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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

CKS Associates
Chartered Accountants
Hyderabad

DIRECTORS' REPORT

Dear Members,

Your Directors present the Fifteenth Annual Report together with the audited financials of your Company for the financial year ended March 31, 2011.

Financial highlights

Rs. in million

Details	Year ended March 31, 2011	Year ended March 31, 2010
Income from operations	6,566	6,543
Other Income	155	217
Earnings Before Interest, Tax, Depreciation and Amortization before exceptional items	380	397
Depreciation, amortization and impairment	(682)	(698)
Financial expenses	(240)	(288)
Profit / (Loss) before exceptional items and tax	(542)	(589)
Exceptional items	-	946
Taxation including Fringe Benefit Tax	-	3
Profit / (Loss) after tax	(542)	360

Financial review

During the year under review, your Company registered a revenue of Rs.6,566 million against Rs.6,543 million in the previous year. The loss before exceptional items for the year was Rs.542 millions, lower by Rs.47 million compared to previous year reflecting improvement in performance.

Major Corporate Developments

Issue of fresh capital

In terms of the approval of the shareholders at the Fourteenth Annual General Meeting, M/s Raju Vegesna Infotech & Industries Private Limited, a promoter Group Company, subscribed for 125,000,000 Equity Shares of Rs.10/- each at a premium of Rs.22/- per share for cash in your Company for funding the capital expenditure requirements of the Company.

Your Company has so far received a sum of Rs.1000 million towards application and allotment money. The Board of Directors has called for the First Call money of Rs.1000 million on the partly paid up shares, which is expected to be received by end August 2011. The remaining Rs.2000 million will be called upon by the Board based on fund requirements of the Company for various ongoing projects. The funds raised through the fresh infusion would be used only for the capital expenditure for the projects and not for the working capital requirements of the Company.

Your Directors take this opportunity to acknowledge and place on record their appreciation for the co-operation and consistent support received from the promoters in infusing funds into the Company for its expansion programmes, which clearly demonstrates their faith and commitment to the growth of the Company.

Business Review

Enterprise Services

The Enterprise Services accounted for Rs. 5600 million; about 85% of the total revenues of the company. On a year on year basis, the Enterprise business has grown by around 6% in terms of revenue.

This Strategic Business Unit (SBU) consists of Data services, Hosting, Managed voice services, Application services and Systems Integration.

In Data services, your Company increased the total managed bandwidth services contracted to customers. It continued to expand the reach of its network and today reaches 667 towns and cities across the country. Large Telecom operators who wish to increase footprint to remote parts of the country are now engaging your company to utilize this spread.

Your Company's established success in the connectivity business has a happy fall out; our propositions are being weighed more seriously by the Government for their needs. Your company sees demand for its services growing with the government's concentrated push for IT services.

The Company's investment in the submarine cable business has reached an advanced stage of commissioning. The Mumbai cable landing station is expected to go live later this year.

Hosting services has seen a sustained growth during the year to record 20% growth in revenues over the previous year. Projects delivered to clients for their On Demand Storage services have helped in that clients are now referring recurrent business second year in a row.

Your Company's evangelizing of the Cloud Computing Services has turned it into the go-to company for on-demand storage requirements. In the coming years, we see more clients coming on board for our applications services. Your Company has won the "Best Product implementation" award for 2011 for Cloud Security product implementation.

During the year, your Company strengthened its position in the competitive Managed Voice Services market. Revenues have grown by more than 43% over the previous year and volume of traffic by 80%. The acceptance of the Company by Telecom operators as a credible interconnect partner for both international and domestic termination of voice traffic has helped cement its position in the industry.

In Systems Integration, your Company focused on establishing itself as a leader in the Data Centre Build Practice. We are happy to report that this has been achieved by your Company against stiff competition and by establishing itself as a leader in State Data Centre build and operate contracts. Our Data Centre business, both for the State and private players, generated around Rs.275 million revenue during the year under review. The Company will continue to focus on Data Center build services, while lowering focus on hardware sizing.

Your Company identified and entered the Government sector last year with increasing success. Your Company has so far won five State Data Centres (SDC), the maximum number of contracts for building and operating SDCs. The first of these have been commissioned. Your Company's adherence to stipulated timelines is helping it emerge as a leader in this space.

The Government of India's move to classify the proposed fiber-optic network as a national resource and make it available on equal terms to all operators, wishing to provide broadband services will lead to a more level playing field for your Company. It will also allow your Company to further leverage our investments to deliver value-added services to customers across India.

Consumer Services

The business accounted for Rs 526 million, about 8% of the total revenues of the Company during the year under review.

Consumer Services Division went through complete reengineering during the last year. Strategic efforts were made to further consolidate various divisions within Access media and Portals to bring in more consumer centricity. The division also launched of Sify Mylife - a consumer cloud platform and new broadband products for SOHO, SMB and home segments. The consumer services division also brought in changes in the e-port business model.

Sify mylife

Your Company launched India's first consumer cloud services, branded as Sify mylife. Sify mylife is a rich ecosystem which enables consumers to access a whole new world of services, allowing application developers to build and host solutions on Sify mylife and advertisers to talk to people who access the net, either at cafes, home or on mobile internet devices like smart phones.

Sify e-Port & Connectivity

During the year, your Company launched a different model for connectivity to sign-on non e-port cybercafés in India. Your Company now has over 1860 cafés connected, including 377 operational e-Ports.

Your Company entered into agreements with selected colleges and training institutes to conduct online examinations at these cafes. Your Company continues to provide value added services in the areas of Travel, Utility and Financial services which represent new sources of revenue that have the potential to grow in the years to come.

Sify Broadband

Your Company's broadband service is available in over 200 cities and towns in India, with a base of around 80,000 subscribers through a network of about 1400 franchisees.

A new range of products was launched for the SMB segment, bundled with a range of value added services. A special team is focusing on this target segment and the Company has already signed over 525 SMB customers across the country.

Interactive services (portals)

As one of India's popular consumer portals from your company, Sify.com continued to focus on consumer behaviour and user trends to revamp its content offerings to attract visitors and sustain interest. Sify.com was ranked among the top three leading publishers for online display advertising in India.

Comscore acclaimed Sify Sports as the fastest growing sports site with a growth of 379%. New initiatives to offer the best of sporting content (primarily Cricket) to visitors on Sify Sports including cricket scorecard on the Microsoft Silverlight platform, a move that has built stickiness among the visitors and the trade. The Cricket World cup coverage on Sify Sports achieved the highest ever page views during the season. These sections saw a combination of event coverage and interesting new features including user interactive sections like Fun Zone.

Following the latest user trends, your company launched an interactive Stockometer section on Microsoft's Silverlight platform, which enables users of Sify finance to follow the latest stock prices, stock portfolio and watchlist. This also enables a user to customize the tool to suite his preferences.

Sify Movies launched an internet radio channel-Sify Radio as a new property in alliance with Radio City. Sify Radio offers music from multiple genres in Hindi and English languages.

Samachar.com, the preferred online news destination for non-resident Indians is now available on mobile. Users can now access India specific news from leading newspapers, magazines and websites from Samachar.com on their mobile devices. The Company introduced a recommendation engine for Samachar.com users which understands the user's news review pattern and recommends similar news articles; this has improved the content consumption by individual visitor on Samachar.com.

International services

The business accounted for Rs 440 million, about 7% of the total revenues of the Company during the year under review.

The Division continues to strive to improve profitability across both the lines of Business.

Infrastructure Management Services

Revenue has grown more than 40% during the year under review with increased engagement with a few key customers. As the outlook for Infrastructure Management Services remains strong, your Company will continue to invest in sales, marketing and product engineering functions to grow the business further.

Technology Initiatives

- Sify's network reach has expanded to 667 cities with 1160 nodes across the country.
- Sify's Enterprise Managed Service portfolio was extended and white labeled as a managed services offering for other major Telco's.
- Project work for Sify's GBI submarine cable landing station is under progress and the submarine cable has reached the shores.
- The network infrastructure has been enhanced to support multi services like Private Leased circuits for Domestic and International and Ethernet based services for domestic & International markets.
- Sify's Fiber Local access network plan gained momentum with the addition of Fiber Nodes in the six major cities to provide Fiber to the Buildings.

Awards

- Best Telecom Data Centre Award from INFOCOM, CMAI.
- Best product implementation Award from Fortinet for cloud services.
- IPV6 certified ISP and ISP portal from IPV6 forum

Business reorganisation:

Over the last several years, your Company has transformed from a consumer business orientated company to an Enteprise-focused ICT and Managed Services Company. The scale up and reorientation called for vastly expanded capacity in both connectivity and IT infrastructure, both at an individual level and in partnership with other players. Your Company also continues to enjoy strong brand recognition, built through its long history as one of India's first ISPs, the first tier III data centre and a leading portal player.

Your Company is ideally positioned to ride the IT services wave in India with the network coverage, data centres footprint across metros and small cities, home-grown applications delivered on the cloud model and international bandwidth capacity.

Recognizing the significant emerging opportunity, your Company has reorganised the entire business line into the following SBUs from the next financial year:

Going forward, your Company's new organisational design will comprise 3 business units:

Enterprise Services - Connectivity and Voice Services will be offered as Network Services, while Data Center Hosting and Managed Services, along with System Integration, will comprise IT Services. They will service both domestic and International clients from large corporate and mid-market customers.

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

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

The Company will operate in a Group structure with each SBU expected to be profitable on an independent basis and contribute unique value to the Company.

Subsidiary Companies and Associate Company

Sify Software Limited

During the year under review, the Company reported revenue of Rs. 494.80 million against Rs. 224.95 million in the previous six months period ended March 31, 2010. The loss incurred was Rs.120.62 million as against loss of Rs.51.41 million in the previous year.

Sify Technologies (Singapore) Pte. Ltd.

During the year under review, the Company reported revenue of Rs. 5.64 million against Rs. 6.75 million in the previous year. The loss incurred was Rs. 1.06 million as against profit of Rs. 0.71 million in the previous year.

Sify International Inc.

During the year under review, the Company reported revenue of Rs.16.56 million against Rs. Nil in the previous year. The profit was Rs.1.36 million as against Loss of Rs.0.95 million in the previous year.

MF Global Sify Securities India Private Limited

During the year under review, the Associate Company registered revenue of Rs.1604.41 million against Rs.1480.71 million in the previous year. The Net Profit for the year under review was Rs.258.69 million as compared to Rs.283.49 million in the previous year.

Corporate governance

Your Company is compliant with SEC / NASDAQ guidelines relating to Independent Directors. The majority of the Board of Directors of your Company are independent Directors. Further, the Company has the Audit, Compensation and Nominating Committees, which comprise only independent Directors.

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

The provisions of Sarbanes Oxley Act of 2002 and the United States NASDAQ Marketplace rules relating to corporate governance are fully complied with.

Directors

Dr S K Rao, 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

The Company has received a letter dated July 28, 2011 from M/s CKS Associates, Chartered Accountants, Hyderabad, the retiring Statutory Auditors, expressing their unwillingness to seek reappointment at the ensuing Annual General Meeting.

In terms of the provisions of Section 225 of the Companies Act, 1956, the Company has received a Special Notice under Section 190 of the Companies Act, 1956 from M/s Infinity Satcom Universal Private Limited, a member, proposing M/s ASA & Associates, Chartered Accountants, Chennai, as the Statutory Auditors of the Company in the place of M/s CKS Associates, the retiring Statutory Auditors, for the financial year 2011-12 at the ensuing Annual General Meeting along with a deposit of Rs.500/-

The Company also received a letter dated July 28, 2011 from M/s ASA & Associates, Chartered Accountants, Chennai, confirming that their appointment as the Statutory Auditors of the Company, if made, at the ensuing Annual General Meeting, would be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

The Audit Committee and the Board of Directors have recommended to the shareholders the appointment of M/s ASA & Associates, Chartered Accountants, Chennai, as the Statutory Auditors of the Company in the place of M/s CKS Associates, the retiring Statutory Auditors, for the financial year 2011-12 at the ensuing Annual General Meeting.

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.

Exchange Earnings and Outgo

During the year, the Company earned foreign exchange of Rs 1,888 million and the outgoings in foreign exchange were Rs. 797 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 29, 2011

AUDITOR'S REPORT TO THE MEMBERS OF SIFY TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of **SIFY TECHNOLOGIES LIMITED** as at March 31, 2011, Profit and Loss account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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 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 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 (Auditors' Report) Order, 2003, issued by the Company Law Board in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, wherever applicable.

4. Further to our comments in the Annexure referred to above and paragraph 4, 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 purpose 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 account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

   d. In our opinion, the Balance Sheet, Profit and Loss account 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 Companies Act, 1956.

   e. On the basis of written representations received from the directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

   f In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956, in the manner so required 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, 2011, and

      ii. in the case of the Profit and Loss account, of the loss of the Company for the year ended on that date.

      iii. in the case of Cash Flow Statement of the cash flows for the year ended on that date.

for **C K S ASSOCIATES**
Chartered Accountants
FRN 007390S

N.V.S.SRIKRISHNA
Partner
M. No.025139

Chennai
July 29,2011

ANNEXURE TO THE AUDITOR'S REPORT

1. a) The Company has maintained 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 the fixed asset records.

   b) The Company has a regular programme of physical verification of fixed assets in a phased manner in a period 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) There was no substantial disposal of fixed assets during the year, which affects the going concern concept.

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

   b) The procedures of physical verification of stocks followed by the management are reasonable and adequate, in relation to the size of the Company and the nature of its business.

   c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.

3. As the company has not granted or taken any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, the matters to be reported under Paragraph 4 clause (iii) are not applicable.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, with regard to purchase of fixed assets, inventories and for the sale of goods and services. In our opinion and according to the information and explanations provided to us, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars that need be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

   b) In our opinion and according to the information and explanations given to us, the transactions exceeding Rs. 5 lakhs made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at that relevant time.

6. As the information and explanations provided to us, the company has not accepted any deposits covered under the provisions of Section 58A of the Companies Act, 1956 and rules framed thereunder.

7. In our opinion, the company has an internal audit system commensurate with the size of the company and nature of business.

8. The maintenance of cost records has not been prescribed for the Company by the Central Government under Section 209(1)(d) of the Companies Act, 1956.

9. a) According to the information and explanations provided to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other statutory dues with the appropriate authorities and no undisputed amounts payable with respect to them are outstanding as at March 31, 2011 for a period of more than six months from the date they became payable. The company did not account for cess under section 441A of the Companies Act, 1956

since the relevant notification under that section is yet to be issued by the Central Government.

b) According to the information and explanations given to us, statutory dues payable under sales tax, income tax, wealth tax, customs duty, service tax, excise duty and cess, which have not been deposited on account of any dispute are as given below:

Name of the Statute	Amount in Rs.000s	Period to which it relates	Forum where pending
Finance Act, 1994 (Service tax)	321,556	01-04-2005 to 31-03-2006 February 2006; 01-04-2006 to 30-09-2006 01-10-2006 to 30-09-2007 01-10-2007 to 31-03-2008	CESTAT, Chennai
	11,109	01-04-2008 to 15-05-2008	CESTAT, Chennai
	38,624	October 2005 to March 2006	CESTAT, Chennai
	666	April to September 2005	Commissioner, LTU, Chennai
	3,982	July 2003 to February 2007	CESTAT, Chennai
	25,410	April 2002 to March 2007	CESTAT, Chennai
	13,784	October 2006 to December 2007	CESTAT, Chennai
Uttar Pradesh Value Added Tax Act, 2008	12,910*	2003-04 to 2005-06	At various levels including Joint Commissioner (Appeals), Commercial Tax Officer, etc.
Kerala Value Added Tax Act, 2003	34	2004-05	Commercial Tax Officer, Kerala
Kerala Value Added Tax Act, 2003	12	2010-11	Commercial Tax Officer, Kerala
Income Tax Act, 1956	84,980	2007-08	Commissioner of Income Tax (Appeals) Chennai

* including Rs.168 (thousand) paid under protest

10. The accumulated losses of the company are less than 50% of the networth 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.

11. According to the information given to us, the Company has not defaulted in repayment of dues to any financial institution or bank during the year.

12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debenture and other securities and hence, maintenance of adequate documents and records thereof does not arise.

13. a) According to the information given to us, the nature of activities of the Company does not attract the provisions of any special statute applicable to chit fund company.

b) As the Company is not a nidhi/mutual benefit fund/society, the matters to be reported under sub-clauses (a) to (d), Second Part of paragraph 4(xiii) are not applicable to the Company.

14. The Company does not deal or trade in shares, securities, debentures and other investments.

15. According to the information given to us, the Company has given Corporate guarantee for working capital loans availed from a bank by a 100% subsidiary company.

16. According to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were taken.

17. According to the information and explanations given to us and on an overall examination of Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

18. The Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 and in our opinion the price at which the shares were issued are not prejudicial to the interests of the company.

19. The Company does not have any outstanding debentures.

20. The Company has not raised any money through public issue during the year.

21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

for **C K S ASSOCIATES**
Chartered Accountants
FRN 007390S

N.V.S.SRIKRISHNA
Partner
M. No.025139

Chennai
July 29, 2011

Balance sheet as at March 31, 2011

(All amounts are in Indian Rupees thousands except share data and as stated)

	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	858,831	546,331
Stock options outstanding account	2	15,585	22,694
Reserves and surplus	3	5,850,155	5,162,655
		6,724,571	5,731,680
LOAN FUNDS			
Secured loans	4	1,916,032	2,618,599
Unsecured loans	5	171,336	55,608
		8,811,939	8,405,887
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross block		8,467,444	8,263,757
Less: Accumulated depreciation / amortisation and impairment		(5,309,656)	(4,706,882)
Net block		3,157,788	3,556,875
Capital work-in-progress (including capital advances)		466,354	313,255
		3,624,142	3,870,130
INVESTMENTS	7	637,823	637,663
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	15,637	21,488
Sundry debtors	9	1,755.505	1,818,167
Cash and bank balances	10	505,075	858,345
Loans and advances	11	2,585,485	2,036,218
		4,861,702	4,734,218
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	2,400,985	2,387,713
Provisions	13	34,342	38,895
		2,435,327	2,426,608
NET CURRENT ASSETS		2,426,375	2,307,610
PROFIT AND LOSS ACCOUNT	14	2,123,599	1,590,484
		8,811,939	8,405,887
Significant accounting policies and notes to the financial statements	22		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

for **CKS Associates**
Chartered Accountants
Firm Registration No. FRN 007390S

For and on behalf of the Board of Directors

N V S Srikrishna
Partner
Membership No. 025139

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
July 29, 2011

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Profit and loss account for the year ended March 31, 2011

(All amounts are in Indian Rupees thousands except share data and as stated)

	Schedule	For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME			
Sales and services	15	6,565,932	6,543,139
Other income	16	155,389	217,000
		6,721,321	6,760,139
EXPENDITURE			
Cost of hardware and software sold	17	531,175	933,433
Personnel expenses	18	1,006,886	1,234,547
Other expenses	19	4,803,691	4,194,860
Depreciation, amortisation and impairment	6	682,371	697,772
Finance expenses	20	239,501	288,272
		7,263,624	7,348,884
(Loss) / profit before exceptional items and taxation		(542,303)	(588,745)
Exceptional items	21	-	945,544
Profit / (loss) before taxation		(542,303)	356,799
(Loss) / profit from continuing operations before taxation		(542,303)	(883)
Provision for taxation:			
- Current tax		-	-
- Deferred tax		-	-
- Fringe benefit tax (net of credit relating to earlier years)			(3,501)
(Loss) / profit from continuing operations after taxation (A)		(542,303)	2,618
Profit / (Loss) from discontinued operations before exceptional items and taxation [Refer to note C(8) of schedule 22]		-	(26,742)
Exceptional item			
Profit on sale of software business	21	-	384,424
Profit / (Loss) from discontinued operations before taxation		-	357,682
Provision for taxation:			
- Current tax		-	-
- Deferred tax		-	-
- Fringe benefit tax		-	-
Profit / (Loss) from discontinued operations after taxation (B)		-	357,682
Profit / (Loss) after taxation (A) + (B)		(542,303)	360,300
(Loss) brought forward from the previous year		(1,621,761)	(1,982,061)
BALANCE CARRIED TO THE BALANCE SHEET		(2,164.064)	(1,621,761)
Earnings per share (Rs.)			
Basic		(8.32)	6.75
Diluted		(8.32)	6.75
Earnings per share (Rs.) (continuing and discontinued operations)			
Continuing:			
Basic		(8.32)	0.05
Diluted		(8.32)	0.05
Discontinued:			
Basic		-	6.69
Diluted		-	6.69
Weighted average number of equity shares (Nos.)			
Basic		65,149,443	53,350,249
Diluted		65,149,443	53,373,521
Nominal value of equity share (Rs.)		10.00	10.00
Significant accounting policies and notes to the financial statements	22		

The schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

for **CKS Associates**
Chartered Accountants
Firm Registration No. FRN 007390S

For and on behalf of the Board of Directors

N V S Srikrishna
Partner
Membership No. 025139

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
July 29, 2011

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Schedules forming part of the Balance Sheet

(All amounts are in Indian Rupees thousands except share data and as stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
180,000,000 (March 31, 2010: 61,000,000) equity shares of Rs 10 each	1,800,000	610,000
Issued and Subscribed		
178,351,498 (March 31, 2010: 53,351,498) equity shares of Rs 10 each	1,783,515	533,514
[net of forfeited shares of 12,823,202 (March 31, 2010: 12,823,202) equity shares of Rs 10 each]		
	1,783,515	533,514
Paid-up		
53,351,498 (March 31, 2010: 53,351,498) equity shares of Rs 10 each fully paid up	533,514	533,514
125,000,000 (March 31, 2010: Nil) equity shares of Rs 10/- each partly paid up	312,500	-
Add: Forfeited shares - amount originally paid up on 12,823,202 equity shares	12,817	12,817
	858,831	546,331

Notes:

1) Of the above, the Company has issued 11,482,551 (March 31, 2010: 11,482,551) equity shares of Rs 10 each for consideration other than cash.
2) Of the above, 125,000,000 (March 31, 2010: Nil) equity shares of Rs 10 each are held by Raju Vegesna Infotech & Industries Pvt Ltd, the holding company. [Refer to Note C(20) of Schedule 22].
3) During the year ended March 31, 2011, the company has issued 125,000,000 equity shares of Rs 10 each to its promoter group on a private placement basis of which an amount of Rs.2.50 per share is paid up. [Refer to Note C(20) of Schedule 22]

(All amounts are in Indian Rupees thousands except share data and as stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 2		
STOCK OPTIONS OUTSTANDING ACCOUNT		
Opening balance	22,694	32,487
Add: Employee stock compensation cost for the year (net of reversals for forfeited options)	2,079	6,516
Less: Transfer to general reserve in respect of grants lapsed during the year	(9,188)	(16,300)
Less: Transferred to securities premium account in respect of exercised options	-	(9)
Closing balance	15,585	22,694
SCHEDULE 3		
RESERVES AND SURPLUS		
Securities premium		
Opening balance	5,162,655	5,162,577
Add: Received during the year on fresh issue of capital. [Refer to Note C(20) of Schedule 22]	687,500	-
Add: Transfer from stock options outstanding account	-	9
Add: Received during the year on exercise of associate stock options	-	69
Closing balance	5,850,155	5,162,655
General reserve		
Opening balance	14,977	14,977
Add: Transferred from stock options outstanding account	25,488	16,300
Less: As per contra in profit and loss account (refer to schedule 14)	(40,465)	(31,277)
Closing balance	-	-
	5,850,155	5,162,655
SCHEDULE 4		
SECURED LOANS		
Term loans from banks (refer to note a below)	329,881	541,940
Working capital facilities (refer to note b below)	745,067	1,060,284
LC discounted liabilities (refer to note c below)	529,437	697,165
Assets acquired under finance lease and on installment basis (refer to note d below)	188,253	201,317
Loan from others (refer to note e below)	123,394	117,893
	1,916,032	2,618,599
Loans repayable within one year	264,983	238,153

Schedules forming part of the Balance Sheet (Contd...)

Notes:

a. Term loans are secured by way of pari-passu first charge over the unencumbered movable fixed assets acquired out of such term loans availed by the Company. Further, these loans are collaterally secured by way of equitable mortgage over the office premises and also by way of pari-passu second charge on the entire current assets of the Company.

b. Working capital facilities include the following:

- Bank overdraft and cash credit facilities amounting to Rs 506,027 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.
- 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.

c. 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.

d. Assets acquired under finance lease and on instalment basis are secured against the relevant assets.

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

(All amounts are in Indian Rupees thousands except share data and as stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 5		
UNSECURED LOANS		
Other loans and advances		
- from banks	-	-
- from others	171,336	55,608
	171,336	55,608
Loans repayable within one year	94,722	22,612

SCHEDULE 6

FIXED ASSETS

(All amounts are in Indian Rupees thousands except share data and as stated)

Particulars	Gross Block				Depreciation / Amortisation / Impairment				Net Block	
	As at April 2010	Additions	Deletions/ Adjustments	As at March 31, 2011	As at April 1, 2010	Depreciation/ amortisation/ impairment for the year	Deletions/ Adjustments	As at March 31, 2011	As at March 31, 2011	As at March 31 2010
Tangible Assets										
Leasehold land	5,132	-	-	5,132	760	86	-	846	4,286	4,372
Buildings	488,412	-	-	488,412	168,488	17,436	-	185,924	302,488	319,924
Plant and machinery	5,622,123	204,760	69,792	5,757,091	3,333,569	486,324	69,026	3,750,867	2,006,224	2,288,554
Furniture and fittings	695,506	15,731	8,520	702,717	441,621	64,276	6,777	499,120	203,597	253,885
Office equipment	221,903	6,214	507	227,610	110,765	23,176	501	133,440	94,170	111,138
Assets acquired under lease										
Building	291,146	-	-	291,146	35,902	10,318	-	46,220	244,926	255,244
Motor vehicles	6,643	-	3,262	3,381	6,516	127	3,262	3,381	-	127
Plant and machinery	249,202	38,111	-	287,313	33,533	36,155	-	69,688	217,625	215,669
Intangible assets										
Systems software	369,554	20,983	31	390,506	297,798	41,980	31	339,747	50,759	71,756
Goodwill	36,200	-	-	36,200	36,200		-	36,200		
Web publication rights	45,496	-	-	45,496	45,496		-	45,496		
Customer and contract related intangibles	232,440	-	-	232,440	196,234	2,493	-	198,727	33,713	36,206
	8,263,757	**285,799**	**82,112**	**8,467,444**	**4,706,882**	**682,371**	**79,597**	**5,309,656**	**3,157,788**	**3,556,875**
Previous year	7,547,967	1,082,023	366,233	8,263,757	4,367,185	697,772	358,075	4,706,882	3,556,875	

Notes:

1. Depreciation / amortisation / impairment for the year for intangible assets including goodwill includes impairment of Rs Nil (March 31, 2010: Rs 43,348) recognised.
2. Reclassifications between various categories of assets have been disclosed in deletions / adjustment column.

Schedules forming part of the Balance Sheet (Contd...)

(All amounts are in Indian Rupees thousands except share data and as stated)

		As at March 31, 2011	As at March 31, 2010
SCHEDULE 7			
INVESTMENTS			
Trade - Long term (Unquoted - at cost)			
Subsidiaries			
Sify Technologies (Singapore) Pte. Limited [1 (March 31, 2010: 1) equity share of S$1 each fully paid up]		-	-
		-	-
Sify International Inc.			
[100 (March 31, 2010: 100) shares of common stock of USD 0.0001 fully paid up]		357,603	357,603
Less: Decline, other than temporary, in value of investment		(357,603)	(357,603)
		-	-
Sify Software Limited (formerly Sify Networks Private Limited) [Also, refer to note C(8) of schedule 22]			
[4,581,820 (March 31, 2010: 4,581,820) equity shares of Rs 10 each fully paid up]		482,755	482,755
		482,755	482,755
Others			
Investment in Vashi Railway Station Commercial Complex Limited [15,000 (March 31, 2010: Nil) equity shares of Rs 10 each fully paid up]		150	-
Sify Empower India Foundation Private Limited [1,000 (March 31, 2010: Nil) equity shares of Rs 10 each fully paid up]		10	-
		160	-
	(A)	482,915	482,755
Non trade - Long term (Unquoted - at cost)			
Associate			
MF Global-Sify Securities India Private Limited [15,490,800 (March 31, 2010: 15,490,800) equity shares of Rs 10 each fully paid up]		154,908	154,908
	(B)	154,908	154,908
	(A)+(B)	637,823	637,663
Aggregate cost of unquoted investments		995,426	995,266

(All amounts are in Indian Rupees thousands except share data and as stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 8		
INVENTORIES		
Traded hardware and software (net)	15,637	21,488
	15,637	21,488
SCHEDULE 9		
SUNDRY DEBTORS		
Secured		
Outstanding for a period exceeding six months		
- considered good	3,661	4,717
Other debts		
- considered good	3,771	11,519
	7,432	16,236
Unsecured		
Outstanding for a period exceeding six months		
- considered good	448,024	301,672
- considered doubtful	161,119	116,499
Other debts		
- considered good	1,300,049	1,500,259
	1,909,192	1,918,430
Less: Provision for doubtful debts	(161,119)	(116,499)
	1,755,505	1,818,167

(All amounts are in Indian Rupees thousands except share data and as stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 10		
CASH AND BANK BALANCES		
Cash on hand	666	606
Balances with scheduled banks:		
- in current accounts	438,998	321,397
- in deposit accounts [refer to note (b) below]	59,437	530,869
Balances with other than scheduled banks:		
- in current accounts	5,974	5,473
	505,075	858,345

Notes:

a) Balances with other than scheduled banks:		
Closing balance:		
Citibank N.A, New York	5,616	2,381
Citibank N.A, California	325	2,525
Cedar Rapids and Trust Bank, Cedar	33	567
Maximum amount outstanding at anytime during the year:		
Citibank N.A, New York	1,756	8,932
Citibank N.A, California	14,965	547,143
Cedar Rapids and Trust Bank, Cedar	1,489	2,611
b) Balances in deposit accounts are subject to lien in favour of banks for obtaining bank guarantees / against loans taken.	59,437	360,809

Schedules forming part of the Balance Sheet (Contd...)

(All amounts are in Indian Rupees thousands except share data and as stated)

	As at March 31 2011	As at March 31 2010
SCHEDULE 11		
LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received		
- to subsidiaries*	133,884	56,555
- to others	742,526	707,326
Deposits	354,410	627,264
Advance tax and tax deducted at source	555,373	525,252
[net of provision for tax of Rs 16,710 (March 31, 2010: Rs 16,710)]		
Advance for purcahse of Equity shares in Hermit Projects Private Limited	682,825	-
Accrued Income	116,467	119,821
	2,585,485	2,036,218
Unsecured, considered doubtful		
Advances recoverable in cash or in kind or for value to be received		
- to subsidiaries *	192,191	192,191
- to others	25,437	28,998
Less:Provision for advances doubtful of recovery	(217,628)	(221,189)
	-	-
	2,585,485	2,036,218

* Also, refer to note C(6) of schedule 22

	As at March 31 2011	As at March 31 2010
SCHEDULE 12		
CURRENT LIABILITIES		
Sundry creditors		
- dues to micro and small enterprises [refer to note C(17) of schedule 22]	-	-
- dues to others [includes book overdraft of Rs Nil (March 31, 2010: Rs 54,284)]	1,780,258	1,791,286
Interest accrued but not due	2,979	1,769
Unearned income	380,781	373,432
Deposits	95,054	118,494
Advances received	85,290	36,702
Other liabilities	56,623	66,030
	2,400,985	2,387,713
SCHEDULE 13		
PROVISIONS		
Provision for gratuity [Also, refer to note C(3) of schedule 22]	13,047	9,563
Provision for compensated absences	21,295	29,332
	34,342	38,895
SCHEDULE 14		
PROFIT AND LOSS ACCOUNT		
Debit balance in profit and loss account	2,164,064	1,621,761
Less: As per contra in general reserve (refer to schedule 3)	(40,465)	(31,277)
	2,123,599	1,590,484

Schedules forming part of the Profit and Loss Account

(All amounts are in Indian Rupees thousands except share data and as stated)

	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE 15		
SALES AND SERVICES		
Service income:		
- Domestic	3,838,238	3,858,972
- Export	2,151,530	1,647,309
Sales:		
- Domestic	576,164	1,036,858
	6,565,932	6,543,139
SCHEDULE 16		
OTHER INCOME		
Interest income		
- from banks	19,916	19,489
- on income tax refund	20,465	14,227
Duty credit entitlement under served from India scheme	21,209	71,908
Profit on sale of fixed assets (net)	594	2,414
Service charge from subsidiary company	59,653	27,015
Provision for doubtful advances, written back	-	11,349
Advances written off in earlier years written back	-	7,093
Provision for decline in value of investments written back	-	38,823
Miscellaneous income	33,552	24,682
	155,389	217,000
SCHEDULE 17		
COST OF HARDWARE AND SOFTWARE SOLD		
Opening inventory	21,488	29,909
Add: Purchases [net of capitalisation Rs 23,840 (March 31, 2010: 11,549)]	525,324	925,012
Less: Closing inventory	(15,637)	(21,488)
	531,175	933,433
SCHEDULE 18		
PERSONNEL EXPENSES		
Salaries and wages	926,295	1,138,860
Contribution to provident and other funds	57,095	62,473
Staff welfare expenses	21,565	26,801
Employee stock compensation expense *	1,931	6,413
	1,006,886	1,234,547
* net of recoveries from the subsidiary company	149	103

Schedules forming part of the Profit and Loss Account (Contd...)

(All amounts are in Indian Rupees thousands except share data and as stated)

	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE 19		
OTHER EXPENSES		
Networking costs	2,099,250	1,851,401
Other direct cost	839,378	411,999
Commission expenses	170,852	279,183
Communication expenses	42,645	56,614
Rent	311,394	323,029
Rates and taxes	22,681	20,404
Travelling expenses	127,862	122,057
Power and fuel expenses	408,837	344,598
Legal and professional charges [Also, refer to note C(13) of schedule 22]	107,974	165,035
Repairs and maintenance expenses		
- Plant and machinery	22,338	35,418
- Buildings	21,272	34,110
- Others	140,705	105,642
Insurance	39,387	41,146
Outsourced manpower costs	70,044	101,558
Advertisement, selling and marketing expenses	90,804	103,023
Loss on foreign exchange fluctuation (net)	5,546	6,315
Duty credit entitlement written off	41,620	-
Bad debts written off	113,745	65,776
Provision for doubtful debts, net of provision written back on bad debts provided in the previous years	44,620	22,937
Provision for advances to subsidiaries and others	-	10,386
Miscellaneous expenses	82,737	94,229
	4,803,691	4,194,860

(All amounts are in Indian Rupees thousands except share data and as stated)

	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE 20		
FINANCE EXPENSES		
Interest on:		
- term loans	59,967	67,151
- working capital loans	63,842	104,651
Finance charges on assets taken on finance lease	20,117	16,476
Bank charges (including letters of credit and bill discounting and buyers' credit charges)	95,575	99,994
	239,501	288,272
SCHEDULE 21		
EXCEPTIONAL ITEMS		
Profit on sale of software business (Refer to note C(8) of schedule 22)	-	384,424
Income from legal settlement (Refer to note C(21) of schedule 22)	-	561,120
	-	945,544

Schedules to the financial statements for the year ended March 31, 2011

Schedule 22: Significant accounting policies and notes to the financial statements

(All amounts are in Indian Rupees thousands except share data and as stated)

A BACKGROUND

1. Description of business

Sify Technologies Limited, ('Sify' / '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 Corporate Network and Data Services including data centre services, Internet Access Services, Online Portal and Content offerings and selling hardware and software related to such services. Sify was incorporated on December 12, 1995 and is listed on the NASDAQ.

B SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of 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.

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 fair 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.

Corporate network/data services

Corporate network service revenues primarily include connectivity services, voice services, hosting services, digital certificate based authentication services, application services and the revenues from the sale of hardware and software purchased from third party vendors and, to a lesser extent, revenue from installation of the links and other ancillary services such as e-mail and domain registration. Generally 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 earnings 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. Trading transactions relating to standard hardware and software and involving arrangement of purchases from suppliers and sales to customers are reported on gross basis or on net basis, by carrying out a fact-specific evaluation of whether or not all significant risks and rewards of ownership or property in the goods are transferred. The revenue attributable to the installation of the link is recognised on completion of the installation work. All revenues are shown exclusive of sales tax and service tax and net of applicable discounts and allowances.

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 from India. The contracts are on time and material basis and revenues are recognised accordingly.

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.

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 IP back-bone and delivers voice traffic to Direct Inter-connect

Operators. Revenue is recognised based upon metered call units of voice traffic terminated on the Company's network.

Internet access services

Internet access services include Internet access at homes and businesses through cable operator and internet access through a network of cyber cafes. It also includes revenues from VoIP or Internet telephony.

Dial-up Internet access is sold to customers either for a specified number of hours or for an unlimited usage within a specified period of time. Customers purchase "user accounts" or "top-ups" that enable them to access the Internet for a specified quantum of usage or for a specified period of time all within a contracted period. The amounts received from customers on the sale of these user accounts or top-ups are not refundable. Revenue is recognised from sale of user accounts or top-ups based on usage (where access is for a specified quantum of usage) and based on time (where access is for a specified period of time) by the customer. Any unused hours at the end of the contracted period are recognised as revenue.

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 and businesses through cable networks is provided through a franchised network of cable operators in India. 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 makes the payment to the extent of usage of the facility. Revenue is 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. Revenues from value-added services that are rendered using Sify's mobile telephone short code - 54545 are recognised upon delivery of the content/ ring tones to the end subscriber and confirmation by the mobile phone service provider.

Revenue recognition from construction contracts

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 profit or loss.

Other services

The Company provides e-learning software development services to facilitate web-based learning in various organizations. Revenue from such projects is recognised on the fixed man-month rates or proportionate performance method, based on the terms of the contract. The said e-learning business has been transferred to Sify Software Limited with effect from October 1, 2009.

4. Fixed assets and depreciation/amortisation

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 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 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 a 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. 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.

7. Foreign currency transactions and balances

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

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.

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.

8. Employee benefits

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.

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.

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.

9. 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.

10. 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 a virtual certainty 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.

11. 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.

12. 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.

13. 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.

14. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a 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.

15. Leases

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.

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.

16. 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

1. Associates stock option plan (ASOP)

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, 2011. 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.

(All amounts are in Indian Rupees thousands except share data and as stated)

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, 2011	*March 31, 2010*
Outstanding at the beginning of the year	**1,078,800**	1,211,900
Granted during the year	**6,000**	50,000
Replaced during the year	-	-
Replacement options granted	-	-
Forfeited during the year	**(81,801)**	(93,616)
Expired during the year	**(161,799)**	(88,068)
Exercised during the year	-	(1,416)
Outstanding at the end of the year	**841,200**	**1,078,800**
Vested and exercisable at the end of the year	**566,908**	437,210
Weighted average exercise price in Rs.	**146.58**	149.21
Remaining contractual period	**0.81 – 2.83 years**	1.81 – 3.83 years

Modification

As the stock options issued under ASOP 2005 and ASOP 2007 had been out of money during the most 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.

The incremental intrinsic value as a result of such modification in respect of vested and unvested options amounted to Rs 8,864 (March 31, 2010: Rs 4,072) and Rs 299 (March 31, 2010: Rs 5,090) 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 1,931 (net) and Rs 6,413 (net) towards stock expense for the years ended March 31, 2011 and 2010 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, 2011*	*Year ended March 31, 2010*
Net profit / (loss) – as reported	**(542,303)**	360,300
Add: Stock based compensation expense included in reported net profit/(loss)	**1,931**	6,413
Less: Stock based compensation expense determined under fair value method	**(10,164)**	(30,591)
Proforma net profit / (loss)	**(550,536)**	336,122
Earnings per share		
Number of shares – Basic	**65,149,443**	53,350,249
Profit / (loss) per share – reported	**(8.32)**	6.75
Profit / (loss) per share – proforma	**(8.45)**	6.30
Number of shares – Diluted	**65,149,443**	53,373,521
Profit / (loss) per share – reported	**(8.32)**	6.75
Profit / (loss) per share – proforma	**(8.45)**	6.30

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, 2011*	*Year ended March 31, 2010*
Assumed volatility	**110.50%-124.72%**	115.87%-136.77%
Risk-free interest rate	**2.61%**	2.43%-2.69%
Expected term	**18-54 months**	18-54 months

(All amounts are in Indian Rupees thousands except share data and as stated)

2. Financial and derivative instruments

The details of outstanding option / forward contracts as of March 31, 2011 and March 31, 2010 are given below:

Particulars	Currency	As at March 31, 2011	As at March 31, 2010
Options - Put	USD (thousands)	-	1,500
Options - Call	USD (thousands)	-	-
(Gain) / loss on mark to market in respect of option / forward contracts outstanding	INR (thousands)	-	(1,356)

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

Particulars	As at March 31, 2011		
	Foreign Currency	Amount in foreign currency (in Thousands)	Amount in Indian Rupees (in Thousands)
Amounts receivable in foreign currency on account of:			
Debtors	DHS	1	18
	EUR	10	603
	GBP	116	8,321
	USD	9,026	402,999
	AED	1	18
	SGD	2	87
			412,046
Amounts payable in foreign currency on account of:			
Creditors	EUR	301	19,022
	GBP	1	84
	USD	5,618	250,836
	HKD	10	76
	DHS	32	386
	CHS	1	36
	AUD	25	1,158
			271,598

The details of un-hedged foreign currency exposure as at March 31, 2010 are as follows:

Particulars	As at March 31, 2010		
	Foreign Currency	Amount in foreign currency (in Thousands)	Amount in Indian Rupees (in Thousands)
Amounts receivable in foreign currency on account of:			
Debtors	DHS	1	18
	EUR	4	247
	GBP	96	6,547
	USD	7,068	319,042
			325,854
Amounts payable in foreign currency on account of:			
Creditors	EUR	31	1,862
	GBP	12	835
	USD	3,640	164,315
	HKD	11	65
			167,077

3. Employee benefits

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

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Projected benefit obligation at the beginning of the year	39,838	43,390
Service cost	17,795	12,967
Interest cost	2,916	3,981
Actuarial (gain) / loss	(6,455)	(5,402)
Liabilities assumed on acquisition/ (settled on divestiture)	-	(9,980)
Benefits paid	(8,124)	(5,118)
Projected benefit obligation at the end of the year	45,970	39,838

Change in the fair value of assets

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Fair value of plan assets at the beginning of the year	30,275	28,308
Expected return on plan assets	2,431	2,811
Actuarial loss	-	(450)
Employer contributions	8,340	8,857
Assets assumed on acquisition / (settled on divestiture)	-	(4,133)
Benefits paid	(8,124)	(5,118)
Fair value of plan assets at the end of the year	39,922	30,275

Amount recognised in the balance sheet

Present value of projected benefit obligation at the end of the year	45,969	39,838
Fair value of plan assets at the end of the year	32,922	30,275
Funded status amount of liability recognised in the balance sheet	13,047	9,563

Expense recognised in the profit and loss account

Service cost	17,795	12,967
Interest cost	2,916	3,981
Expected return on plan assets	(2,431)	(2,811)
Recognised net actuarial (gain)/ loss	(6,455)	(4,952)
Net gratuity costs	11,825	**9,185**
Actual return on plan assets	2,431	**2,361**

Summary of actuarial assumptions

Discount rate	8.00% p.a.	8.15% 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	8.60 years	11.06 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.

(All amounts are in Indian Rupees thousands except share data and as stated)

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.

4. Segment reporting

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.

The primary operating segments of the Company are:

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

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, are of three kinds – international, inter-city and last mile. These are allocated primarily between the corporate network/data services and internet access services businesses 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 national 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 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 31 March 2011 is presented below:

Particulars	*Corporate network/ data services*	*Internet access services*	*Online portal services and content offerings*	*Subtotal*	*Others*	*Total*
	(A)	(B)	(C)	(D) = (B)+(C)	(E)	(F)=(A)+(D)+(E)
Revenues	5,599,595	403,925	122,441	526,366	439,971	6,565,932
Allocable expenses	(4,101,277)	(539,404)	(100,059)	(639,463)	(389,515)	(5,130,255)
Segment operating income / (loss)	1,498,318	(135,479)	22,382	(113,097)	50,456	1,435,677
Unallocable expenses						(1,301,526)
Operating income						134,151
Other income						115,008
Foreign exchange gain / (loss), net						(5,546)
Profit / (loss) before interest, depreciation, tax and exceptional items						243,613
Interest income / (expenses), net						(103,545)
Depreciation, amortisation and impairment						(682,371)
Net profit after taxes						(542,303)

(All amounts are in Indian Rupees thousands except share data and as stated)

The Company's operating segment information for the year ended 31 March 2010 is presented below:

Particulars	*Corporate network/ data services*	*Internet access services*	*Online portal services and content offerings*	*Subtotal*	*Others*	*Total*
	(A)	(B)	(C)	(D) = (B)+(C)	(E)	(F)=(A)+(D)+(E)
Revenues	5,273,623	713,930	130,842	844,772	424,744	6,543,139
Allocable expenses	(3,959,566)	(759,991)	(140,696)	(900,687)	(337,937)	(5,198,190)
Segment operating income / (loss)	**1,314,057**	**(46,061)**	**(9,854)**	**(55,915)**	**86,807**	**1,344,949**
Unallocable expenses						(1,258,869)
Operating income						**86,080**
Other income						183,284
Foreign exchange gain / (loss), net						(6,315)
Profit / (loss) before interest, depreciation, tax and exceptional items						**263,589**
Exceptional items						945,544
Interest income / (expenses), net						(154,562)
Depreciation, amortisation and impairment						(697,772)
Income taxes						3,501
Net profit after taxes						**360,300**

Geographical segment

The Company has operations within India as well 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, 2011 is presented below:

Description	***India***	***Rest of the world***	***Total***
Sales- External Revenue	**4,414,402**	**2,151,530**	**6,565,932**
Net carrying amount of segment fixed assets by location of assets	**3,157,788**	**-**	**3,157,788**
Net carrying amount of other segment assets by location of customers	**4,449,656**	**412,046**	**4,861,702**
Cost to acquire tangible and intangible assets by location of customers	**285,799**	**-**	**285,799**

The Company's geographical segment information for the year ended March 31, 2010 is presented below:

Description	***India***	***Rest of the world***	***Total***
Sales- External Revenue	4,895,830	1,647,309	6,543,139
Net carrying amount of segment fixed assets by location of assets	3,556,875	-	3,556,875
Net carrying amount of other segment assets by location of customers	4,408,364	325,854	4,734,218
Cost to acquire tangible and intangible assets by location of customers	1,082,023	-	1,082,023

(All amounts are in Indian Rupees thousands except share data and as stated)

5. Leases

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, 2011 and as of March 31, 2010 are as follows:

Minimum lease payments	*Year ended March 31, 2011*	*Year ended March 31, 2010*
Payable not later than one year	77,975	65,148
Payable later than one year and not later than five years	144,358	182,206
Total	222,333	**247,354**
Less: Amounts representing interest	34,080	46,037
Present value of minimum lease payments	188,253	**201,317**
Payable not later than one year	60,507	45,970
Payable later than one year and not later than five years	127,746	155,347

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:

Minimum lease payments	*Year ended March 31, 2011*	*Year ended March 31, 2010*
Payable not later than one year	96,693	119,871
Payable later than one year and not later than five years	539,198	521,520
Payable later than five years	852,747	967,118
Total	1,488,638	1,608,509

6. Related party transactions

(i) 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 company	Raju Vegesna Infotech & Industries Private Limited
Subsidiaries	Sify International Inc. ; Sify Software Limited (formerly Sify Networks Private Limited); and Sify Technologies (Singapore) Pte. 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 and Radhika Vegesna
Enterprises over which KMP have significant influence	VALS Developers Private Limited; and Infinity Satcom Universal Private Limited.

(ii) Particulars of related party transactions

The following is a summary of significant related party transactions:

Particulars	*Year ended March 31, 2011*	*Year ended March 31, 2010*
	Subsidiaries	
Sify Technologies (Singapore) Pte. Limited		
Advances given	1,191	294
Service Charge	3,650	62
Sify Software Limited (formerly Sify Networks Private Limited)		
Transfer of software business	-	450,000
Investment in subsidiaries	-	450,000
Receipt of services	193,348	61,716
Service charge	59,654	27,015
Reimbursement of expenses	54,261	48,401
Sify International Inc.		
Advances given	16,487	-
Reimbursement of expenses	-	258
	Enterprises over which KMP have significant influence	
VALS Developers Private Limited (Refer Note 1 below)		
Advance lease rentals and deposit refunded	282,825	-
Infinity Satcom Universal Private Limited		
Issue of shares on merger of erstwhile Sify Communications Limited with Sify	-	105,300
Radhika Vegesna (Refer Note 2 below)		
Rental deposits made	2,558	-
Lease rentals paid	2,558	-

(All amounts are in Indian Rupees thousands except share data and as stated)

The following is the summary of outstanding balances as at March 31, 2011:

Particulars	*Year ended March 31, 2011*	*Year ended March 31, 2010*
Sify Technologies (Singapore) Pte. Limited		
Advances receivable	**284**	284
Sify Software Limited (formerly Sify Networks Private Limited)		
Advances receivable	**119,346**	56,271
Investments	**482,755**	482,755
Sify International Inc.		
Advances receivable	**208,678**	192,191
Advances provided	**(192,191)**	(192,191)
VALS Developers Private Limited		
Advance lease rentals and deposit receivable	**-**	282,825

The Company does not pay any remuneration to the key managerial personnel. Details of payments to other directors are given in note 13 below.

Note 1: Transactions 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 125,700 and advance rental of Rs 157,125 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.

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.114 crores. The shareholding in HERMIT shall pass on to the company subject to completion of the agreed milestones and payment of the consideration.

To give effect to the above arrangement, the company has entered into a multiparty agreement with all the concerned parties and has paid Rs 400,000 as part consideration for the above purchase. Further, the above deposits would be adjusted against the consideration payable for acquiring the property.

Note 2: Transactions with Radhika Vegesna

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

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

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

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

Accordingly, any direct financial impact of the proposed settlement is expected to be borne by the Company's insurers. On June 12, 2009, the Federal District Court granted preliminary approval of the proposed settlement. On October 6, 2009, the District Court issued an order granting final approval of the settlement. Subsequent to the final approval of Settlement agreement by the District court, there are several notices of appeal filed. Most were filed by the same parties that objected to the settlement in front of the District Court. These will likely be consolidated into a single appeal and briefing schedule will be provided shortly. Any direct financial impact of the preliminary approved settlement is expected to be borne by the Company's insurers. The Company believes, the maximum exposure under this settlement is approximately USD 338,983, an amount which the Company believes is fully recoverable from the Company's insurer.

b) Proceedings before Department of Telecommunications

(i) License fees

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

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

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

(ii) In November 2009, the Company received a demand notice pertaining to the allocation of spectrum in the 3.3-3.4 GHz frequency, from DoT, demanding INR 345 million (US $ 7.68 million) towards spectrum charges payable from the date of issue of allocation letter for 170 Base Stations. As per the notice, in case no payment is received within 15 days from the date of issue of the notice, then it would be presumed that the Company is no longer interested for the frequency assignments in 3.3-3.4 GHz band.

Whilst the Company received allotment letter for Spectrum in 3.3 GHz band (3303.5/3353.5 MHz) (Total 12 MHz) the Company had neither started any operations in this frequency band nor had applied for any Operating License from DOT/ Wireless Planning Commission (WPC). 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 INR 11.56 million towards 40 Base Stations and has surrendered the remaining 130 Base Stations. The Company believes that the ultimate outcome of these actions will not have a material adverse effect.

(All amounts are in Indian Rupees thousands except share data and as stated)

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, 2011, 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 9,051 (March 31, 2010: Rs 9,051).

8. Discontinued Operations – Sale of e-Learning, forum and other software business

During the Previous Year ended 31st March, 2010, Sify Technologies Limited (STL) has entered into a business transfer agreement dated November 5, 2009 with its wholly owned subsidiary Sify Software Limited (SSL) (formerly known as Sify Networks Private Limited) to sell its software business comprising of e-Learning, forum and other software businesses, with effect from October 1, 2009, for an overall consideration of Rs.450,000. The consideration was discharged by SSL by issuing 4,500,000 equity shares of Rs.10 each at a premium of Rs 90 per share.

The disclosure as per Accounting Standard 24 (AS), issued pursuant to the Companies (Accounting Standards) Rules, 2006 is set out below:

- Description: STL was providing e-Learning, forum and other software services. This business has been sold to its wholly owned subsidiary SSL to explore and best utilize its business potential in future. SSL has entered into an agreement with the Company pursuant to which SSL is required to pay right to use fees to the Company for the use of infrastructure facilities owned by the Company.
- Segmental disclosure: The services were forming part of Corporate network/ Data services segment and Others segment under segmental reporting as per AS 17, issued pursuant to the Companies (Accounting Standard) Rules 2006.
- The Board of Directors of the Company approved the discontinuance of the aforementioned businesses at their meeting held on August 31, 2009. On obtaining approval of the Board of Directors, the Company announced the same to Company's shareholders on September 12, 2009. The date of initial disclosure event is September 12, 2009. The sale of these businesses has been made with effect from October 1, 2009.

The net carrying values of assets and liabilities of the businesses sold as on October 1, 2009 are as follows:

Fixed assets (net of accumulated depreciation of Rs.18,725)	4,407
Debtors (net of provision for doubtful debts of Rs.19,492)	123,317
Other current assets	63,634
Deferred revenue	(60,534)
Other current liabilities	(65,248)
Net carrying value of assets and liabilities	**65,576**

- Cash flow disclosure relating to discontinued operations:

Particulars	**Six months ended September 30, 2009**
Cash flow from operations	(26,628)
Working capital changes	(22,765)
Net cash flow from operating activities	(49,393)
Net cash flow from investing activities	-
Net cash flow from financing activities	-
Net cash inflow/outflow	**(49,393)**

The amounts are based on the management estimates.

- Profit arising on sale of software business to SSL considered as an exceptional item:

Consideration for sale of software business	450,000
Less:	
Net carrying value of the assets and liabilities forming part of the sale of business [see note (iv) above]	(65,576)
Profit arising on sale of software business	384,424

The Company estimates no tax outflow on the sale of software business since transfer of business to a wholly owned subsidiary is not subject to capital gains tax at the time of transfer provided there is no dilution in equity of the subsidiary by the parent company for a period of eight years subsequent to the year in which the transfer has taken place. Even if dilution happens in future, the company has brought forward long term capital loss which could be utilized against the said long term capital gain.

(All amounts are in Indian Rupees thousands except share data and as stated)

- The following statement shows the revenue and expenses of continuing and discontinued operations for the year ended March 31, 2011 and March 31, 2010 respectively :-

Particulars	*Year ended March 31, 2011*			*Year ended March 31, 2010*		
	Continuing operations	*Discontinued operations**	*Total*	*Continuing operations*	*Discontinued operations**	*Total*
Sales and services	6,565,932	-	6,565,932	6,371,166	171,973	6,543,139
Other income	155,389	-	155,389	205,571	11,429	217,000
Sub-total	6,721,321	-	6,721,321	**6,576,737**	**183,402**	**6,760,139**
Cost of hardware and software sold	531,175	-	531,175	933,433	-	933,433
Personnel expenses	1,006,886	-	1,006,886	1,150,865	83,682	1,234,547
Other expenses	4,803,691	-	4,803,691	4,068,512	126,348	4,194,860
Depreciation, amortisation and impairment	682,371	-	682,371	697,658	114	697,772
Finance expenses	239,501	-	239,501	288,272	-	288,272
Sub-total	7,263,624	-	7,263,624	**7,138,740**	**210,144**	**7,348,884**
Profit / (loss) before exceptional items and taxation	(542,303)	-	(542,303)	**(562,003)**	**(26,742)**	**(588,745)**
Exceptional items	-	-	-	561,120	384,424	945,544
Profit / (loss) before taxation	(542,303)	-	(542,303)	**(883)**	**357,682**	**356,799**
Tax expense / (benefit)	-	-	-	(3,501)	-	(3,501)
Profit / (loss) after taxation	(542,303)	-	(542,303)	**2,618**	**357,682**	**360,300**

* Represents for a period of six months ended September 30, 2009.

9. 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, 2011.

10. IPO Listing

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

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

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

Subsequently on November 9, 2009, the MOF has informed that the Company's request was not in accordance with the extant policy. The Company again on March 4, 2010 has applied to MOF reiterating its previous request which was not favorably considered. However the Company, based on a legal opinion obtained from its legal counsel, believes that there are no financial implications that would arise in connection with said press release by MOF.

11. Commitment and contingencies: (Rs. in '000)

a. Contracts pending to be executed on capital account as at March 31, 2011 and not provided for amounted to Rs 518,128 (net of advances: Rs 688,958) [March 31, 2010: Rs 215,460 (net of advances: Rs.283,060)].

b. Service tax claims against the Company not acknowledged as debts as at March 31, 2011 amount to Rs. 243,610 (March 31, 2010: Rs 33,280)

c. Income tax claims against the Company not acknowledged as debts as at March 31, 2011 amount to Rs. 84,981 (March 31, 2010: Nil)

d. In respect of contingencies arising on legal proceedings, refer to note C (7) of Schedule 22.

12. Payments to directors (other than managing director and executive director)

Particulars	*Year ended March 31, 2011*	*Year ended March 31, 2010*
Sitting fees	1,200	1,220
Consultancy fees	240	240

(All amounts are in Indian Rupees thousands except share data and as stated)

13. Auditor s remuneration

(included under legal and professional charges)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Audit fees	2,000	3,060
Other charges		
- Taxation matters	-	-
- Audit of interim financial statements / Other matters	500	2,190
Reimbursement of out of pocket of expenses	275	177

14. Expenditure in foreign currency on cash basis

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Networking costs / communication expenses	133,516	220,163
Travelling expenses	2,951	18,642
Legal and professional charges	7,907	138,720
Personnel expenses	97,092	11,619
Other direct costs	284,318	103,726
Advertising, selling and marketing expenses	7,046	8,327
Others	55,922	192,714

15. Value of imports on CIF basis

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Software / hardware imported	78,655	160,927
Fixed assets	129,681	154,417

16. Earnings in Foreign currency on cash basis

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Service income	1,888,311	1,784,293

17. Dues to micro and small enterprises

Based on the information received and available, the management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of "Micro and Small Enterprises" as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("the MSMED Act"). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2011 has been made in the financial statements based on the information received and available with the Company. There are no overdue amounts payable to such enterprises as at March 31, 2011.

18. Quantitative information

Particulars	Year ended March 31, 2011		Year ended March 31, 2010	
	Qty	Value	Qty	Value
Opening Stock				
- Hardware	5,727	19,827	6,005	25,646
- Software	609	1,661	620	4,263
Purchases				
- Hardware*	19,773	404,710	298,120	782,290
- Software*	912	144,455	7,808	154,271
Sales				
- Hardware*	21,481	388,581	297,823	768,989
- Software*	1,310	142,593	7,807	152,710
Captive consumption				
- Hardware	279	23,570	575	10,180
- Software	2	270	12	1,369
Closing stock				
- Hardware	3,740	12,385	5,727	19,827
- Software	209	3,252	609	1,661

1. Sales include sale of products through e-commerce; and
2. Quantity of software is measured by number of packages.

* Quantity includes purchase and sale of hardware and software relating to certain transactions in Systems Integration business, which are accounted on a net basis.

(All amounts are in Indian Rupees thousands except share data and as stated)

19. Investments in mutual funds

The movement in mutual funds for the year ended March 31, 2011 and March 31, 2010 have been given below:

Nos. in Units

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Birla Sunlife 95 Fund		
(Nominal value of Rs. 10 each)		
Opening balance	-	44,379
Additions during the year	-	-
Disposals during the year	-	(44,379)
Closing balance	-	-
HDFC Prudence Fund		
(Nominal value of Rs. 10 each)		
Opening balance	-	75,988
Additions during the year	-	-
Disposals during the year	-	75,988
Closing balance	-	-

20. Issuance of shares to existing promoter group

On August 4, 2010, the Board of Directors of the company approved the issuance, in a private placement, of upto an aggregate of 125,000,000 of the company's equity shares, par value Rs.10 per share ("Equity shares"), for an aggregate purchase price of Rs 400 crores, 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 125,000,000 equity shares to Raju Vegesna Infotech & Industries Private Limited, a company affiliated with the promoter group on October 30, 2010. A sum of Rs 0.50 per share was received on October 30, 2010 and a further sum of Rs 2 per share was received on allotment of these shares. The remaining amount of the purchase price will be called up at such time as determined by the company. Until the full purchase price is paid by the purchasers, the company retains a lien on the equity shares purchased in connection with the Offering.

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

21. During the previous year ended March 31, 2010, the Company received USD 12 million (approximately Rs 561,120) in connection with settlement of legal matters. The said receipt has been recorded as an exceptional item during the year ended March 31, 2010.

22. Impairment of Globe travels business:

In May 2006, the Company acquired travel business for a consideration of Rs 112,220 (including Rs 3,999 towards incidental direct acquisition cost). The assets acquired consist of System software, customer contracts and goodwill. The said business operates from India and United States.

The said business was part of the portals segment. Triggered by certain adverse market conditions such as decrease in revenue and increase in the cost of services, and other technological matters, which are confirmed by other events, the Company tested the carrying value of the above business (which is a cash generating unit) for impairment as at June 30, 2009. The recoverable amount of these intangibles including goodwill was determined based on the asset's value in use. As a result of the above review, the Company has recorded an impairment loss for adjusting the carrying values of assets belonging to Globe travel business as set out below:

Particulars	Carrying value	Impairment loss provided	Revised carrying value
Goodwill	12,244	12,244	-
Systems software	2,263	2,263	-
Customer contracts	28,841	28,841	-
	43,348	**43,348**	**-**

Value in use was determined based on the following key assumptions:

- Cash flows were projected based on actual operating results and the 5 year business plan. Cash flows were arrived at as an excess of revenue over the related costs for the same period.
- Management believes that this forecast period is justified due to the long term nature of the travel business.
- Management estimates that the business would not generate any Earnings Before Interest Tax and depreciation ('EBIDTA') and hence there is no recoverable value for the business. Management believes that this assumption was reasonable considering the available technology and it's present business generation capability.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

23. Disclosures pursuant to AS-7 - Construction Contracts (Revised)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Contract revenue recognised for the year ended March 31, 2011	275,176	86,214
Aggregate amounts of costs incurred and recognized profits (less recognised losses) upto the reporting date	275,176	86,214
Advances received	58,928	16,441
Gross amount due from customers for contract work presented as an asset	275,176	86,214

24. Reconciliation of equity shares in computing weighted average number of equity shares

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Weighted average number of equity shares outstanding	65,149,443	53,350,249
Dilutive impact of associated stock options	-	23,272
Weighted average number of equity shares for diluted earnings per share	65.149,443	53,373,521
Net profit/(Loss) considered for computing dilutive EPS (in Rs. thousands)	(542,303)	360,300

(All amounts are in Indian Rupees thousands except share data and as stated)

25. Taxation

The Company has not recognised the net deferred tax asset in respect of timing differences as the management believes that there exists no virtual certainty in relation to its realisation.

26. Borrowing costs capitalised during the year aggregated to Rs 35,852 (March 31, 2010: Rs 24,553).

27. Prior year comparatives

Previous year's figures have been regrouped wherever necessary to conform to current year classification.

For and on behalf of Board of Directors

Raju Vegesna Chairman & Managing Director	***Ananda Raju Vegesna*** Executive Director	***C B Mouli*** Director
Chennai July 29, 2011	***M P Vijay Kumar*** Chief Financial Officer	***V Ramasubramanian*** Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(All amounts are in Indian Rupees thousands except share data and as stated)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Cash flows from operating activities		
(Loss) / profit before exceptional item and taxation	(542,303)	(588,745)
Adjustments for:		
Depreciation, amortisation and impairment	682,371	697,772
Finance expenses (considered separately)	209,243	249,358
Provision for decline in value of investments / (written back)	-	(38,823)
Provision for doubtful debts (including bad debts written off and provision written back) (net)	158,365	88,713
Provision for advances to subsidaries and others	-	10,386
Employee stock compensation expense	1,931	6,413
Custom Duty credit entitlement written off	41,620	-
Advances written off in earlier years written back	-	(7,093)
Provision towards doubtful advances, written back	-	(11,349)
Unrealised foreign exchange fluctuation loss/(gain), net	1,311	6,689
Duty credit entitlement	(21,209)	(71,908)
Interest income (considered separately)	(19,916)	(19,489)
(Profit) / loss on sale of fixed assets, net	(594)	(2,414)
Operating profit / (loss) before exceptional item and before working capital changes	**510,819**	**319,510**
Exceptional item - Income from legal settlement (Also, refer to schedule 21)	-	561,120
Operating profit / (loss) before working capital changes	**510,819**	**880,630**
Adjustment for:		
(Increase)/decrease in sundry debtors	(101,691)	(526,740)
Decrease/(increase) in inventories	5,851	8,421
(Increase)/decrease in loans and advances	(178,826)	(163,441)
Increase/(decrease) in current liabilities and provisions	65,718	628,031
Cash flow (used in)/from operating activities	**301,871**	**826,901**
Taxes paid	(30,121)	(156,065)
Net cash flow from/(used in) operating activities (A)	**271,750**	**670,836**
Cash flow from investing activities		
Purchase of fixed assets and changes in capital work-in-progress	(389,707)	(961,574)
Sale proceeds of fixed assets	3,109	6,164
Interest income received	37,321	53,700
Amount paid for purchase of shares	(400,160)	-
Sale of investment in mutual funds	-	19,942
Net cash used in investing activities (B)	**(749,437)**	**(881,768)**
Cash flow from financing activities		
Proceeds from issuance of share capital	1,000,000	82
Loans (repaid)/availed (net of repayment) and including loans availed against fixed deposits	(624,414)	(364,622)
Interest paid	(250,658)	(273,614)
Net cash (used in) / from financing activities (C)	**124,928**	**(638,154)**
Effect of exchange differences on translation of cash and cash equivalents (D)	**(511)**	**(2,913)**
Net increase/(decrease) in cash and cash equivalents during the period (A+B+C+D)	(353,270)	(851,999)
Cash and cash equivalents at the beginning of the period	858,345	1,710,344
Cash and cash equivalents at the end of the period *	**505,075**	**858,345**
* Cash and cash equivalents subject to lien	59,437	360,809

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

for **CKS Associates**
Chartered Accountants
Firm Registration No. FRN 007390S

For and on behalf of the Board of Directors

N V S Srikrishna
Partner
Membership No. 025319

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
July 29, 2011

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Balance Sheet Abstract and General Profile of the Company under Part IV of the Companies Act of 1956

(All amounts are in Indian Rupees thousands except share data and as stated)

I. Registration details	
Registration no.	50809
State code	18
Balance Sheet date	March 31, 2011
II. Capital raised during the period (including premium)	
Public issue	-
Rights issue	-
Bonus issue	-
Private placement	1,000,000
III. Position of Mobilization and deployment of funds	
Total liabilities	11,247,266
Total assets	11,247,266
Sources of Funds	
Paid up capital	858,831
Reserves and surplus	5,865,740
Secured loans	1,916,032
Unsecured loans	171,336
Application of Funds	
Net fixed assets	3,624,142
Investments	637,823
Net current asssets	2,426,375
Miscellaneous expenditure	-
Accumulated losses	2,123,599
IV. Performance of the Company	
Turnover	6,721,321
Total expenditure	7,263,624
Profit/(Loss) before tax	(542,303)
Profit/(Loss) after tax	(542,303)
Earnings per share in Rs.	(8.32)
Dividend %	-

V. Generic names of three principal products/ services of the Company (as per mandatory terms)

Item code no. (ITC Code)	
Product description	Internet Service Provider

For and on behalf of the Board of Directors

Raju Vegesna Chairman & Managing Director	***Ananda Raju Vegesna*** Executive Director	***C B Mouli*** Director
Chennai July 29, 2011	***M P Vijay Kumar*** Chief Financial Officer	***V Ramasubramanian*** Company Secretary