 2012	As at March 31, 2011
Payable not later than one year	919	780
Payable later than one year and not later than five years	1,138	1,443
Total	2,057	2,223
Less: Amounts representing interest	(288)	(341)
Present value of minimum lease payments	1,769	1,882
Payable not later than one year [disclosed under other current liabilities - refer note C(8)]	758	605
Payable later than one year and not later than five years[disclosed under long term borrowings - refer note C(3)]	1,011	1,277

b. The Company lease office buildings and other equipments under operating lease arrangements that are renewable on a periodic basis at the option of both the lessor and the lessee. Some of the leases include rent escalation clauses. The schedule of future minimum rental payments in respect of operating leases is set out below:

	As at March 31, 2012	As at March 31, 2011
Payable not later than one year	1,097	967
Payable later than one year and not later than five years	6,143	5,392
Payable later than five years	10,548	8,527
Total	17,788	14,886

	Year ended March 31, 2012	Year ended March 31, 2011
22. REVENUE FROM OPERATIONS		
Sale of Services:		
- Domestic*	40,482	38,382
- Export	24,493	21,516
Sale of Products:		
- Domestic	4,733	5,762
	69,708	65,660

*refer note C(43) for revenues arising from construction contracts.

	Year ended March 31, 2012	Year ended March 31, 2011
23. OTHER INCOME		
Interest income		
From banks	146	199
On income tax refund	391	204
Other Non- Operating Income		
Service charge from subsidiary company	709	596
Duty credit entitlement under Served From India Scheme	-	212
Gain on foreign exchange fluctuation (net)	249	7
Profit on sale of fixed assets (net)	6	6
Miscellaneous income	498	337
	1,999	1,561

		Year ended March 31, 2012	Year ended March 31, 2011
24. COST OF GOODS SOLD AND SERVICES RENDERED			
Cost of hardware and software sold			
Opening inventory		156	215
Add: Purchases [net of capitalisation of Rs.36 (March 2011: 238)]			
		4,346	5,253
Less: Closing inventory		(195)	(156)
	(A)	4,307	5,312
Cost of services rendered			
Networking costs		23,653	20,992
Other direct costs		7,679	8,394
Power expenses		4,558	3,326
	(B)	35,890	32,712
	(A) + (B)	40,197	38,024

	Year ended March 31, 2012	Year ended March 31, 2011
25. EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	9,123	9,263
Contribution to provident fund and other funds	489	571
Staff welfare expenses	161	216
Employee stock compensation expense*	2	19
	9,775	10,069

*Net of recoveries from the subsidiary company

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2012	Year ended March 31, 2011
26. FINANCE COSTS		
Interest expense	1,455	1,439
Other borrowing costs (including letters of credit and bill discounting and buyer's credit charges)	1,179	956
Net (gain)/ loss on foreign currency transactions and translations	109	63
	2,743	2,458
27. OTHER EXPENSES		
Commission expenses	974	1,708
Communication expenses	360	426
Rent	3,168	3,114
Rates and taxes	227	227
Travelling expenses	1,127	1,278
Power and fuel expenses	985	762
Legal and professional	1,263	1,050
Payment to auditors		
- Audit fees	20	20
- Others	10	10
Repairs and maintenance expenses		
- Plant and machinery	373	223
- Buildings	243	212
- Others	1,354	1,407
Insurance	413	394
Outsourced manpower costs	678	700
Advertisement, selling and marketing expenses	825	908
Duty credit entitlement written off	200	416
Provision for doubtful advances	36	-
Bad debts written off	990	1,137
Provision for doubtful debts, net of provision written back on bad debts provided in the previous years	251	446
Miscellaneous expenses	1,065	831
	14,562	15,269

	For the year ended March 31, 2012		For the year ended March 31, 2012	
	Qty (Nos)	Value	Qty (Nos)	Value
28. TRADED GOODS				
Opening stock				
- Hardware	3,740	124	5,727	199
- Software	209	32	609	16
Purchases				
- Hardware*	47,288	3,971	19,773	4,047
- Software*	2,156	411	912	1,444
Sales				
- Hardware*	45,394	3,889	21,481	3,886
- Software*	2,069	418	1,310	1,426
Captive consumption				
- Hardware	91	34	279	236
- Software	6	2	2	2
Closing stock				
- Hardware	5,543	172	3,740	124
- Software	290	23	209	32

Notes:

(a) Sales include sale of products through e-commerce.

(b) Quantity of software is measured by number of packages.

* During the year ended March 31, 2011,quantity includes purchase and sale of hardware and software relating to certain transactions in Systems Integration business, which were accounted on a net basis .

	Year ended March 31, 2012	Year ended March 31, 2011
29. VALUE OF IMPORTS ON C.I.F BASIS		
Hardware/software imported	203	787
Fixed assets	1,973	1,297

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2012	Year ended March 31, 2011

30. EXPENDITURE IN FOREIGN CURRENCY ON ACCRUAL BASIS

	Year ended March 31, 2012	Year ended March 31, 2011
Royalty	**437**	206
Legal and professional charges	**349**	216
Networking costs	**3,979**	2,823
Other direct costs	**772**	880
Personnel expenses	**1,128**	1,132
Travelling expenses	**80**	138
Advertising, selling and marketing expenses	**81**	74
Others	**607**	640
	7,433	6,109

31. EARNINGS IN FOREIGN EXCHANGE

	Year ended March 31, 2012	Year ended March 31, 2011
Export of services	**24,493**	21,516

32. FINANCIAL AND DERIVATIVE INSTRUMENTS

The details of outstanding option/forward contracts as of March 31, 2012 and as of March 31, 2011 are given below:

Particulars	Currency	As at March 31, 2012	As at March 31, 2011
Options - Put	USD	**15**	-
(Gain) / loss on mark to market in respect of options / forward contracts outstanding	INR	**(29)**	-

The details of foreign currency exposure as at March 31, 2012 are as follows:

Particulars	As at March 31, 2012		
	Foreign Currency	Amount in foreign currency (in lakhs)	Amount in Indian Rupees (in lakhs)
Amounts receivable in foreign currency on account of: **Trade receivables**	GBP	1	111
	USD	152	7,775
	EUR	*	2
	SGD	*	1
			7,889
Amounts payable in foreign currency on account of: **Creditors**	EUR	*	35
	USD	87	4,487
	DHS	*	8
			4,530

The details of foreign currency exposure as at March 31, 2011 are as follows:

Particulars	As at March 31, 2011		
	Foreign Currency	Amount in foreign currency (in lakhs)	Amount in Indian Rupees (in lakhs)
Amounts receivable in foreign currency on account of: **Trade receivables**	EUR	*	6
	GBP	1	83
	USD	91	4,030
			4,119
Amounts payable in foreign currency on account of: **Creditors**	EUR	3	190
	USD	56	2,508
	AUD	*	11
			2,709

*amount is below the rounding off norm adopted by the Company

(All amounts are in Indian ₹ lakhs except share data and as stated)

33. EMPLOYEE BENEFITS

Reconciliation of opening and closing balances of the present value of the defined benefit obligation (Gratuity)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Projected benefit obligation at the beginning of the year	460	398
Service cost	114	178
Interest cost	34	30
Actuarial (gain) / loss	(100)	(65)
Benefits paid	(58)	(81)
Projected benefit obligation at the end of the year	450	460
Change in the fair value of assets		
Fair value of plan assets at the beginning of the year	329	303
Expected return on plan assets	25	24
Employer contributions	41	83
Benefits paid	(58)	(81)
Fair value of plan assets at the end of the year	337	329
Amount recognised in the balance sheet		
Present value of projected benefit obligation at the end of the year	450	460
Fair value of plan assets at the end of the year	337	329
Funded status amount of liability recognised in the balance sheet	113	131
Expense recognised in the profit and loss account		
Service cost	114	178
Interest cost	34	30
Expected return on plan assets	(25)	(24)
Recognised net actuarial (gain)/ loss	(100)	(65)
Net gratuity costs	23	119
Actual return on plan assets	26	24
Summary of actuarial assumptions		
Discount rate	8.60% p.a	8.00% p.a
Expected rate of return on plan assets	8.00% p.a	8.00% p.a
Salary escalation rate	8.00% p.a	8.00% p.a
Average future working life time	8.40 years	8.60 years

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

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

Salary escalation rate: The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

34. SEGMENT REPORTING

The Company has been historically operating with three segments of business viz Corporate network/data services, Internet access services (including Online portal services and content offerings) and others (e-Learning and Infrastructure Management services). The industry in which these segments compete has witnessed newer competitions and business models and hence a change in the risk and returns from these segment. In order to leverage the versatility and organisational capabilities, the company has evaluated options of integrating certain services to address customers across segments and newer risk and returns and has made certain changes to business segments effective April 1, 2011.

The Company's operations predominantly relate to connectivity to enterprises and providing Internet access to retail subscribers (both home access and public access). The Company also operates the portals, "Sify.com","Samachar.com", and "SifyMax.in" that provides a variety of India related content to audiences both in India and abroad, and which generates revenue from advertisements and other value added services.

(All amounts are in Indian ₹ lakhs except share data and as stated)

Consequently, the primary operating segments of the Company are:

- Enterprise services (Network and IT services), which provides Internet, connectivity, security and consulting, hosting and managed service solutions and voice services;
- Commercial and Consumer Services which offers retail internet access services, from homes and through cybercafés and Online portals services and content offerings; and
- Software services, such as development of e-learning software and Application services.

Accordingly, revenues represented by nature of service rendered comprise the primary basis of segmental information.

Bandwidth costs, which form a significant part of the total expenses, comprise international bandwidth, inter-city bandwidth and last mile access. These are allocated primarily between the Enterprise services and Commercial and Consumer services as described below:

- The international bandwidth refers to bandwidth that is required for access to sites and offices outside the country. For all these businesses, bandwidth is allocated based on actual utilisation captured by monitoring traffic per IP pool assigned, at the egress points. The Company has packet shapers in the main locations to monitor bandwidth use by each of the above categories of users. This information is used in determining norms like bandwidth per port and bandwidth per PC.
- The domestic bandwidth refers to the inter-city link bandwidth implemented within the country. Inter city bandwidth is allocated based on the number of subscribers or e-port cafes at "non gateway" points and the bandwidth sold to and used by business enterprises (determined using packet shapers). However, due to strategic reasons aimed at furthering the corporate business, the national backbone was enhanced to carry traffic to the international fibre gateways moving away from its hybrid satellite and fibre gateways to only fibre gateways for international bandwidth. Local exit of international traffic through the satellite gateways has reduced and this traffic has been loaded onto the national backbone. National bandwidth costs are now allocated based on international bandwidth allocation ratios. Since most of the traffic carried on the national backbone is finally aimed towards the international gateways, the Company believes that the allocation on this basis is more appropriate.
- Last mile costs in the dial up access (E1/R2 costs) and spectrum fees for wireless connectivity that can be directly identified to the businesses are allocated directly.

Certain expenses, like depreciation and overheads incurred by the support functions including finance, human resources, administration, technology and corporate, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not feasible to provide segment disclosure of these expenses and, accordingly, they are separately disclosed as "unallocated expenses" and adjusted only against the total operating income of the Company.

A significant part of the fixed assets used in the Company's business are not identifiable exclusively to any of the reportable segments and can be used interchangeably between segments. Management believes that it is not feasible to provide segment disclosures relating to total assets since a meaningful segregation of the available data is onerous.

Business segment

The Company's operating segment information for the year ended March 31, 2012 is presented below:

Particulars	Enterprise services	Commercial and consumer services	Software services	Total
	(A)	(B)	(C)	(D)=(A)+(B)+(C)
Revenue from operations	62,850	3,900	2,958	69,708
Allocable expenses	(45,793)	(6,095)	(2,889)	(54,777)
Segment operating income / (loss)	17,057	(2,195)	69	14,931
Unallocable expenses				(9,758)
Operating income				5,173
Other income				1,214
Foreign exchange gain / (loss), net				249
Profit / (loss) before interest, depreciation, tax and exceptiona items				6,636
Interest income / (expenses), net				(2,206)
Income taxes				37
Depreciation, amortisation and impairment				(6,867)
Net loss after taxes				(2,400)

(All amounts are in Indian ₹ lakhs except share data and as stated)

The Company's operating segment information for the year ended March 31, 2011 is presented below:

Particulars	Enterprise services	Commercial and consumer services	Software services	Total
	(A)	(B)	(C)	(D)=(A)+(B)+(C)
Revenue from operations	57,401	5,264	2,995	65,660
Allocable expenses	(44,586)	(7,047)	(2,807)	(54,440)
Segment operating income / (loss)	12,815	(1,783)	188	11,220
Unallocable expenses				(8,923)
Operating income				2,297
Other income				1,152
Foreign exchange gain / (loss), net				7
Profit / (loss) before interest, depreciation, tax and exceptional items				3,456
Interest income / (expenses), net				(2,055)
Depreciation, and amortization				(6,824)
Net loss after taxes				(5,423)

Geographical segment

The Company has operations within India as well as in other countries. The operations in India constitute the major part of the operations. Management has reviewed the geographical areas vis-à-vis the risks and returns that encompass them. While arriving at this, management has reviewed the similarity of the economic and political conditions, relationships between operations in these geographical areas, proximity of operations, and special risks if any associated with operations in these areas. Revenues are attributable to individual geographic segments based on the location of the customer. Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Company's geographical segment information for the year ended March 31, 2012 is presented below:

Description	India	Rest of the world	Total
Sales- External Revenue	45,215	24,493	69,708
Net carrying amount of segment fixed assets by location of assets	29,529	-	29,529
Net carrying amount of other segment assets by location of customers	43,080	7,889	50,969
Cost to acquire tangible and intangible assets by location of customers	4,822	-	4,822

The Company's geographical segment information for the year ended March 31, 2011 is presented below:

Description	India	Rest of the world	Total
Sales- External Revenue	44,144	21,516	65,660
Net carrying amount of segment fixed assets by location of assets	31,578	-	31,578
Net carrying amount of other segment assets by location of customers	38,851	4,119	42,970
Cost to acquire tangible and intangible assets by location of customers	2,858	-	2,858

35. RELATED PARTY TRANSACTIONS

The related parties where control exists are the subsidiaries.

Related parties where control / significant influence exist or with whom transactions have taken place during the year are given below.

Holding companies	Infinity Satcom Universal Private Limited. Raju Vegesna Infotech & Industries Private Limited (subsidiary of Infinity Satcom Universal Private Limited) Ramanand Core Investment Company Private Limited (subsidiary of Raju Vegesna Infotech & Industries Private Limited)

(All amounts are in Indian ₹ lakhs except share data and as stated)

Subsidiaries	Sify International Inc. Sify Software Limited Sify Technologies (Singapore) Pte. Limited Hermit Projects Private Limited Pace Info Com Park Private Limited
Associates	MF Global-Sify Securities India Private Limited;
Key management personnel (KMP) and relatives of key management personnel	Raju Vegesna, Chairman and Managing Director Ananda Raju Vegesna, Executive Director Radhika Vegesna, Daughter of Mr.Ananda Raju Vegesna
Enterprises over which KMP have significant influence	VALS Developers Private Limited and Raju Vegesna Developers Private Limited

(ii) Particulars of related party transactions

The following is a summary of significant related party transactions:

	Year ended March 31, 2012	Year ended March 31, 2011
	Subsidiaries	
Sify Technologies (Singapore) Pte. Limited		
Advances given	-	12
Investments made	1	-
Receipt of services	213	36
Reimbursement of expenses	10	-
Rendering of services	124	-
Sify Software Limited (formerly Sify Networks Private Limited)		
Advances given	4,300	2,486
Advances received	2,008	1,855
Receipt of services	2,498	1,933
Guarantee given	100	-
Service charge	709	596
Reimbursement of expenses	681	543
Sify International Inc.		
Advances given	20	165
Pace Info Com Park Private Limited [Refer note C(47)]		
Advances given	3,767	-
Guarantees obtained	10,000	
Hermits Projects Private Limited [Refer note C(47)]		
Investments made	280	
Advances given	4,343	-
	Holding Company	
Raju Vegesna Infotech and Industries Private Limited (Refer Note 1 below)		
Lease rentals Paid	2	-

	Year ended March 31, 2012	Year ended March 31, 2011
	Enterprises over which KMP have significant influence	
VALS Developers Private Limited (Refer Note 2 below)		
Deposits refunded	-	2,828
Reimbursement of advance lease rentals paid	22	-
RajuVegesna Developers Private Limited (Refer Note 3 below)		
Lease rentals paid	1	-
Radhika Vegesna (Refer Note 4 below)		
Rental deposits made	-	26
Lease rentals paid	31	26

The following is the summary of outstanding balances as at March 31, 2012:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Sify Technologies (Singapore) Pte. Limited		
Advances receivable	*	3
Investments	1	*
Receivables	124	-
Trade payables	41	-
Sify Software Limited (formerly Sify Networks Private Limited)		
Advances receivable	3,458	1,193
Investments	4,827	4,827
Trade payable	2,405	350
Trade receivables	422	994
Sify International Inc.		
Advances receivable	1,996	2,087
Advances provided	(1,922)	(1,922)
Pace Info Com Park Private Limited		
Advances receivable	3,767	-
Hermits Projects Private Limited		
Investments	280	-
Advances receivable	4,343	-

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Raju Vegesna Infotech and Industries Private Limited		
Lease rentals payable	2	-
Raju Vegesna Developers Private Limited		
Lease rentals payable	1	-
Radhika Vegesna		
Refundable rental deposits	26	26

*amount is below the rounding off norm adopted by the Company.

The Company does not pay any remuneration to the key managerial personnel. Details of payments to other directors are given in note 40.

Note 1: Transaction with M/s Raju Vegesna Infotech and Industries Private Limited

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

Note 2: Transaction with VALS Developers Private Limited ('VALS')

During the year ended March 31, 2009, the company entered into a memorandum of understanding (MoU) with V.A.L.S. Developers Private Limited (VALS) to take land and building on a long term lease. VALS is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, a Company in which Mr. Raju Vegesna, the Chairman and Managing Director of the company was holding 94.66% equity in his personal capacity. The proposed lease agreement was expected to have an initial non-cancellable term of 5 years, with an option to the company for further renewal for a period up to 30 years. In connection with this lease, the company has paid a security deposit of Rs.1,257 and advance rental of Rs.1,571 to VALS during the year ended March 31, 2009. 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. To give effect to the above arrangement, VALS had entered into a Memorandum of Understanding on 16th June 2008 with M/s. Advance India Projects Limited (AIPL) and M/s. Pace Infocomm Private Limited (PACE), wherein PACE is an allottee of the land situated at B-07, Sector-132, Noida and VALS had through a Special Purpose Vehicle Hermit Projects Private Limited (HERMIT) decided to acquire the shares of PACE including the land held by it. VALS has paid a sum of Rs.2,850 to AIPL at the time of signing the MoU.

During the year, on October 30, 2010, the Board of Directors have approved to cancel the MoU for lease arrangement and have decided to acquire the property which is under construction from the third party directly. On 12th January 2011, through a Memorandum of Amendment, the company with the intention to acquire the said land, had substituted its name with that of VALS and through such amendment VALS had agreed to assign all rights, responsibilities, obligations, title etc. in favour of the company, thus making the company eligible to acquire PACE through HERMIT and subsequently the land and also making liable to pay the entire consideration of Rs.11,400. The shareholding in HERMIT shall pass on to the company subject to completion of the agreed milestones and payment of the consideration. Hence the Company has paid VALS an amount of Rs.22 i.e., difference between the amount paid by the Company to VALS and the amount paid by VALS to AIPL [Refer Note C(47)]

Note 3: Transaction with M/s Raju Vegesna Developers Private Limited

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

(All amounts are in Indian ₹ lakhs except share data and as stated)

Note 4: Transaction with Radhika Vegesna

During the previous year, the Company has entered into a lease agreement with Ms Radhika Vegesna, daughter of Mr Anand Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of Rs.3 per month and payment of refundable security deposit of Rs.26. This arrangement will automatically be renewed for a further period of two blocks of three years with all the terms remaining unchanged.

36. ASSOCIATES STOCK OPTION PLAN

The Company had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. The Compensation Committee grants the options on the basis of performance, criticality and potential of the employees as identified by the management. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000, ASOP 2002 and ASOP 2005 as at March 31, 2012. The plan wise details are as follows:

(i) ASOP 2007

In September 2007, the shareholders of the Company approved a new scheme for allotment of shares to employees i.e. Associate Stock Option Plan 2007. Consequently 797,600 unissued options available under the earlier Associate Stock Option Plan 2005 are no longer available for issuance.

The options vest in a graded manner over a period of 4 years as follows:

One sixth of the option quantity:	At the end of one year from the date of the grant.
Five sixths of the option quantity:	At the end of each quarter during the second, third and fourth year from the date of the grant in twelve equal instalments.

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

The following table summarises the transactions of stock options under ASOP 2007:

No. of options granted, exercised and forfeited	For the Year ended March 31, 2012	March 31, 2011
Outstanding at the beginning of the year	8,41,200	10,78,800
Granted during the year	-	6,000
Forfeited during the year	(27,995)	(81,801)
Expired during the year	(49,946)	(1,61,799)
Exercised during the year	(1,62,091)	-
Outstanding at the end of the year	6,01,168	8,41,200
Vested and exercisable at the end of the year	5,79,140	5,66,908
Weighted average exercise price in Rs.	152.26	146.58
Remaining contractual period	0-1.56 years	0.81 - 2.83 years

Modification

As the stock options issued under ASOP 2005 and ASOP 2007 had been out of money during most of the time of the vesting period, the Company's compensation committee during the year ended March 31, 2008 allowed certain employees vide their approval dated January 22, 2008 to surrender their (a) unvested (b) vested and (c) unexercised stock options and obtain fresh options at a discount of 10% of the market price under ASOP 2007 prevalent at the date of modification in lieu of the surrendered stock options. This modification resulted in the revision in the exercise price as well as the service period over which the stock options vest. Consequent upon modification, 497,200 stock options of ASOP 2005 plan and 123,900 stock options of ASOP 2007 plan were replaced with an allotment of equal number of fresh options to those who surrendered.

The incremental intrinsic value of the stock options replaced was determined by reference to the difference between the intrinsic value of the replaced stock options and the net intrinsic value of the cancelled stock options at the date of grant of new stock options.

(All amounts are in Indian ₹ lakhs except share data and as stated)

The incremental intrinsic value as a result of such modification in respect of vested and unvested options amounted to Rs.91 (March 31, 2011: Rs.88) and Nil (March 31, 2011: Rs.3) respectively. In respect of modification that has occurred during the vesting period, the incremental intrinsic value is included in the measurement of the amount recognised, for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date intrinsic value of the original equity instruments, which is recognised over the remainder of the original vesting period. In respect of the modification that has occurred after vesting date, the incremental intrinsic value granted is recognised immediately or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

(ii) Proforma disclosure

The Company measures the compensation cost relating to the stock option using the intrinsic value method. The compensation cost is amortised over the vesting period of the stock option. The Company has accounted for the ESOP granted under ASOP 2005 and 2007 as per the Guidance Note on Employee Share Based Payments, dated February 4, 2005 issued by the Institute of Chartered Accountants of India. Accordingly, the Company has amortised an amount of Rs.2 (net) and Rs.19 (net) towards stock expense for the years ended March 31, 2012 and 2011 respectively.

Had the compensation cost for the options been recognised based on the fair value at the date of grant in accordance with Black Scholes' model, the proforma amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Net profit / (loss) - as reported	(2,400)	(5,423)
Add: Stock based compensation expense included in reported net profit/(loss)	2	19
Less: Stock based compensation expense determined under fair value method	(314)	(102)
Proforma net profit / (loss)	(2,712)	(5,506)
Earnings per share		
Number of shares - Basic and diluted	10,33,13,278	6,51,49,443
Profit / (loss) per share - reported	(2.32)	(8.32)
Profit / (loss) per share - proforma - Rs.10 paid up	(2.62)	(8.45)
Profit / (loss) per share - proforma - Rs.6.25 (March 31,2011:2.50) paid up	(1.64)	(2.11)

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions:

Particulars	Year ended March 31, 2012*	Year ended March 31, 2011
Assumed volatility	-	110.50% 124.72%
Risk-free interest rate	-	2.61%
Expected term	-	18-54 months

*There were no options granted to Associates during the year.

37 LEGAL PROCEEDINGS

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

On April 2, 2009, the parties lodged with the Court a motion for preliminary approval of a proposed settlement between all parties, including the Company and its former officers and directors. The proposed settlement provides the plaintiffs with $586 million in recoveries from all defendants. Under the proposed settlement, the Issuer Defendants collectively would be responsible for $100 million, which would be paid by the Issuers' insurers, on behalf of the Issuer Defendants and their officers and directors.

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

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

b) Proceedings before Department of Telecommunications

(i) License fees

- On October 12, 2009 (as later clarified by the DoT), the Department of Telecommunications ('DOT') raised a demand on Sify Technologies for Rs.140 after correcting the arithmetical error in the assessment letter.
- On February 26, 2010 DOT raised a demand on Sify Communications (erstwhile subsidiary merged with Sify Technologies Limited) for Rs.260.

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

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

(All amounts are in Indian ₹ lakhs except share data and as stated)

(ii) In November 2009, the Company received a demand notice pertaining to the allocation of spectrum in the 3.3-3.4 GHz frequency, from DoT, demanding Rs.3,450 towards spectrum charges payable from the date of issue of allocation letter for 170 Base Stations. As per the notice, in case no payment is received within 15 days from the date of issue of the notice, then it would be presumed that the Company is no longer interested for the frequency assignments in 3.3-3.4 GHz band.

Whilst the Company received allotment letter for Spectrum in 3.3 GHz band (3303.5/3353.5 MHz) (Total 12 MHz) the Company had neither started any operations in this frequency band nor had applied for any Operating License from DOT/ Wireless Planning Commission (WPC). The Company believes that the obligation to make payment will arise only after obtaining the operating license from DOT/WPC. The Company also believes that it has adequate legal defences for these demands, as the Company has not yet obtained any operative license, hence such demand is not tenable. Nevertheless, the Company has as a commitment to hold and use the spectrum in the above band has paid Rs.116 towards 40 Base Stations and has surrendered the remaining 130 Base Stations. The Company believes that the ultimate outcome of these actions will not have a material adverse effect.

c) The company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2012, the Company believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgement in all these cases, the maximum financial exposure would be Rs.129 (March 31, 2011: Rs.91).

38. EUROPE INDIA GATEWAY

The Company has entered into a contract with Emirates Integrated Telecom ('the Emirates') for the construction and supply of undersea cable capacity from the Europe India Gateway. As per the contract with Emirates, the Company is required to pay its share of decommissioning costs, if any, that may arise in the future. No provision has been made by the Company for such decommissioning costs as the amount of provision cannot be measured reliably as at March 31, 2012.

39. 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. Hence the Company would not be able to raise funds by issuing ADRs until such time the Company complies with the 'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993' and lists in the domestic stock exchanges as per the above press release.

40. PAYMENTS TO DIRECTORS

(other than managing director and executive director)

	Year ended March 31, 2012	Year ended March 31, 2011
Sitting fees	13	12
Consultancy fees	2	2

41. DUES TO MICRO AND SMALL ENTERPRISES

The Company has not received any memorandum (as required to be filed by the supplier with the notified authorities under Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as Micro, Small or Medium Enterprises. Accordingly the amount paid/ payable to these parties is considered to be nil.

42. TRANSFER OF SHARES WITHIN THE PROMOTER GROUP

On August 4, 2010, the Board of Directors of the Company proposed the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the Company's equity shares, par value Rs.10 per share ("Equity shares"), for an aggregate purchase price of Rs.40,000, 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.

On October 22 2010, the Company entered into a Subscription Agreement with Mr. Ananda Raju Vegesna, acting as representative (the "Representative") of the purchasers in connection with the Offering. In pursuance of the Agreement, the Company issued and allotted 12,50,00,000 equity shares to M/s Raju Vegesna Infotech and Industries Private Limited ("RVIIPL"), a promoter group company. In accordance with Indian law, the purchase price is to be paid at such time as determined by Board of Directors of the Company. During the year, RVIIPL has paid a sum of Rs.10,000 towards share capital and share premium making the shares partly paid up to the extent of Rs.6.25 per share.

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

43. DISCLOSURES PURSUANT TO AS 7 -

Construction contracts

	Year ended March 31, 2012	Year ended March 31, 2011
Contract revenue recognised	2,234	2,752
Aggregate amounts of costs incurred and recognized profits (less recognised losses) upto the reporting date - Contracts in progress	1,992	2,752
Retentions in respect of contracts in progress	171	213
Gross amount due from customers for contract work presented as an asset	2,163	2,752

44. RECONCILIATION OF EQUITY SHARES IN COMPUTING WEIGHTED AVERAGE NUMBER OF EQUITY SHARES

(a) Weighted average number of shares - Basic

Issued fully paid up ordinary shares as on April 1	5,33,51,498	5,33,51,498
Effect of shares issued on exercise of stock options	98,392	-
Effect of partly paid shares [Refer Note (1)]	4,98,63,388	1,17,97,945
Weighted average number of equity shares outstanding	10,33,13,278	6,51,49,443

Note 1: During the previous year, 12,50,00,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of March 31, 2012, these shares were partly paid up to the extent of Rs 6.25 per share. Refer to note C(46).

(All amounts are in Indian ₹ lakhs except share data and as stated)

	Year ended March 31, 2012	Year ended March 31, 2011
(b) Weighted average number of shares - Diluted		
Weighted average number of equity shares outstanding	10,33,13,278	6,51,49,443
Dilutive impact of associated stock options	-	-
Weighted average number of equity shares for diluted earnings per share	10,33,13,278	6,51,49,443

Note 1: As the Company has incurred loss during the years ended March 31, 2012 and 2011, the effect of potential exercise of outstanding stock options was anti-dilutive.

45. INVESTMENT IN MF GLOBAL SIFY SECURITIES PRIVATE LIMITED

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

As at March 31, 2012, the Company holds 29.85% in the Joint Venture Company and the remaining 70.15% was held by MFG. On October 31, 2011, M F Global Holding Limited, USA, sought bankruptcy protection through a chapter 11 filing in the U.S. Bankruptcy Court in New York. Consequent to this, MFG also filed for bankruptcy proceedings in the United Kingdom and 3 individual administrators from KPMG were appointed as Joint administrators for MFG which holds the shares in the Joint Venture Company.

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

Hence, the Company had filed a petition under section 9 of the Arbitration and Conciliation Act 1996 in Bombay High Court, seeking for an interim relief restraining the Joint Administrators and MFG from proceeding with the proposed auction in respect of the sale of shares held by MFG in the Joint Venture Company in violation of share holders agreement dated November 25, 2005. The above petition came up for hearing on December 16, 2011. The Hon'ble High Court was pleased to grant ad-interim injunction restraining MFG Overseas Limited through its Administrators from disposing off its shares in MFG Sify in violation of the Shareholder Agreement. The petition has been adjourned for further proceedings. In parallel, the Company without prejudice to its legal rights was in discussion with the Joint Administrators of MFG for an early amicable settlement in this regard.

On March 27, 2012, the Company entered into an agreement relating to sale and purchase of shares in MF Global Sify Securities India Private Limited by and among Sify, MF Global Sify Securities Pvt Ltd., MF Global Overseas Limited, the joint administrators of MF Global Overseas (the "Joint Administrators") and entities affiliated with the Phillip Capital Group, whereby the Company agreed to sell its entire 29.85% interest in MF Global.

The consummation of the transaction is subject to certain closing conditions, including regulatory and statutory approvals from the Government of India and the stock exchanges in India. The transaction is expected to close by July 31, 2012.

Additionally, in connection with the execution of the Agreement, on March 27, 2012, the Company, MF Global Sify Securities Private Limited, MF Global Overseas Limited and the Joint Administrators entered into a settlement and release agreement pursuant to which the Company and MF Global Overseas Limited agreed to settle, effective upon the closing of the transactions contemplated by the Agreement, their pending dispute in the Bombay High Court, India regarding certain matters, including the termination of shareholders agreement governing their respective interests in MF Global.

46. ISSUE OF SHARES TO THE PROMOTER GROUP

On August 4, 2010, the Board of Directors of the company proposed the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the company's equity shares, par value Rs.10 per share ("Equity shares"), for an aggregate purchase price of Rs 40,000, 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.

On October 22 2010, the company entered into a Subscription Agreement with Mr Ananda Raju Vegesna, acting as representative of the acquirers in connection with the offering. Accordingly, the company issued 12,50,00,000 equity shares to Raju Vegesna Infotech & Industries Private Limited, a company affiliated with the promoter group on October 30, 2010.

As of March 31, 2012, the Company has called-up and received a sum of Rs.6.25 per share. 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 beneficially hold approximately 86.4% of the outstanding equity shares of the company. Also refer to note C(42).

47. ACQUISITION OF SHARES IN HERMIT PROJECTS PRIVATE LIMITED

During the year ended March 31, 2009, the company entered into a memorandum of understanding (MoU) with V.A.L.S. Developers Private Limited (VALS) to take land and building on a long term sub-lease. VALS is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, a Company in which Mr. Raju Vegesna, the Chairman and Managing Director of the company was holding 94.66% equity in his personal capacity. The proposed sub-lease agreement was expected to have an initial non-cancellable term of 5 years, with an option to the company for further renewal for a period up to 30 years. In connection with this lease, the company has paid a security deposit of Rs.1,257 and advance rental of Rs 1,571 to VALS during the year ended March 31, 2009. The security deposit was proposed to be refunded at the end of lease term and the advance rental was also proposed to be adjusted over a period of 15 months from the commencement of the lease. To give effect to the above arrangement, VALS had entered into a Memorandum of Understanding on 16th June 2008 with M/s. Advance India Projects Limited (AIPL) and M/s. Pace Info Com Private Limited (PACE), wherein PACE is an allottee of the land situated at B-07, Sector-132, Noida and VALS had through a Special Purpose Vehicle Hermit Projects Private Limited (HERMIT) decided to acquire the shares of PACE including the land held by it.

On October 30, 2010, the Board of Directors of the Company have approved to cancel the MoU for lease arrangement and have decided to acquire the property which is under construction from the third party directly. On 12th January 2011, through a Memorandum of Amendment, the company with the intention to acquire the said land along with the building, had substituted its name with that of VALS and through such amendment VALS had agreed to assign all rights, responsibilities, obligations, title etc. in favour of the company, thus making the company eligible to acquire PACE through HERMIT and subsequently the land and also making liable to pay the entire consideration of Rs.11,400. On September 28, 2011, all the interested parties entered into an amendment to the above MoU, wherein the total consideration was determined

(All amounts are in Indian ₹ lakhs except share data and as stated)

as being Rs.280 for purchase of 10,000 equity shares of HERMIT and Rs.11,120 for settlement of debts and liabilities in the books of both HERMIT and PACE. As of March 31, 2012, the company has paid Rs.280 and has acquired the shares of HERMIT. Further, out of the total commitment of Rs.11,120 for settlement of debts and liabilities , as above, as of March 31, 2012, the Company has advanced a sum of Rs.3,540 and Rs.4,343 to PACE and HERMIT respectively. Further, the Company has advanced a sum of Rs. 957 to AIPL for carrying on the construction activity.

48. TAXATION

Major components of deferred tax asset/liability recognised on account of timing differences are:

	As at March 31, 2012	As at March 31, 2011
Liabilities		
Amortization of assets on finance lease	**929**	911
Assets		
Depreciation on own assets (restricted to the extent of deferred tax liability)	**(929)**	(911)
Net deferred tax recognised	**-**	-

The Company has recognised deferred tax asset to the extent of deferred tax liability arising during the year. The balance of deferred tax asset on timing differences arising on account of unabsorbed depreciation, carried forward business losses, carried forward capital losses and others which the company is entitled to claim set off has not been recognised as the management believes that there exists no virtual or reasonable certainty of sufficient future taxable income.

49. Borrowing costs capitalised during the year aggregated to Rs.135 (March 31, 2011: Rs 358).

50. PRIOR YEAR COMPARATIVES

The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of the Revised Schedule VI under the Companies Act 1956, the financial statements for the year ended March 31, 2012 are prepared as per the Revised Schedule VI. Accordingly, the previous year figures have been reclassified to this year's classification. The adoption of Revised Schedule VI for previous year figure does not impact recognition and measurement principles followed for preparation of financial statements.

for **ASA & Associates**
Chartered Accountants
Firm Registration No. 009571N

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No. 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
July 16, 2012

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

(All amounts are in Indian ₹ lakhs except share data and as stated)

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to the Subsidiary Companies

Name of the Subsidiary Company	*Sify Software Limited*	*Sify International Inc.*	*Sify Technologies (Singapore) Pte. Ltd*	*Hermit Projects Pvt. Ltd**	*Pace Info Com Pvt. Ltd**
Name of the Holding Company	Sify Technologies Ltd	Sify Technologies Ltd	Sify Technologies Ltd	Sify Technologies Ltd	Hermit Projects Pvt Ltd
(a) the extent of the holding company's interest in the subsidiary as at the end of the financial year ended March 31, 2012.					
i) No: of Equity shares	45,81,820 of Rs10/- each	100	2000 of SGD 1 per share	10,000 of Rs.10/- each	10,000 of Rs.10/- each
ii) Extent of holding	100%	100%	100%	100%	100%
(b) the net aggregate amount of the profits / (losses) of the subsidiary company not dealt with in the Company's accounts so far as it concerns the members of the holding company					
i) for the financial year ended March 31, 2012	(2,380)	(1)	35	(1)	(2)
ii) for all the previous financials years of the subsidiary	(2,457)	(2,119)	(4)	-	-
(c) The net aggregate amount of the profits/(losses) of the subsidiary company dealt with in the Company's accounts so far as it concerns the members of the holding company					
i) for the financial year ended March 31, 2012	Nil	Nil	Nil	Nil	Nil
ii) for all the previous financials years of the subsidiary	Nil	Nil	Nil	Nil	Nil

*the loss figures are for the period November 28, 2011 to March 31, 2012.

Chennai	***Raju Vegesna***	***Ananda Raju Vegesna***	***C B Mouli***	***M P Vijay Kumar***	***V Ramasubramanian***
July 16, 2012	Chairman & Managing Director	Executive Director	Director	Chief Financial Officer	Company Secretary