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Board of Directors

Sify Technologies Limited

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

T H Chowdary

C B Mouli

P S Raju

S K Rao

C E S Azariah

Audit Committee

C B Mouli
Chairman & Financial Expert

S K Rao

C E S Azariah

Compensation Committee

T H Chowdary
Chairman

P S Raju

S K Rao

C E S Azariah

Kamal Nath
Chief Executive Officer

M P Vijay Kumar
Chief Financial Officer

L V Veeranjaneyulu Y
Company Secretary

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

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

Auditors
ASA & Associates
Chartered Accountants
Chennai

DIRECTORS' REPORT

Dear Members,

Your Directors present the Seventeenth Annual Report together with the audited financials of your Company for the financial year ended March 31, 2013.

Financial highlights

₹ in million

Details	Year ended March 31, 2013	Year ended March 31, 2012
Income from operations	**8,212**	6,971
Other Income	**209**	200
Earnings Before Interest, Tax, Depreciation & Amortization and exceptional items	**1,057**	588
Depreciation and amortization	**(841)**	(687)
Interest expenses	**(184)**	(145)
Exceptional items	**394**	-
Profit / (Loss) for the year before tax	**426**	(244)
Taxation including Fringe Benefit Tax	**–**	(4)
Profit / (Loss) for the year	**426**	(240)

Financial review

During the year under review, your Company registered revenue of Rs. 8,212 million as against Rs.6,971 million in the previous year, recording a significant growth of 18%. The EBITDA for the year was Rs. 1,057 million as compared to Rs 588 million in the previous year, a growth of 80%. The profit before tax for the year was Rs.426 million compared to the loss of Rs 240 million reported during the previous year, reflecting improvement in the performance of the Company.

Major Corporate Developments

Divestment of stake in MF Global Sify Securities India Private Limited

As mentioned in the last year Report, the Company has divested its entire holding in MF Global Sify Securities India Private Limited, an Associate Company, to Phillip (Mauritius) Private Limited for a consideration of Rs.139 crores.

Merger of subsidiary Companies

Your Directors wish to state that the Board of Directors of M/s Sify Software Limited and M/s Hermit Projects Private Limited, the wholly owned subsidiaries, have approved the merger of the subsidiaries with your Company effective April 1, 2013. The proposal is subject to the approval of the shareholders of the Company at a Court convened meeting and the confirmation of the Hon'ble High Court of Judicature at Madras and other statutory authorities.

The proposed merger would showcase the combined strength and cross subsidize the activities of all the Companies and would help the Company to save administrative and compliance costs.

Setting off the carry forward losses against Securities Premium Account

Your Directors have approved the proposal to set off the accumulated carry forward losses of the Company to the tune of Rs. 198 crores against the Company's Securities Premium Account as on March 31, 2013 for better presentation of financial statements of the company. This proposal is subject to the approval of the shareholders at the Court convened meeting of the Company, confirmation of the Hon'ble High Court of Judicature at Madras and other statutory authorities.

Business Review

The Enterprise Services comprising of Network services and IT services, accounted for Rs. 7,871 million; around 96% of the total revenue of the Company. On a year on year basis, the Enterprise business has grown by around 20% in terms of revenue.

- Network Data services from your Company continue to be the big winner with a robust growth of 21% over last year.
- Voice business has grown by 27% and the Carrier business has grown by 22% over last year.
- Internet services to Enterprises grew by 50% and Wireless Access Links have grown by 40% over last year.
- Revenue from Hosting Business has grown by 19% over the last Financial Year.
- Your Company's Data Center capacity would receive a huge fillip with the new Tier III facilities in Noida and Rabale to be launched soon. The Noida Data Center is certified Tier III by Uptime institute.
- The Company's Cloud business saw the maximum traction with a growth of more than 50% in revenue over last fiscal.
- Your Company's portal, Sify.com grew around 55% in the year, helped largely by Sify Finance which is now among the top 3 finance portals in the category, having a growth rate of 113%.

Your Company's focus in the coming quarters would remain on multi-technology integrated projects aimed towards gaining increased wallet share of the Company's large base of existing customer's IT spend.

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

Your Company is also becoming regular at the national award forums and this year was no exception. Your Company won the Best Telecom Data Center Award for the Year 2012 by CMAI, the third year in succession and the fifth time, overall.

Recognition also came from industry peers with VMware awarding Sify "The best Service Provider Partner" Award for 2012. This unique distinction carries a high credential as the "first V-Cloud Powered Partner" for VMware in India.

Your Company is proud to record that this year and further to the success enjoyed last year, Sify.com became the first website to partner 9 national publications and dailies and enable live web-streaming of the Union Budget 2013.

Technology Initiatives

- Sify's network now reaches close to 1100 cities with approximately 2000 base stations across the country.
- Post the launch of cable landing station in Mumbai, the Company now has a second cable landing at the same facility catering to the Middle East and North Africa.
- The Company launched audio conferencing and videoconferencing for Large and Emerging Enterprises this year.

Business reorganization:

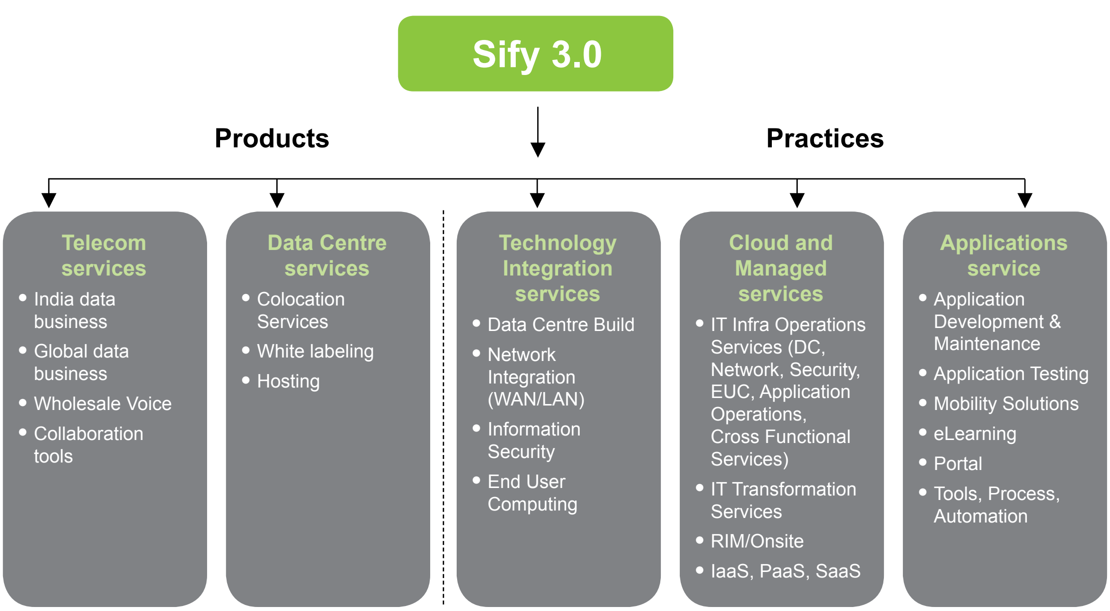
Your company is at a crucial stage of its maturity cycle. Over the years, from being an innovator in the private ISP space, your company moved into building products and services for the Emerging and established Enterprise market. In time, your Company had a presence in the entire IT eco-system.

It was time to consolidate the multiple product offerings. Your Company has now repackaged its product offerings along vertical lines. The long term vision is to transform your company from "Telecom Service Provider" to an "IT Solutions and Services Leader", the genesis of Sify Version 3.0

While your company would continue to invest in the Core IT facilities like Data Center and Network Backbone, it is the scale that would be the primary focus. That would be driven by Solutions, Services and Project led engagements with clients. As your company embarks on this journey, your Company reorganized its Go-to-Market strategy with a clear focus on the following:

- Your company has in-house "design" and "implementation" capabilities in areas like Data Center, Network and Security which can be expanded and monetized to address "Customer On-Premise" integration projects. This laid the foundation for building Professional Services Capability around various technologies, for both Domestic & International business.
- To facilitate and strengthen the above, your Company is entering into partnerships with leading Technology OEMs to gain the status of desired level of certification and professional services capabilities.
- Your company is also investing resources in a "Partner Eco-system" through which it could sell its products like Telecom Services and Data Center Services.
- Your company's large SMB customer base presents a significant "Up-sell" opportunity. With its "Service Provider DNA", your company aims to productize IT services on hosted or cloud model, specially designed for SMB space.
- Your company is also driving a strategy backed by "Proposition based" sales rather than "Product led" sales.
- Your company would continue to aggressively court the PSU and Government space which is a big spender in India.
- Applications and Software Services with Infrastructure and Managed Services offerings are being integrated to be able to address larger customer spend.
- Your Company intends to build services capabilities around other 3rd Party leading Applications/Software Provider and expand Sify's Cloud offerings around both Infrastructure and Applications.
- Company would focus on more Managed Services led offerings around Data Center Services and Network Services rather than offering stand-alone Hosting and Bandwidth Services respectively.
- Your company is strengthening its RIM led Managed Services portfolio allowing it to expand its current foot print and customer base outside India.

Keeping the above objectives in mind, your Company has restructured the business organization along 'Product' and 'Practise' Lines as broadly illustrated below:



The broad footprint of the individual business is expanded as under.

Telecom Services

Telecom Services will drive growth by collaborating with other Telcos on Master Network Integration projects like DoP, focusing on Program led partnerships with other IT players and by offering customized solutions built around existing Network infrastructure.

Data Centre Services

The Data Center Hosting business would be run as an independent Business Unit and this Unit would collaborate with the Managed Services and Cloud Business Unit to ensure better ROI of your Company's investment. Protecting increasing commoditization of DC business is of prime focus and your Company offers increased value proposition through holistic IT services engagement.

Technology Integration Services

This business will combine your Company's IT capabilities with its core telecom and data center products to provide a converged turn-key ICT solution to the customer. It will leverage your Company's homegrown expertise in design, implementation and maintenance to deliver end-to-end managed IT services across data center, network and security.

Cloud and Managed Services

The mandate to the MITS team is to drive all IT Services led projects encompassing single / multi-towers of IT like Data Center, Network, Security, End User Computing etc. They will execute this using a framework built around "Tools, Process & People" and extend services over a robust RIM delivery model. This model will extensively utilize the cloud platform for delivering services like IaaS and PaaS.

Applications Service

Partnership will be at the core of this business line. They will seek out alliances with Strategic Application Providers while simultaneously building an eco-system of independent software vendors on our Cloud platform. They will support all system integration projects that are application led while scripting go-to-market strategies with synergetic Application partners.

Subsidiary Companies

Sify Software Limited

During the year under review, the Company reported a revenue of Rs.579.87 million as against Rs.591.90 million in the previous year. The loss incurred was Rs.303.70 million as compared to Rs.238 million in the previous year. Further, Sify Technologies Limited has converted the trade advances of Rs.345.80 million extended to the Company into an interest bearing loan effective April 1, 2012.

Pace Info Com Park Private Limited

As the Company is executing the Data Center building project, the Company is yet to earn revenue during the year.

Hermit Projects Private Limited

The Company did not have any operations during the year.

Sify Technologies (Singapore) Pte. Ltd.

During the year under review, the Company reported a revenue of Rs.11.31 million as against Rs.400.03 million in the previous year. The loss incurred was Rs 5.18 million as compared to a profit of Rs.3.50 million in the previous year.

Sify Empower India Foundation

Sify Empower India Foundation (SEIF) was incorporated as a non-profit organisation in November 2010 to carry on the activity of promoting employability, education, financial inclusion and healthcare for urban and rural consumers through the innovative use of Information and Communications Technology (ICT) in an integrated and sustainable manner.

Initially, STL had 10% holding in SEIF and acquired an additional 89.80% in October 2012. Though the Company holds substantial majority of the shares, SEIF is not considered as subsidiary for consolidation purposes as the Company intends to close the company.

Due to change in business model SEIF has not started its commercial activities. Hence it is proposed to close SEIF by filing the necessary application with the statutory authorities.

Sify International Inc.

As the Company did not have any business operations, the Company was dissolved and the Dissolution Certificate has been received from the statutory authorities in US.

Corporate governance

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

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

The provisions of Sarbanes Oxley Act of 2002 which are applicable to the Company have been complied with.

Directors

Your Directors regret to inform the sad demise of Mr S R Sukumara, Director, on January 26, 2013 and place on record their appreciation of the valuable services rendered by him during the tenure of his office.

Mr C E S Azariah was appointed as an Additional Director on March 25, 2013 and shall hold office upto the ensuing Annual General Meeting. Notice has been received from a member proposing his appointment as a Director of the Company.

Dr T H Chowdary, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Your Directors recommend his re-appointment.

Audit Committee

The present Audit Committee consists Mr C B Mouli, Dr S K Rao and Mr C E S Azariah.

Compensation Committee

The present Compensation Committee consists Dr T H Chowdary, Dr S K Rao, Mr P S Raju and Mr C E S Azariah.

Remuneration Committee

The present Remuneration Committee consists Dr T H Chowdary, Dr S K Rao and Mr C E S Azariah.

Nominating Committee

The present Nominating Committee consists Dr T H Chowdary, Dr S K Rao and Mr C E S Azariah.

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 profit or loss of the Company for that period;

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

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

Auditors

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

Cost Auditors

In terms of the Cost Accounting Records (Telecommunication Industry) Rules 2011, your Company has appointed Mr S Ramachandran, (Regn. No. 4341) as the Cost Auditor to conduct the cost audit under Section 233B (1) of the Companies Act, 1956.

Fixed Deposits

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

Conservation of Energy and Technology Absorption

In view of the nature of activities that are being carried out by the Company, the particulars prescribed under clause (e) of sub section (1) of Section 217 of the 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.3062.30 million and the outgoing in foreign exchange were Rs.1149.20 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. Copy 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 18, 2013

INDEPENDENT AUDITORS' REPORT

To

The Members of Sify Technologies Limited

1. Report on Financial Statements

We have audited the accompanying financial statementsof Sify Technologies Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013 and theStatement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance withaccounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditors' Responsibility

3.1 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

3.2 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

3.3 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

4.1 In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

5.1 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

5.2 As required by section 227(3) of the Act, 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.

(e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

J. Sivasankaran
Partner
Membership No.: 022103

Chennai
June 28, 2013

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 5.1 of the Auditors' report of even date to the members of Sify Technologies Limited on the financial statements for the year ended March 31, 2013

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

b) The Company has a regular programme of physical verification of fixed assets in a phased manner in a period of three years. Pursuant to the program, certain assets were covered by physical verification during the year and the shortfall in coverage is to be taken into consideration in the forthcoming plan. The Company is in the process of reconciling the results of the verification with the book records, to identify the discrepancies, if any.

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

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

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

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

(iii) a) The Company has granted unsecured loan to its subsidiary company covered in the register maintained under Section 301 of the Act.The maximum amount involved during the year and the year-end balance of such loan was Rs. 34.58 lakhs.

b) In our opinion, the rate of interest and other terms and conditions of such loan are not prima facie prejudicial to the interests of the Company.

c) In respect of the aforesaid loan, the party is regular in payment of principal and interest.

d) In respect of the aforesaid loan, there is no overdue amount more than Rupees One Lakh.

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

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

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

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

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

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

(viii) We have broadly reviewed the books of account maintained by the Company in respect of services where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of subsection (1) of Section 209 of the Act and are of the opinion that prime facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

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

b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax/ Value Added Tax (VAT), wealth tax,service tax, customs duty, excise duty and cess as at March 31, 2013 which have not been deposited on account of a dispute are as follows:

Name of the Statute	Period to which it relates	Amount in Rs.Lakhs	Forum where pending
Finance Act,1994 (Service tax)	01-04-2005 to 31-03-2006, 01-04-2006 to 30-09-2006, 01-10-2006 to 30-09-2007, 01-10-2007 to 31-03-2008	2315	CESTAT, Chennai
	April 2008 & May 2008	111	
	Oct 2005 to Mar 2006	161	
	July 2003 to February 2007	7	
	Prior to 16-May-2009	48	
	Oct 2005 to Mar 2010	1,390	
	Oct 2005 to Mar 2009	156	
	May 2006 to June 2011	337	
	April 10 to March 11	66	
Uttar Pradesh Value Added Tax Act, 2008	2003-04 to 2005-06	127	At Various levels including Joint Commissioner (Appeals), Commercial Tax Officer, etc
	2011-12	8	Commercial Tax Officer, UP

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

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

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

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

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

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

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

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

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

(xix) The Company has not issued any debentures.

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

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

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

J. Sivasankaran
Partner
Membership No.022103

June 28, 2013
Chennai

Balance Sheet as at March 31, 2013

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

	Note	As at March 31, 2013	As at March 31, 2012
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	1	13,292	13,292
(b) Reserves and surplus	2	49,793	45,535
		63,085	58,827
(2) Non – current liabilities			
(a) Long term borrowings	3	7,874	2,893
(b) Other long term liabilities	4	2,233	2,097
(c) Long term provisions	5	340	299
		10,447	5,289
(3) Current liabilities			
(a) Short term borrowings	6	8,044	9,639
(b) Trade payables	7 & 42	18,352	20,160
(c) Other current liabilities	8	15,052	10,655
(d) Short term provisions	5 & 28	3,224	25
		44,672	40,479
Total Equity and liabilities		118,204	104,595
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	25,659	28,669
(ii) Intangible assets	10	5,796	860
(iii) Capital work in progress	9	16,886	3,031
(iv) Intangible assets under development		-	5,399
(b) Non-current investments	11	298	5,110
(c) Long term loans and advances	12	16,467	14,085
(d) Other non current assets	13	782	799
		65,888	57,953
(2) Current assets			
(a) Current investments	14	-	1,549
(b) Inventories	15	1,848	195
(c) Trade receivables	16	25,611	22,967
(d) Cash and bank balances	17	8,657	8,323
(e) Short term loans and advances	18	15,446	12,570
(f) Other current assets	19	754	1,038
		52,316	46,642
Total assets		118,204	104,595
Significant accounting policies and notes to the financial statements	B & C		

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

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

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No.: 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
June 28, 2013

M P Vijay Kumar
Chief Financial Officer

L V Veeranjaneyulu Y
Company Secretary

Profit and Loss statement for the year ended March 31, 2013

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

	Note	For the year ended March 31, 2013	For the year ended March 31, 2012
Revenue from operations	22	82,125	69,708
Other income	23	2,092	1,999
Total revenue		84,217	71,707
EXPENSES			
Cost of goods sold and services rendered	24	46,597	40,197
Employee benefits expense	25	10,178	9,775
Finance costs	26	2,417	2,743
Depreciation and amortisation	9 & 10	8,408	6,867
Other expenses	27	16,302	14,562
Total expenses		83,902	74,144
Profit / (loss) before exceptional items and tax		315	(2,437)
Exceptional items	28	3,943	-
Profit/(loss) before tax		4,258	(2,437)
Provision for taxation			
- Current tax		-	-
- Deferred tax		-	-
- Fringe benefit tax (net of credit relating to earlier years)		-	37
Profit / (loss) for the year		4,258	(2,400)
Earnings per equity share (Rs. 10 paid up)	44		
Basic		3.23	(2.32)
Diluted		3.23	(2.32)
Earnings per equity share Rs. 6.25 (March 31, 2012 : Rs.6.25) paid up		2.02	(1.45)
Significant accounting policies and notes to the financial statements	B & C		

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

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

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No.: 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
June 28, 2013

M P Vijay Kumar
Chief Financial Officer

L V Veeranjaneyulu Y
Company Secretary

Cash flow statement for the year ended March 31, 2013

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

		For the year ended March 31, 2013	For the year ended March 31, 2012
(Loss) / Profit before exceptional items and taxation		315	(2,437)
Adjustments for :			
Depreciation and amortisation		8,408	6,867
Finance expenses (considered separately)		1,904	2,272
Provision for doubtful debts (including bad debts written off and provision written back) (net)		1,632	1,241
Employee stock compensation expense		*	2
Provision for doubtful advances		243	36
Custom Duty credit entitlement written off		246	200
Unrealised foreign exchange fluctuation loss/(gain), net		125	240
Interest income (considered separately)		(1,093)	(146)
(Profit) /loss on sale of fixed assets, (net)		130	(6)
Operating profit / (loss) before exceptional item and before working capital changes		11,910	8,269
(Increase)/decrease in sundry debtors		(4,383)	(5,198)
(Increase)/decrease in inventories		(2,035)	(37)
(Increase)/decrease in long term loans and advances		401	(2,562)
(Increase)/decrease in short term loans and advances		(1,749)	(338)
(Increase)/decrease in non current assets		17	(461)
(Increase)/decrease in other current assets		450	(18)
Increase/(decrease) in trade payables		(1,684)	3,661
Increase/(decrease) in other long term liabilities		136	439
Increase/(decrease) in other current liabilities		2,451	(591)
Increase/(decrease) in long term provisions		41	(19)
Increase/(decrease) in short term provisions		(1)	(1)
Cash flow (used in)/ from operating activities		5,554	3,144
Tax (Paid)/refund received		(668)	1,571
Net cash flow from/(used in) operating activities	***(A)***	4,886	4,715
Adjustment for:			
Purchase of fixed assets		(19,796)	(7,226)
Sale proceeds of fixed assets		25	10
Interest income received		227	190
Proceeds from sale of associate		13,903	
Investment in Hermit Projects Private Limited		-	(280)
Advance to subsidiaries (net) [Refer note C (47)]		(1,814)	(1,282)
Investment in Equity shares		(17)	-
Net cash used in investing activities	***(B)***	(7,472)	(8,588)
Cash flow from financing activities			
Proceeds from issuance of share capital		-	15,000
Proceeds from Exercise of Associate Stock Options		-	214
Increase/(decrease) in long term borrowings		6,610	(2,230)
Increase/(decrease) in short – term borrowings		(1,732)	(3,416)
Interest paid		(1,952)	(2,378)
Net Cash (used in)/ from financing activities	***(C)***	2,926	7,190
Effect of exchange differences on translation of cash and cash equivalents	***(D)***	(6)	(45)
Net increase/ (decrease) in cash and cash equivalents during the period (A) + (B) + (C)+(D)		334	3,272
Cash and cash equivalents at the beginning of the period		8,323	5,051
Cash and Cash equivalents at the end of the period#		8,657	8,323
# Cash and cash equivalents subject to lien		1,811	1,228

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

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

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

For and on behalf of the Board of Directors

J Sivasankaran
Partner
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Chennai
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Company Secretary

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

A BACKGROUND

1. Description of business

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

B SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

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

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

2. Use of estimates

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

3. Revenue recognition

Revenue from the sale of goods is measured at the value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Revenue from services rendered is generally recognized in proportion to the stage of completion of the transaction at the reporting date. The revenue recognition policies in respect of various streams of revenue are described in detail below.

Enterprise Services

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

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

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

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

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

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

Revenue from construction contract represents revenue from construction of data centres to the specific needs and design of the customer. Such contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to the cost incurred till date to the total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of profit or loss.

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

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

Lease rentals arising on assets given on operating leases are recognised over the period of the lease term on a straight line basis.

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

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

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

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

Online portal services and content offerings

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

Software Services

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

4. Fixed assets and depreciation/amortisation

Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation / amortisation. Direct costs are capitalised until fixed assets are ready for use as intended by the Management. 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.

During the year ended March 31, 2009, the Company had entered into a contract with Emirates Integrated Telecom ("the Emirates") for the construction and supply of undersea cable capacity from the Europe India Gateway (EIG). It is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and hence, the investment in EIG was capitalised as an intangible asset during the year. The management believes that the best estimate of the useful life of the asset is 12 years and hence, the asset is being amortized over a period of 12 years.

Depreciation/Amortization:

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

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

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

Depreciation is not provided on Capital work in progress until construction and installation are complete and the asset is ready for its intended use.

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
Undersea Cable Capacity	12
Plant and machinery comprising computers, servers etc	3 – 5
Plant and machinery comprising other items	8
Furniture and fittings	5
Office equipment	5
Motor vehicles	3

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

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, associates and other equity instruments made to enhance the company's business interests. These investments are carried at cost with provision being made for diminution if any, other than

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

temporary, in their value. Such diminution is determined for each investment individually on the basis of the past performance of such subsidiaries / associates / investees and the future expected benefits to the Company from such investments. Current investments are carried at lower of cost and fair value.

6. Income from investments:

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

7. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises cost of purchase and all incidental costs incurred in bringing the inventories to their present location and condition. Cost of hardware and software purchased for the purpose of resale is determined using the first-in-first-out method.Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. For inventories held to satisfy firm sales, NRV is computed based on the contract price.

8. Foreign currency transactions and balances

Initial Recognition:

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

Subsequent measurements:

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

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

Integral – Foreign Operations:

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

Foreign Exchange Contracts

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

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

9. Employee benefits

Short Term Employee Benefits

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

Post -employee benefits:

Defined contribution plan:

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

Defined benefit plan:

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

Long term employee benefits:

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

10. Earnings per share

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

11. Taxation

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

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

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

12. Impairment of assets

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

13. Export incentives

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

14. Provisions, contingent liabilities and contingent assets

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

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

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

15. Cash flow statement

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

16. Leases

Finance lease: Leases under which the company assumes substantially all the risk and rewards of ownership are classified as finance leases. When acquired, an asset and a lease liability is recognised, at lower of fair value of asset and present value of Minimum Lease Payments at the inception of lease.

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

Indefeasible Right of Use (IRU)

The Company has entered into IRU arrangements which entitle the company to right of use of specified bandwidth capacity for a specified period of time. Such right is being treated as operating lease since the risks and rewards are not transferred to the Company. Hence, the upfront payments made towards right of use of bandwidth capacities under such agreements have been treated as prepayments and is amortized over the term of the contract.

17. Employees stock options

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

C. NOTES TO ACCOUNTS

	As at March 31, 2013	As at March, 31, 2012
1. SHARE CAPITAL		
Authorised		
18,00,00,000 (March 31, 2012: 18,00,00,000) equity shares of Rs.10 each	18,000	18,000
Issued		
17,85,13,589 (March 31, 2012: 17,85,13,589) equity shares of Rs.10 each	17,851	17,851
Subscribed and fully paid		
5,35,13,589 (March 31, 2012: 5,35,13,589) equity shares of Rs.10 each fully paid up	5,351	5,351
Subscribed but not fully paid		
12,50,00,000 (March 31, 2012: 12,50,00,000) equity shares of Rs.10 each partly paid up [Refer note (c) below]	7,813	7,813
	13,164	13,164
Add: Forfeited shares - amount originally paid up on 1,28,23,202 equity shares	128	128
	13,292	13,292

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

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

(c) In 2010-11, the Company approved the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the Company's equity shares at a price of Rs.32 per share aggregating to Rs.40,000.These shares carry a face value of Rs.10. As of March 31, 2013, these shares are partly paid to the extent of Rs.6.25 (March 31, 2012: Rs.6.25) per share. Until the full purchase price is paid by the purchasers, the company retains a lien on these equity shares. Also refer note C (46).

(d) Of the total outstanding shares,12,50,00,000 shares (March 31, 2012: 12,50,00,000) are held by M/s Ramanand Core Investment Company Private Limited, holding company

(e) Of the total outstanding shares, 17,81,901 shares are reserved for issue to eligible employees under Associate Stock Option Plans. Refer to note C (37) for activities in Associate Stock Option plan.

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

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

	As at March 31, 2013		As at March 31, 2012	
	Number of shares	Amount paid-up	Number of shares	Amount paid-up
Number of shares outstanding at the beginning of the year	17,85,13,589	13,292	17,83,51,498	8,588
Add: Shares issued during the year on private placement	-	-	-	4,688*
Add: Issues of shares on exercise of ASOP	-	-	1,62,091	16
Number of shares outstanding at the end of the year	17,85,13,589	13,292	17,85,13,589	13,292

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

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

	As at March 31, 2013		As at March 31, 2012	
	Number of Shares held	% holding	Number of Shares held	% holding
Ramanand Core Investment Company Private Limited@	12,50,00,000	70.02%	12,50,00,000	70.02%
Infinity Satcom Universal Private Limited,	1,45,30,000	8.14%	1,45,30,000	8.14%
Infinity Capital Ventures, LP	1,39,02,860	7.79%	1,39,02,860	7.79%

@ These shares are partly paid-up to the extent of Rs.6.25 per share
Also refer to note C (46)

2. RESERVES AND SURPLUS

		As at March 31, 2013	As at March 31, 2012
Securities premium			
Opening balance		69,036	58,501
Add: Received during the year on fresh issue of shares/call		-	10,313
Add: Transfer from stock options outstanding account		-	24
Add: Received during the year on exercise of associate stock options		-	198
Closing balance	(A)	69,036	69,036
General reserve			
Opening balance		150	150
Add: Transferred from stock options outstanding account		360	265
Closing balance	(B)	510	415
Stock option outstanding account			
Opening Balance		125	156
Add: Employee stock compensation cost for the year (net of reversals for forfeited options)		*	3
Less: Transfer to general reserve in respect of grants lapsed during the year		(95)	(10)
Less: Transferred to securities premium account in respect of exercised options		-	(24)
Closing Balance	(C)	30	125
* amount is below the rounding off norm adopted by the Company			
Profit and loss account			
Opening Balance		(24,041)	(21,641)
Profit / (loss) for the year		4,258	(2,400)
Closing Balance	(D)	(19,783)	(24,041)
	(A)+(B)+(C)+(D)	49,793	45,535

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

3 LONG TERM BORROWINGS

	As at March 31, 2013	As at March 31, 2012	Security	Interest rate and repayment terms
Secured Term loan from banks	3,325	-	Equitable mortgage of title deeds of property to be acquired out of the loan.	The loan bears interest rates ranging from 13% p.a to 15.00% p.a. It is repayable on an equal monthly instalment over a period of 72 months after moratorium of one year.
Loan from others	643	1,038	These loans taken from other financial institutions are secured against relevant assets and software.	These loans carry an interest rate ranging from 12% p.a to 14% p.a. These are repayable over a period of 18 to 60 months on equated monthly or quarterly instalments.
Long term maturities of finance lease obligations	3,159	1,011	These are secured against the specific assets.	These carry an interest rate ranging from 12.50% p.a to 14.50% p.a. These are repayable over a period of 18 to 60 months on equated monthly or quarterly instalments.
Unsecured Loan from others	747	844	-	These loans carry an interest rate ranging from 12% p.a to 15% p.a. These are repayable over a period of 18 to 60 months on equated monthly or quarterly instalments.
	7,874	2,893		

Note:

The current maturities of the above borrowings, carrying the aforesaid security and repayment terms are grouped under other current liabilities. Refer notes C (8) & C (21).

The current maturities are as under:

	As at March 31,2013	As at March 31,2012
Secured		
Term loan from banks	475	1,100
Loan from others	395	359
Current maturities of finance lease obligations	1,561	758
Unsecured		
Loan from others	3,409	1,351
	5,840	3,568

4. OTHER LONG TERM LIABILITIES

Deposits	921	913
Unearned income	56	243
Other liabilities	1,256	941
	2,233	2,097

5. PROVISIONS

Short – term provisions			
Compensated absences		24	25
Provision for losses of subsidiary [Refer note C (28)]		3,200	-
	(A)	3,224	25
Long-term Provisions			
Gratuity [Refer note C(34)]		156	113
Compensated absences		184	186
	(B)	340	299
	(A)+(B)	3,564	324

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

	As at March 31, 2013	As at March 31, 2012
6. SHORT TERM BORROWINGS		
Loans repayable on demand from banks – Secured		
Working capital facilities [Refer notes (a) to (c) below]	8,044	9,154
Letter of credit discounted liability [Refer note (d) below]	-	485
	8,044	9,639

(a) Cash credit facilities amounting to Rs 4,778 are primarily secured by way of pari-passu first charge on the entire current assets of the Company. Further, these facilities are collaterally secured by way of equitable mortgage over the office premises and also by way of pari-passu charge on the unencumbered movable fixed assets of the Company.

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

(c) These working capital loans bear interest ranging from 13.00% to 13.50% p.a. These facilities are subject to an annual renewal.

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

	As at March 31, 2013	As at March 31, 2012
7. TRADE PAYABLES		
Towards purchase of goods and services	16,860	18,627
Others	1,492	1,533
	18,352	20,160
8. OTHER CURRENT LIABILITIES		
Capital creditors	1,038	1,316
Current maturities of long term debt*	475	1,100
Current maturities of finance lease obligations*	1,561	758
Current maturities of other loans*	3,804	1,710
Interest accrued and due on borrowings	15	29
Interest accrued but not due on borrowings	41	74
Advances received from customers	1,093	479
Statutory payables	678	533
Unearned income	4,753	3,401
Other payables	1,594	1,255
	15,052	10,655

*Also refer notes C (3) & C (21)

9. TANGIBLE ASSETS

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 1, 2012	Additions	Deletions / Adjustments	As at March 31, 2013	As at April 1, 2012	Depreciation/ amortisation	Deletions / Adjustments	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Leasehold land	51	-	-	51	9	1	-	10	41	42
Buildings	4,884	-	-	4,884	2,033	175	-	2,208	2,676	2,851
Plant and equipment	60,520	4,047	339	64,228	41,833	5,969	184	47,618	16,610	18,687
Furniture and fittings	2,379	3	2	2,380	2,302	42	1	2,343	37	77
Office equipment	2,307	33	2	2,338	1,544	204	2	1,746	592	763
Leasehold improvements	4,915	49		4,964	3,297	549	-	3,846	1,118	1,618
Assets acquired under lease										
Building	2,911	-	-	2,911	565	103	-	668	2,243	2,346
Plant and machinery	3,445	642	-	4,087	1,180	576	-	1,756	2,331	2,265
Motor vehicles	52		23	29	32	9	23	18	11	20
	81,464	4,774	366	85,872	52,795	7,628	210	60,213	25,659	28,669
Previous year	77,628	4,383	547	81,464	46,895	6,443	543	52,795	28,669	-

Capital work in progress: Capital work in progress includes assets purchased for construction of Data Centres at Rabale (Mumbai) and Noida and assets taken under finance lease pending installation.

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

10. INTANGIBLE ASSETS

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 1, 2012	Additions	Deletions / Adjustments	As at March 31, 2013	As at April 1, 2012	Depreciation/ amortisation	Deletions / Adjustments	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Undersea cable capacity	-	5,533	-	5,533	-	461	-	461	5,072	-
System software	4,344	183	-	4,527	3,796	294	-	4,090	437	548
Customer and contract related intangibles	2,324	-	-	2,324	2,012	25	-	2,037	287	312
	6,668	5,716	-	12,384	5,808	780		6,588	5,796	860
Previous year	7,046	439	817	6,668	6,201	424	817	5,808	860	

11. NON CURRENT INVESTMENTS

		As at March 31, 2013	As at March 31, 2012
Trade Investments – carried at cost			
Investments in equity instruments of subsidiaries – unquoted			
Sify International Inc. [Refer note C (36)] [March 31, 2012: 100 shares of common stock of USD 0.0001 fully paid up]		-	3,576
Less: Decline, other than temporary, in value of investment		-	(3,576)
		-	-
Sify Software Limited (formerly Sify Networks Private Limited)		4,827	4,827
[45,81,820 (March 31, 2012: 45,81,820) equity shares of Rs 10 each fully paid up]			
Less: Decline, other than temporary, in value of investment [Refer note C(28)]		(4,827)	-
		-	4,827
Sify Technologies (Singapore) Pte Limited [2,000 (March 31,2012 : 2000) equity shares of S $1 each fully paid up]		1	1
Hermit Projects Private Limited [Refer notes (a) below & C (47)] [10,000 (March 31, 2012: 10,000) equity shares of Rs.10 each fully paid up]		280	280
	(A)	281	5,108
Investment in equity instruments of others – unquoted			
Sify Empower India Foundation [Refer note C (36)] [10,000 (March 31, 2012: 1,000) equity shares of Rs 10 each fully paid up]		1	*
Less: Decline, other than temporary, in value of investment		(1)	-
		-	*
Investment in Vashi Railway Station Commercial Complex Limited [15,000 (March 31, 2012: 15,000) equity shares of Rs 10 each fully paid up]		2	2
Investment in Sarayu Clean Gen Pvt Ltd [1,56,000 (March 31,2012: Nil) equity shares of Rs.10 each fully paid up]		15	-
	(B)	17	2
		-	-
	(A)+ (B)	298	5,110
Aggregate cost of unquoted investments		5,126	8,686
Aggregate provision for diminution in value of investments		4,828	3,576

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

Notes:

a) During the year 2011-12, pursuant to Memorandum of Understanding with Advance India Projects Limited (AIPL), the company agreed to purchase the shares of Hermit Projects Private Limited (HERMIT) from AIPL with a view to taking control of land held by Pace Infocom Park Private Limited (PACE) (subsidiary of HERMIT) at Noida and the building constructed by AIPL on the said land for a total consideration of Rs. 11,400. As of March 31, 2013, the company has paid Rs. 280 towards purchase of shares, Rs. 9,264 to PACE & HERMIT towards settlement of debts and liabilities in the books of both HERMIT and PACE. As of March 31, 2013 the company has also advanced Rs.1,617 to AIPL and any further sum it has to advance as per the commitment shall be adjusted towards the value of investment in HERMIT after settling further debts and liabilities relating to construction of the said data center. [Also refer note C (47)]

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

	As at March 31, 2013	As at March 31, 2012
12. LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Loans and advances to related parties		
Advances to subsidiaries [Refer notes C (11) (a) , C (36) & C (47)]	9,264	8,110
Others		
Advances recoverable in cash or in kind for value to be received	1,617	957
Deposits	2,762	2,853
Duty credit entitlement	268	872
Prepaid expenses	864	1,174
Capital advances	1,692	119
	16,467	14,085
13. OTHER NON CURRENT ASSETS		
Long term trade receivable	248	152
Accrued income	534	522
Other receivables	-	125
	782	799
14. CURRENT INVESTMENTS		
Other investments – carried at lower of cost and fair value		
Investment in equity instrument of associates – unquoted		
MF Global-Sify Securities India Private Limited [Refer note C(45)] [1,54,90,800 equity shares of Rs.10 each fully paid up]	-	1,549
	-	1,549
15. INVENTORIES		
Traded hardware and software (net)	1,848	195
	1,848	195
16. TRADE RECEIVABLES		
Secured		
Outstanding for a period exceeding six months from due date		
- considered good	17	40
Other debts		
- considered good	7	10
	24	50
Unsecured		
Outstanding for a period exceeding six months from due date		
- considered good	5,831	5,037
- considered doubtful	1,878	1,862
Other debts		
- considered good	19,756	17,880
	27,465	24,779
Less: Provision for doubtful debts	(1,878)	(1,862)
	25,611	22,967

	As at March 31, 2013	As at March 31, 2012
17. CASH AND BANK BALANCES		
Cash and cash equivalents		
(a) Cash on hand	7	6
(b) Balance with banks		
(i) in current accounts	6,838	4,589
(ii) Deposits	1	2,500
Other Bank Balances		
Bank deposits [Refer note (a) & (b) below]	1,811	1,228
	8,657	8,323
(a) Balances in deposit accounts subject to lien in favour of banks for obtaining Bank Guarantees /Letter of Credits	1,811	1,228
(b) Deposits with more than 12 months maturity	1	13
18. SHORT TERM LOANS AND ADVANCES		
Unsecured , considered good		
Loans and advances to related parties		
Loans and advances to subsidiaries [Refer note C (36)]	3,749	3,616
Others		
Advances recoverable in cash or in kind for value to be received	1,797	957
Balances with service tax and sales tax authorities	2,418	1,684
Prepaid expenses	1,871	1,787
Deposits	505	502
Advance tax and tax deducted at source [net of provision for tax of Rs.167 (March 31,2012: Rs.167)]	5,106	4,024
(A)	15,446	12,570
Unsecured, considered doubtful		
Advances recoverable in cash or in kind for value to be received		
- subsidiaries [Refer note C (36)]	-	1,922
- to others	592	349
Less: provision for advances doubtful of recovery	(592)	(2,271)
(B)	-	-
(A) +(B)	15,446	12,570
19. OTHER CURRENT ASSETS		
Accrued income	584	890
Interest accrued on income tax refund	-	143
Interest accrued on advances and deposits	170	5
	754	1,038

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

	As at March 31, 2013	As at March 31, 2012
20. CONTINGENT LIABILITIES AND COMMITMENTS		
(a) Contingent liabilities		
(i) Claim against the Company not acknowledged as debt		
- In respect of service tax claims	4,789	4,217
- In respect of income tax claims	-	850
- In respect of sales tax claims	135	-
(ii) Liability on customer letter of credit discounted	250	878
(iii) Guarantee given to subsidiary	1,100	1,100

(iv) *Liability on EPCG*: During the year, the Company has participated in the Export Promotion Capital Goods Scheme ("the scheme") under which capital equipments are permitted to be imported against a special licence at a substantially reduced customs duty, subject to fulfilment of obligation to export goods/services supplied or rendered by use of capital equipment imported under the scheme to the extent of over 8 times the value of duty saved over a period of 8 years from the date of obtaining the licence. In case of failure to meet the export obligation, the company would be liable to pay the differential between the normal duty and the duty saved under the scheme along with the interest. As of now, the Company is holding 19 licences with a corresponding export obligation of Rs.6,269. Taking into account the track record of our exports, the Company believes that it would be able to meet the export obligation within the time frame and would not be exposed to any liability on account of the above scheme.

(b) Commitments		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	3,949	6,947
(ii) Advances committed to subsidiaries	480	2,280

Notes:

(a) Refer note C(38) in respect of contingencies arising on legal proceedings.

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

	As at March 31, 2013	As at March 31, 2012
21. LEASE COMMITMENTS		
a. The Company has taken vehicles and plant and machinery under finance lease. The future minimum lease payments under finance leases as at March 31, 2013 and as of March 31, 2012 are as follows:		
Payable not later than one year	2,060	919
Payable later than one year and not later than five years	3,744	1,138
Total	5,804	2,057
Less: Amounts representing interest	(1,084)	(288)
Present value of minimum lease payments	4,720	1,769
Payable not later than one year [disclosed under other current liabilities - refer note C(8)]	1,561	758
Payable later than one year and not later than five years [disclosed under long term borrowings - refer note C(3)]	3,159	1,011
b. The Company takes on 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:		
Payable not later than one year	1,137	1,097
Payable later than one year and not later than five years	5,193	6,143
Payable later than five years	11,709	10,548
Total	18,039	17,788

	Year ended March 31, 2013	Year ended March 31, 2012
22. REVENUE FROM OPERATIONS		
Sale of Services:		
- Domestic*	47,139	40,482
- Export	30,623	24,493
Sale of Products:		
- Domestic	4,363	4,733
	82,125	69,708

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

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

	Year ended March 31, 2013	Year ended March 31, 2012
23. OTHER INCOME		
Interest income		
From banks	238	146
From subsidiary	449	-
On income tax refund	251	391
Others	155	-
Other Non- Operating Income		
Service charge from subsidiary company	347	709
Gain on foreign exchange fluctuation (net)	165	249
Profit on sale of fixed assets	-	6
Miscellaneous income	487	498
	2,092	1,999
24. COST OF GOODS SOLD AND SERVICES RENDERED		
Cost of hardware and software sold		
Opening inventory	195	156
Add: Purchases [net of capitalisation of Rs. Nil (March 2012: 36]	5,331	4,346
Less: Closing inventory	(1,848)	(195)
(A)	3,678	4,307
Cost of services rendered		
Networking costs	28,531	23,653
Other direct costs	8,479	7,679
Power expenses	5,909	4,558
(B)	42,919	35,890
(A) + (B)	46,597	40,197
25. EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	9,511	9,123
Contribution to provident fund and other funds	532	489
Staff welfare expenses	135	161
Employee stock compensation expense@	*	2
	10,178	9,775

@Net of recoveries from the subsidiary company
*amount is below the rounding off norm adopted by the Company

	Year ended March 31, 2013	Year ended March 31, 2012
26. FINANCE COSTS		
Interest expense	1,836	1,455
Other borrowing costs (including letters of credit and bill discounting and buyer's credit charges)	513	1,179
Net (gain)/ loss on foreign currency transactions and translations	68	109
	2,417	2,743

	Year ended March 31, 2013	Year ended March 31, 2012
27. OTHER EXPENSES		
Commission expenses	769	974
Communication expenses	287	360
Rent	3,673	3,168
Rates and taxes	225	227
Travelling expenses	1,186	1,127
Power and fuel expenses	1,121	985
Legal and professional	961	1,263
Payment to auditors		
- Audit fees	20	20
- Others	10	10
Repairs and maintenance expenses		
- Plant and machinery	692	373
- Buildings	357	243
- Others	1,577	1,354
Insurance	356	413
Outsourced manpower costs	946	678
Advertisement, selling and marketing expenses	889	825
Loss on sale of fixed assets (net)	130	-
Duty credit entitlement written off	246	200
Provision for doubtful advances	243	36
Bad debts written off	1,616	990
Provision for doubtful debts, net of provision written back on bad debts provided in the previous years	16	251
Miscellaneous expenses	982	1,065
	16,302	14,562
28. EXCEPTIONAL ITEMS		
Gain on sale of investment in Associate [Refer note C (45)]	12,354	-
Provision for losses of subsidiary [Refer note below]	(8,029)	-
Write down of inventories to Net Realisable Value	(382)	-
	3,943	-

Provision for losses of subsidiary

The Networth of one of the wholly owned subsidiaries of the Company, Sify Software Limited, has eroded during the year ended March 31, 2013 on account of continuous losses since its inception. The losses are primarily on account of lower scale of operations in the Subsidiary due to sluggish market conditions. The decline in value so assessed, was not temporary in nature, and hence provision has been made for the losses in the subsidiary representing diminution in the value of its investment.

Consequent to proposed change in Business organisation and to bring in optimization of costs and take advantage of synergy effects, it is being proposed to merge the said subsidiary with the Holding Company effective April 1, 2013, subject to approval of the shareholders of the Company at a court convened meeting and the confirmation of Hon'ble High Court of Judicature at Madras and other statutory authorities.

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

	For the year ended March 31, 2013 Qty (Nos)	Value	For the year ended March 31, 2012 Qty (Nos)	Value
29. TRADED GOODS				
Opening stock				
- Hardware	5,543	172	3,740	124
- Software	290	23	209	32
Purchases				
- Hardware*	33,738	3,225	47,288	3,971
- Software*	24,372	2,106	2,156	411
Sales				
- Hardware*	26,323	1,643	45,394	3,889
- Software*	23,597	2,035	2,069	418
Captive consumption				
- Hardware	-	-	91	34
- Software	-	-	6	2
Closing stock				
- Hardware	12,958	1,754	5,543	172
- Software	1,065	94	290	23

Notes:

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

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

	Year ended March 31, 2013	Year ended March 31, 2012
30. VALUE OF IMPORTS ON C.I.F BASIS		
Hardware/software imported	116	203
Fixed assets	4,219	1,973
	4,335	2,176
31. EXPENDITURE IN FOREIGN CURRENCY ON ACCRUAL BASIS		
Royalty	327	437
Legal and professional charges	253	349
Networking costs	4,418	3,979
Other direct costs	485	772
Personnel expenses	858	1,128
Travelling expenses	43	80
Advertising, selling and marketing expenses	138	81
Others	635	607
	7,157	7,433
32. EARNINGS IN FOREIGN EXCHANGE		
Export of services	30,623	24,493

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

33. FINANCIAL AND DERIVATIVE INSTRUMENTS

The details of outstanding option/forward contracts as of March 31, 2013 and as of March 31, 2012 are given below:

Particulars	Currency	As at March 31, 2013	As at March 31, 2012
Options – Put	USD	-	15
(Gain) / loss on mark to market in respect of options / forward contracts outstanding	INR	-	(29)

The details of foreign currency exposure as at March 31, 2013 are as follows:

Particulars	As at March 31, 2013		
	Foreign Currency	Amount in foreign currency (in lakhs)	Amount in Indian Rupees (in lakhs)
Amounts receivable in foreign currency on account of: **Debtors**	GBP	2	125
	USD	124	6,753
	SGD	*	1
			6,879
Amounts payable in foreign currency on account of: **Creditors**	EUR	*	24
	USD	45	2,465
	HKD	*	1
			2,490
Foreign Currency Demand Loan	USD	425	**2,312**

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

Particulars	As at March 31, 2012		
	Foreign Currency	Amount in foreign currency (in lakhs)	Amount in Indian Rupees (in lakhs)
Amounts receivable in foreign currency on account of: **Debtors**	GBP	1	111
	USD	152	7,775
	EUR	*	2
	SGD	*	1
			7,889
Amounts payable in foreign currency on account of: **Creditors**	EUR	*	35
	USD	87	4,487
	DHS	*	8
			4,530
Foreign Currency Demand Loan	USD	425	**2,174**

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

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

34. EMPLOYEE BENEFITS

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Projected benefit obligation at the beginning of the year	450	460
Service cost	108	114
Interest cost	35	34
Actuarial (gain) / loss	(35)	(100)
Benefits paid	(78)	(58)
Projected benefit obligation at the end of the year	480	450
Change in the fair value of assets		
Fair value of plan assets at the beginning of the year	337	329
Expected return on plan assets	25	25
Employer contributions	40	41
Benefits paid	(78)	(58)
Fair value of plan assets at the end of the year	324	337
Amount recognised in the balance sheet		
Present value of projected benefit obligation at the end of the year	480	450
Fair value of plan assets at the end of the year	324	337
Funded status amount of liability recognised in the balance sheet	156	113
Expense recognised in the profit and loss account		
Service cost	108	114
Interest cost	35	34
Expected return on plan assets	(25)	(25)
Recognised net actuarial (gain)/ loss	(35)	(100)
Net gratuity costs	83	23
Actual return on plan assets	25	26
Summary of actuarial assumptions		
Discount rate	8.00% p.a	8.60% 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	8.50 years	8.40 years

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

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

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

35. SEGMENT REPORTING

We have been historically operating with three segments of business viz Enterprise Services, Commercial and Consumer Service and Software services till the previous reporting year ending March 2012. Data as a service was offered by two segments namely Enterprise services and Commercial and Consumer services, with both the segments focussing on different market segmentation. Over the years, there has been significant growth in the mid range of the Data industry, creating a niche position for Small and Medium Business (SMB), thereby witnessing a de-growth in the lower end of the market. In order to focus and participate in the growth market, leverage the technology capabilities, and to achieve economies of scale , the company decided to integrate the two segments namely " Enterprise Services and, Commercial and Consumer service , into "Enterprise Services" effective 1st April 2012.

Consequently the operating segments are as under:

Enterprise Service: Enterprise Service is broadly represented by two Line of business namely " Network Services and IT services". Data services to corporates, mid market (SMB , SOHO) and voice services are 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.

Software Service: These services comprise application services and e-learning services. This business line will offer applications through the Cloud, primarily targeted at enterprise and international customers. Under Software services the Company also operates the portals,

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

"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.

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, Domestic and last mile. These are allocated primarily to the Enterprise services as described below:

- The international bandwidth refers to bandwidth that is required for access to sites and offices outside the country.
- The national bandwidth refers to the inter-city link bandwidth implemented within the country.
- 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 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 "depreciation" and adjusted only against the total operating income of the Company.

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

Business segment

The Company's operating segment information for the year ended March 31, 2013 is presented below:

Particulars	Enterprise services	Software services	Total
	(A)	(B)	(C)=(A)+(B)
Revenue from operations	78,707	3,418	82,125
Allocable expenses	(64,380)	(3,085)	(67,465)
Segment operating income / (loss)	14,327	333	14,660
Unallocable expenses			(5,562)
Operating income			9,098
Other income			783
Foreign exchange gain / (loss), net			165
Profit / (loss) before interest, depreciation, tax and exceptional items			10,046
Interest income / (expenses), net			(1,323)
Depreciation, amortisation and impairment			(8,408)
Profit/(loss) before exceptional items and taxation			315
Exceptional item			3,943
Net profit/(loss) after taxes			4,258
The Company's operating segment information for the year ended March 31, 2012 is presented below:			
Revenue from operations	65,590	4,118	69,708
Allocable expenses	(55,214)	(3,844)	(59,058)
Segment operating income / (loss)	10,376	274	10,650
Unallocable expenses			(5,477)
Operating income			5,173
Other income			1,214
Foreign exchange gain / (loss), net			249
Profit / (loss) before interest, depreciation, tax and exceptional items			6,636
Interest income / (expenses), net			(2,206)
Depreciation, amortisation and impairment			(6,867)
Income taxes			37
Net loss after taxes			(2,400)

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

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, 2013 is presented below:

Description	India	Rest of the world	Total
Sales- External Revenue	51,502	30,623	82,125
Net carrying amount of segment fixed assets by location of assets	31,455	-	31,455
Net carrying amount of other segment assets by location of customers	51,805	6,879	58,684
Cost to acquire tangible and intangible assets by location of customers	10,490	-	10,490

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

Description	India	Rest of the world	Total
Sales- External Revenue	45,215	24,493	69,708
Net carrying amount of segment fixed assets by location of assets	29,529	-	29,529
Net carrying amount of other segment assets by location of customers	43,021	7,889	50,910
Cost to acquire tangible and intangible assets by location of customers	4,822	-	4,822

36. RELATED PARTY TRANSACTIONS

The related parties where control exists are the subsidiaries.

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

Holding companies	Infinity Satcom Universal Private Limited.
	Raju Vegesna Infotech & Industries Private Limited (subsidiary of Infinity Satcom Universal Private Limited)
	Ramanand Core Investment Company Private Limited (subsidiary of Raju Vegesna Infotech & Industries Private Limited)
Subsidiaries	Sify Software Limited
	Sify Technologies (Singapore) Pte. Limited
	Hermit Projects Private Limited
	Pace Info Com Park Private Limited and
	Sify Empower India Foundation [Refer Note 5 below]
Key management personnel (KMP) and relatives of key management personnel	Raju Vegesna, Chairman and Managing Director
	Ananda Raju Vegesna, Executive Director and
	Radhika Vegesna, Daughter of Mr.Ananda Raju Vegesna
Enterprises over which KMP have significant influence	VALS Developers Private Limited and
	Raju Vegesna Developers Private Limited

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

(ii) Particulars of related party transactions

The following is a summary of significant related party transactions:

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
	Subsidiaries	
Sify Technologies (Singapore) Pte. Limited		
Advances given	22	-
Investments made	-	1
Receipt of services	174	213
Reimbursement of expenses	3	10
Rendering of services	1	124
Sify Software Limited (formerly Sify Networks Private Limited)		
Advances (net)	171	4,300
Advances received	-	2,008
Receipt of services	2,545	2,498
Guarantee given	-	100
Services rendered to subsidiary	347	709
Reimbursement of expenses	636	681
Provision for losses [Refer note C (28)]	(8,027)	-
Interest on inter corporate loans [Refer Note 4 below]	449	-
Pace Info Com Park Private Limited [Refer note C(11) (a) & C (47)]		
Advances given	1,153	3,767
Guarantees obtained [Refer Note C (6) (b)]	-	10,000
Hermits Projects Private Limited [Refer note C(11) (a) & C (47)]		
Investments made	-	280
Advances given	*	4,343
Sify Empower India Foundation [Refer note 5 below]		
Investment made	1	-
	Holding Company	
Raju Vegesna Infotech and Industries Private Limited (Refer Note 1 below)		
Lease rentals Paid	9	2

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
	Enterprises over which KMP have significant influence	
VALS Developers Private Limited		
Reimbursement of advance lease rentals paid	-	22
RajuVegesna Developers Private Limited (Refer Note 2 below)		
Lease rentals paid	4	1
Radhika Vegesna (Refer Note 3 below)		
Lease rentals paid	31	31

The following is the summary of outstanding balances as at March 31, 2013:

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Sify Technologies (Singapore) Pte. Limited		
Advances receivable	23	*
Investments	1	1
Trade Receivables	35	83
Sify Software Limited (formerly Sify Networks Private Limited)		
Inter corporate loans [Refer note 4 below]	3,458	-
Advances receivable	171	3,458
Investments	4,827	4,827
Provision for losses of subsidiary [Refer note C (28)]	(8,027)	-
Trade payable	-	2,405
Trade receivables	-	422
Guarantees given	1,100	1,100
Sify International Inc. [Refer Note 6 below]		
Advances receivable	62	1,996
Advances provided	-	(1,922)
Pace Info Com Park Private Limited [Refer note C (47)]		
Advances receivable	4,920	3,767
Guarantees obtained [Refer note C (6) (b)]	10,000	10,000
Hermits Projects Private Limited [Refer note C (47)]		
Investments	280	280
Advances receivable	4,343	4,343
Sify Empower India Foundation [Refer note 5 below]		
Investment	1	-
Raju Vegesna Infotech and Industries Private Limited		
Lease rentals payable	1	2
Raju Vegesna Developers Private Limited		
Lease rentals payable	*	1
Radhika Vegesna		
Lease rentals payable	2	-
Refundable rental deposits	26	26

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

The Company does not pay any remuneration to the key managerial personnel. Details of payments to other directors are given in note 41.

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

During the year ended March 31,2012, the Company had entered into a lease agreement with M/s Raju Vegesna Infotech and Industries Private Limited, the holding Company, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of Re.1 per month.

Note 2: Transaction with M/s Raju Vegesna Developers Private Limited

During the year ended March 31, 2012, the Company had entered into a lease agreement with M/s Raju Vegesna Developers Private Limited, a Company in which Mr Ananda Raju Vegesna, Executive Director of the Company and Mr Raju Vegesna, Chairman and Managing director of the Company exercise significant influence, to lease the premises owned by it for a period of three years effective February 1, 2012 on a rent of Rs.30 (thousands) per month.

Note 3: Transaction with Radhika Vegesna

During the year 2010-11, the Company had entered into a lease agreement with Ms Radhika Vegesna, daughter of Mr Anand Raju Vegesna, Executive Director of the company, to lease the premises owned by her for a period of three years effective June 1, 2010 on a rent of Rs.3 per month and payment of refundable security deposit of Rs.26. This arrangement will automatically be renewed for a further period of two blocks of three years with all the terms remaining unchanged.

Note 4: Loan to Sify Software Limited

Sify Software Limited (SSL), the wholly owned subsidiary, is primarily involved in the business of providing Application services and e-Learning. These businesses were transferred by the Company during the year 2009-10 for a total consideration of Rs.4,500.

SSL predominantly carries out activities of product development with some customization efforts, leading to a time lag from development to delivery thereby causing a working capital gap. In order to extend support to the entity till it stabilizes and achieve its potential, the Company has been continuously providing Trade Advances to SSL for meeting its requirements. As SSL is in the growth phase and not attained self sufficiency owing to sluggish market conditions, these advances have not been settled.

As of March 31, 2012, the SSL had a networth of around Rs.300. It has been incurring cash losses during the last 2 years as well as during the financial year 2012-13 as a result of higher fixed costs, time lag between development and monetization and lesser growth in revenue.

Further to the request made by SSL, the Company has evaluated the option of converting these Trade advances from SSL into an interest bearing loan. Hence, the trade advances as of April 1, 2012 amounting to Rs.3,458 has been converted into loan with effect from April 1, 2012. The loan would carry an interest rate equal to the rate of interest incurred by the Company on its working capital borrowings.

Note 5: Acquisition of Sify Empower India Foundation:

During the year, the Company had acquired 8,980 shares of Rs. 10 each, representing 89.80% of the total number of shares, in Sify Empower India Foundation, in addition to its existing holding of 1,000 shares of Rs.10 each, thereby making it a subsidiary of the Company as of March 31, 2013. Subsequently, as there was no activity in the said subsidiary, it's being proposed to close the subsidiary during the year 2013-14.

Note 6: Closure of Sify International Inc

The Board had accorded its approval for closure of the Company's U.S subsidiary, Sify International Inc during the Board Meeting held on the 24th of July 2012, as the company did not have any commercial operations during the past one year. In accordance with the same, a form of dissolution was filed with the California secretary of State, USA and the company was officially dissolved on 3rd of August 2012.

37. ASSOCIATES STOCK OPTION PLAN

The Company had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. The Compensation Committee grants the options on the basis of performance, criticality and potential of the employees as identified by the management. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000, ASOP 2002 and ASOP 2005 as at March 31, 2013. The plan wise details are as follows:

(i) ASOP 2007

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

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

One sixths 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, 2013	March 31, 2012
Outstanding at the beginning of the year	601,168	8,41,200
Granted during the year	-	-
Forfeited during the year	-	(27,995)
Expired during the year	(546,576)	(49,946)
Exercised during the year	-	(1,62,091)
Outstanding at the end of the year	54,592	6,01,168
Vested and exercisable at the end of the year	54,592	5,79,140
Weighted average exercise price in Rs.	98.85	152.26
Remaining contractual period	0 - 0.56 years	0-1.56 years

Modification

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

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

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

The incremental intrinsic value as a result of such modification in respect of vested amounted to Rs. Nil (March 31, 2012: Rs.91). 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.* (net) and Rs.2 (net) towards stock expense for the years ended March 31, 2013 and 2012 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, 2013	Year ended March 31, 2012
Net profit / (loss) – as reported	4,258	(2,400)
Add: Stock based compensation expense included in reported net profit/(loss)	*	2
Less: Stock based compensation expense determined under fair value method	(29)	(314)
Proforma net profit / (loss)	4,229	(2,712)
Earnings per share		
Number of shares – Basic	13,16,38,589	10,33,13,278
Number of shares –Diluted	13,16,36,425	10,33,13,278
Profit / (loss) per share – reported	3.23	(2.32)
Profit / (loss) per share – proforma - Rs.10 paid up	3.21	(2.62)
Profit / (loss) per share – proforma - Rs.6.25 (March 31,2012: Rs.6.25) paid up	2.01	(1.64)

There were no options granted to Associates during the year.

38. LEGAL PROCEEDINGS

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

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

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

As of March 31,2013, the exposure under this settlement has been settled by the insurer as per the settlement agreement.

b) Proceedings before Department of Telecommunications

(i) License fees

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

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

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

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

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

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

c) The company is party to additional legal actions arising in the ordinary course of business. Based on the available information as at March 31, 2013, the Company believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect. However in the event of adverse judgement in all these cases, the maximum financial exposure would be Rs.106 (March 31, 2012: Rs.129).

39. 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, 2013.

40. IPO LISTING

The Ministry of Finance of the Government of India ('MoF') issued a press release dated March 31, 2006, making amendments to the 'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993' ('the Scheme'). The amendments included a statement that unlisted Companies which had accessed FCCBs, ADR/GDRs in terms of guidelines of May 22, 1998 and are not making profit, be permitted to comply with listing condition on the domestic stock exchanges within three years of having started making profit. Further, the press release states that no fresh issues of FCCBs, ADR/GDRs by such companies will be permitted without listing first in the domestic exchanges. Hence the Company would not be able to raise funds by issuing ADRs until such time the Company complies with the 'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme 1993' and lists in the domestic stock exchanges as per the above press release.

41. PAYMENTS TO DIRECTORS

(other than managing director and executive director)

	Year ended March 31, 2013	Year ended March 31, 2012
Sitting fees	10	13
Consultancy fees	2	2

42. DUES TO MICRO AND SMALL ENTERPRISES

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

43. DISCLOSURE PURSUANT TO AS 7 – CONSTRUCTION CONTRACTS

	Year ended March 31, 2013	Year ended March 31, 2012
Contract revenue recognised	2,098	2,234
Aggregate amounts of costs incurred and recognized profits (less recognised losses) upto the reporting date – Contracts in progress	221	1,992
Retentions in respect of contracts in progress	-	171
Gross amount due from customers for contract work presented as an asset	221	2,163

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

(a) Weighted average number of shares – Basic

Issued fully paid up ordinary shares as on April 1,	5,33,51,498	5,33,51,498
Effect of shares issued on exercise of stock options	1,62,091	98,392
Effect of partly paid shares [Refer Note (1)]	7,81,25,000	4,98,63,388
Weighted average number of equity shares outstanding	13,16,38,589	10,33,13,278

Note 1: During the year 2010-11, 12,50,00,000 ordinary shares were issued to the existing promoter group on a private placement basis. As of March 31, 2013, these shares were partly paid up to the extent of Rs 6.25 (March 31,2012 - Rs.6.25) per share. Refer to note C(46).

(b) Weighted average number of shares – Diluted

	Year ended March 31, 2013	Year ended March 31, 2012
Weighted average number of equity shares outstanding	13,16,38,589	10,33,13,278
Dilutive impact of associated stock options	(2,164)	-
Weighted average number of equity shares for diluted earnings per share	13,16,36,425	10,33,13,278

45. SALE OF INVESTMENT IN MF GLOBAL SIFY SECURITIES INDIA PRIVATE LIMITED

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

As at March 31, 2012, the Company held 29.85% in the Joint Venture Company and the remaining 70.15% was held by MFG. On October 31, 2011, M F Global Holding Limited, USA, sought bankruptcy protection through a chapter 11 filing in the U.S. Bankruptcy Court in New York. Consequent to

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this, MFG also filed for bankruptcy proceedings in the United Kingdom and 3 individual administrators from KPMG were appointed as Joint administrators for MFG which holds the shares in the Joint Venture Company.

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

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

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

On August 2,2012, the Company announced the conclusion of the sale of the entire stake in MF Global Sify Securities India Pvt Ltd .Necessary Regulatory and statutory 'no objection approvals' for change in control were received. The aggregate amount received by Sify against the aforementioned stake and the rights therein is Rs.13,903 (USD 25 million) in cash.

46. ISSUE OF SHARES TO THE PROMOTER GROUP

On August 4, 2010, the Board of Directors of the company proposed the issuance, in a private placement, of upto an aggregate of 12,50,00,000 of the company's equity shares, par value Rs.10 per share ("Equity shares"), for an aggregate purchase price of Rs 40,000, to a group of investors affiliated with the company's promoter group, including entities affiliated with Mr Raju Vegesna, the company's Chief Executive officer and Managing Director and Mr Ananda Raju Vegesna, Executive Director and brother of Mr Raju Vegesna (the "Offering"). The company's shareholders approved the terms of the Offering at the Company's Annual General Meeting held on September 27, 2010.

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

As of March 31, 2013, the Company has called–up and received a sum of Rs.6.25 per share. The remaining amount of the purchase price will be called up at such time as determined by the company. Until the full purchase price is paid by the purchasers, the Company retains a lien on the equity shares purchased in connection with the Offering.

47. ACQUISITION OF SHARES IN HERMIT PROJECTS PRIVATE LIMITED

During the year ended March 31, 2012, the Company had acquired the shares of Hermit Projects Private Limited (HERMIT) from Advance India Projects Private Limited (AIPL), an independent third party builder. HERMIT is the Holding Company of Pace Info Com Park Private Limited (PACE), who was allotted a land by the Noida authorities and where the activity of construction of data center is in progress. At the time of acquisition of HERMIT from AIPL, the total consideration was determined as being Rs.280 for purchase of 10,000 equity shares of HERMIT and Rs.11,120 for settlement of debts and liabilities in the books of both HERMIT and PACE.

As of March 31, 2012, the Company has paid Rs.280 and has acquired the shares of HERMIT and further, out of the total commitment of Rs.11,120 towards settlement of debts and liabilities , as of March 31, 2013, the Company has advanced a sum of Rs.4,921 (March 2012: Rs.3,540) and Rs. 4,343 (March 2012: 4,343) to PACE and HERMIT respectively. As of March 31, 2013 the company has also advanced Rs.1,617 (March 2012: Rs.957) to AIPL and any further sum it has to advance as per the commitment shall be adjusted towards the value of investment in HERMIT after settling further debts and liabilities relating to construction of the said data center.

48. TAXATION

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

	As at March 31, 2013	As at March 31, 2012
Liabilities		
Amortization of assets on finance lease	1,060	929
Assets		
Depreciation on own assets (restricted to the extent of deferred tax liability)	(1,060)	(929)
Net deferred tax recognised	-	-

The Company has recognised deferred tax asset to the extent of deferred tax liability arising during the year. The balance of deferred tax asset on timing differences arising on account of depreciation, carried forward losses and others has not been recognised as the management believes that there exists no virtual certainty in relation to its realization.

Provision for taxation towards the gain made on sale of investment in associate has not been recognised during the year as the company believes that it can set off the same against the available unabsorbed carried forward business losses under the Income Tax Act.

49. There were no borrowing costs capitalised during the year ended March 31,2013. (March 31, 2012: Rs 135).

50. PRIOR YEAR COMPARATIVES

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

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

For and on behalf of the Board of Directors

J Sivasankaran
Partner
Membership No.: 022103

Raju Vegesna
Chairman & Managing Director

Ananda Raju Vegesna
Executive Director

C B Mouli
Director

Chennai
June 28, 2013

M P Vijay Kumar
Chief Financial Officer

L V Veeranjaneyulu Y
Company Secretary

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

Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 relating to the Subsidiary Companies for the year ended March 31, 2013

Name of the Subsidiary Company	*Sify Software Limited*	*Sify Technologies (Singapore) Pte. Limited*	*Hermit Projects Pvt Ltd*	*Pace Info Com Park Pvt Ltd*	*Sify Empower India Foundation*
Name of the Holding Company	Sify Technologies Ltd	Sify Technologies Ltd	Sify Technologies Ltd	Hermit Projects Pvt Ltd	Sify Technologies Ltd
a) the extent of the holding company's interest in the subsidiary as at the end of the financial year ended March 31, 2013					
i) No: of Equity shares	45,81,820 of Rs10/- each	2000 of SGD 1 per share	10,000 of Rs.10/- each	10,000 of Rs.10/- each	10,000 of Rs.10/- each
ii) Extent of holding	100%	100%	100%	100%	99.80%
(b) the net aggregate amount of the profits / (losses) of the subsidiary company not dealt with in the Company's accounts so far as it concerns the members of the holding company					
i) for the financial year ended March 31, 2013	(3,037)	(52)	(3)	(2)	(2)
ii) for all the previous financials years of the subsidiary	(4,837)	31	(1)	(11)	(11)
(c) The net aggregate amount of the profits/(losses) of the subsidiary company dealt with in the Company's accounts so far as it concerns the members of the holding company					
i) for the financial year ended March 31, 2013	Nil	Nil	Nil	Nil	Nil
ii) for all the previous financials years of the subsidiary	Nil	Nil	Nil	Nil	Nil

Chennai
June 28, 2013

C B Mouli
Director

Raju Vegesna
Chairman & Managing Director

M P Vijay Kumar
Chief Financial Officer

L V Veeranjaneyulu Y
Company Secretary