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Board of Directors

Sify Technologies Limited

Raju Vegesna
Chairman, Managing Director & CEO

Ananda Raju Vegesna
Executive Director

T H Chowdary

C B Mouli

P S Raju

S K Rao

S R Sukumara

Audit Committee

C B Mouli
Chairman & Financial Expert

S K Rao

S R Sukumara

Compensation Committee

T H Chowdary
Chairman

P S Raju

S K Rao

S R Sukumara

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

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

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

Auditors
B S R & Co.
Chartered Accountants
Chennai, India

DIRECTORS' REPORT

Dear Members,

Your Directors present the Fourteenth Annual Report together with the audited financials of your Company for the financial year ended March 31, 2010.

Financial highlights

Rs. in million

Details	Year ended March 31, 2010	Year ended March 31, 2009
Income from operations	6,543	6,162
Other Income	217	222
Earnings Before Interest, Tax, Depreciation and Amortization and exceptional items	397	4
Depreciation, amortization and impairment	698	508
Financial expenses	288	266
Exceptional items	946	-
Profit / (Loss) before tax	357	(769)
Taxation including Fringe Benefit Tax	3	(20)
Profit / (Loss) after tax	360	(789)

During the year, the Company has transferred the 'eLearning services', 'Software Development' and other related businesses to Sify Software Limited, a subsidiary Company, effective October 1, 2009 and hence the financials of March 31, 2010 are not directly comparable to March 31, 2009.

Financial Review

During the year under review, your Company has earned an income from operations of Rs.6,543 million against Rs.6,162 million in the previous year registering a growth of 6%. The Company made a Profit before Tax of Rs.357 million, which include exceptional items viz. one time legal settlement of Rs.561 million and profit on sale of software business of Rs.384 million to the wholly owned subsidiary Company.

MAJOR CORPORATE DEVELOPMENTS

Sale of eLearning and the Software Development business

In order to enable greater focus on services over the core IP data telecom network infrastructure, the Company has transferred its non-telecom businesses viz. 'eLearning services', 'Software Development' and others, along with all the employees, assets and liabilities of these businesses, to Sify Software Limited (SSL), a wholly owned subsidiary Company, effective October 1, 2009. The consideration for the transfer was fixed at Rs.45 crores as per an independent valuation of the undertakings done by M/s Deloitte Touche Tohmatsu India Pvt. Ltd., based on the audited financials of March 31, 2009. SSL has paid the entire consideration by issue of 45,00,000 Equity Shares of Rs.10 each at a premium of Rs.90 per share.

The non-telecom businesses will also benefit from greater focus by the subsidiary company to address the market potential for scaling up these businesses.

Subsidiary Company at Singapore

During the year, Sify Technologies (Singapore) Pte. Ltd, a wholly owned subsidiary Company, was incorporated at Singapore with a nominal capital of S $ 1 in order to fulfill customer's requirement for overseas billing which represents a substantial business opportunity going forward. This would help the Company increase contribution from Systems Integration and IT Infrastructure projects, as well as Security services in addressing customer needs who seek import of IT equipment and services.

Mr. C V S Suri, Chief Operating Officer of the Company and Mr. Sunil Gurrala, a Singapore Resident have been nominated as the Directors of the Singapore subsidiary.

Cost Optimisation Measures

The Company has over the last financial year implemented certain cost efficiency measures. However, these are partly offset by some price pressures on the revenue side. The Company is taking further steps in view of the continued tight market conditions and is implementing further cost cutting measures which is expected to yield results in due course of the current financial year.

Issue of fresh capital

For funding the ongoing capex programme and the future expansion of business in areas of Network, Data Centre and other internet related business segments, the Company requires around Rs.350 to Rs.400 crores. In view of the restriction imposed by the Ministry of Finance, the Company could not issue further ADRs till such time the Company gets listed in the domestic Stock Exchanges. Further, raising additional loans from Banks is difficult since the Company has already availed the Maximum Permissible Finance and debt servicing ability would be under pressure due to continued poor operational performance.

In order to tide over the financial crisis, the promoters of the Company have consented to infuse funds upto Rs.400 crores in the share capital of the Company. Hence, the Board of Directors have approved the proposal of issuing 125,000,000 Equity Shares of Rs.10/- each at a premium of Rs.22/- per share for cash to the promoter group companies subject to the approval of the shareholders at the ensuing Annual General Meeting.

BUSINESS REVIEW

Enterprise Services

The Company's Enterprise service continued to grow despite a difficult climate in 2009-10. Your Company's Enterprise services accounted for around 81% of the total revenues of the Company during the year under review. Overall, your Company's Enterprise business has grown by around 22% over the previous year in terms of revenue.

The division has been streamlined to focus on five main areas of service: Connectivity Services, Hosting services, Enterprise Application Services, Managed Voice Services, which includes long distance and international back haul for telecom companies as well as Enterprise Voice Services in the domestic market, and Systems Integration.

Your Company identified and entered the Government sector last year with increasing success. Your Company has so far won the maximum number of contracts for building and operating State Data Centers so far, and has emerged as a leader in this space.

Hosting services has seen sustained growth during the year to record 58% growth in revenues over the previous year. Your Company also launched On Demand Storage services based on world leading technology and processes and has already won contracts for the service. In addition, the Company also launched the Cloud Computing Services which comprises an integrated suite of firewall, IPS, end-point security, access, Operating System and application security to meet the on-line operations of the customers.

In Connectivity services, your Company increased the total managed bandwidth services contracted to customers by more than 45% during the year. It continued to expand the reach of its network across the country, resulting in large Telecom operators contracting our services to increase their out-reach to remote parts of the country.

The Company has also invested in EIG, a submarine cable system through a consortium, which enables the Company to enter into the large and growing market for international bandwidth. The cable system will be operational by the end of the current financial year.

Your Company strengthened its position in Managed Voice Services which is a very competitive market during the year. Revenues have grown by more than three times over the previous year, and volume of traffic by more than five times. The Company has signed a large number of interconnect agreements with various telecom operators, both international and domestic, for terminating voice traffic and strengthening its position in the industry.

The year was significant for the Enterprise Application Services division with strengthening of the products and improvements in the quality of services leading to business wins and revenue growth. The focus of this division is on the following services: Messaging, Document Management, Assessment services and Supply Chain Management services.

In Systems Integration, your Company focused on establishing itself as a leader in the Data Centre Build Practice. We are happy to report that this has been achieved by your Company against stiff competition and by establishing itself as a leader in State Data Centre build and operate contracts. In addition to these wins, the Company has also won other contracts for building and operating Data Centres in the Government and private sectors. The Company has also been awarded contracts for building large captive networks for customers.

Consumer Services

Sify's Consumer services too found it challenging due to the prolonged gloom in the consumer markets. Restructuring and consolidating various divisions within Access Media and Portals has helped the Company to develop a new approach to Consumer Services towards the last phase of the financial year, and this has created reasonable expectations for the year ahead.

The business accounted for 13% of the total revenues of the Company during the year under review.

Sify *e-Port*

Your Company now has 1278 operational *e-Ports*, spread across over 200 towns and cities in India.

Your Company entered into agreements with select colleges and training institutes to conduct online examinations at *e-Ports*. These represent new sources of revenue that have the potential to grow in the years to come. Your Company continues to provide value added services in the areas of Travel, Utility and Financial services.

Sify Broadband

Your Company's broadband service is now available across 200 cities and towns in India, with a base of around 1,06,000 subscribers through a network of about 1500 Cable TV Operators.

To remain competitive in the Indian broadband market and generate higher Average Revenue per User, Sify Broadband introduced a range of unlimited plans, with advance payment options for services at different speeds. The new products were introduced on specific market need and to stem loss of customers.

Your Company has selectively rolled out wireless towers to explore new customer acquisition models for broadband services. To begin with, a complete wireless service and promotion program is being launched in select markets to test consumer acceptance.

Interactive Services (Portals)

As one of India's popular consumer portals, Sify.com continued to focus on consumer behaviour and user trends to revamp its homepage www.Sify.com to attract visitors and sustain interest. Sify.com was judged to be one of the three leading publishers for online display advertising in India, in a study by The Nielsen Company for the period June-August 2009.

Sify Sports was acclaimed the fastest growing sports site by Comscore with a growth of 379%. The second edition of the Indian Premier League (IPL) cricket fiesta, followed by T20 world cup were offered on Sify sports (http://Sify.com/sports/). These sections saw a combination of event coverage and interesting new features including fantasy cricket and live simulation.

Samachar.com, the preferred online news destination for Non Resident Indians is now available on Mobile. Users can now access India specific news from leading newspapers, magazines and websites from Samachar.com on their mobile devices.

International services

Profitability increased by 150% for both Remote Infrastructure Management and eLearning services although from a low base.

Infrastructure Management Services

Your Company has seen growth in its Infrastructure Management Services revenues of over 20% during the year under review, and also turned profitable. As the outlook for Infrastructure Management Services remains strong, your Company will continue to invest in sales, marketing and product engineering functions to grow this business further.

eLearning Services

The revenue from eLearning Services for the year was lower than the previous year due to persisting recessionary headwinds in key international markets of the US and Europe. Two of the largest customers had curtailed learning spends in the face of tight business conditions and overall discretionary learning budgets by many of the customers were frozen. This was partially offset by the customer acquisition and delivery-cost optimization through the year.

Technology Initiatives

- Sify's IP-MPLS network expanded reach from 478 to 624 cities, while wireless base stations increased from 927 to 1024 across the country.
- Sify's Enterprise Service portfolio was enhanced with cloud based service offering on the network, Security, computing and storage services.
- Sify's ILD voice infrastructure was enhanced to 475 E1 POIs with other Universal Access service providers, enhancing our capability of terminating voice minutes significantly
- Hubbing voice operations for transmitting international to international voice traffic were enabled.
- Fourth Floor of Airoli Data Centre was completed in October 2009 and a total Data Centre space of 12,233 sq. ft. was made available.
- Ground work for the new Data Centre facility at Noida has been started and is targeted for completion in 2010.
- Data Centre build practice initiated; completed the data Centre build for NIC and ongoing work for State Data Centre projects at Tripura, Sikkim and Meghalaya.

Awards

- Best Telecom Data Centre Award from Infocom CMAI.
- Brandon Hall Silver Award for Excellence in the Best Use of Mobile Learning category.

SUBSIDIARY COMPANIES AND ASSOCIATE COMPANY

Sify Software Limited

The Company has transferred the "eLearning business", "Software Development" and other related businesses to Sify Software Limited (formerly Sify Networks Private Limited), the subsidiary Company, effective October 1, 2009. The Company reported revenue of Rs. 237.65 million and a net loss of Rs. 51.41 million during the six months period ended March 31, 2010.

Sify Technologies (Singapore) Pte. Ltd.

The wholly owned subsidiary Company was incorporated in Singapore during the year to fulfill the customer's requirement for overseas billing to exploit the substantial business opportunity in the years to come. This initiative might help the Company to augment the contribution from Systems Integration and IT Infrastructure projects, as well as Security services in view of the duty exemption for software. The Company has completed its first year of operations for the four months period ended March 31, 2010.

Sify International Inc.

The Company did not have any business operations during the year under review.

MF Global - Sify Securities India Private Limited

During the year under review, the Associate Company registered revenue of Rs.1540.10 million (unaudited) against Rs.1351.50 million in the previous year. The Net Profit for the year under review was Rs.359.24 million (unaudited) as compared to Rs.156.60 million in the previous year.

Corporate Governance

Your Company is committed to values and ethical business conduct. Your Company believes that sound corporate governance is critical to enhancing and retaining investors trust. We always endeavour to enhance long term shareholder value in all our business decisions.

In line with International governance practices, the Company has formulated a Whistle Blower Policy and Code of Conduct for the Board of Directors and Senior Management and ensures the strict compliance of these policies. The Company has been fully complying with the provisions of Sarbanes Oxley Act of 2002 and the United States NASDAQ Marketplace rules relating to corporate governance.

The majority of the Board of Directors of your Company are independent Directors. Further, the Company has the Audit, Compensation and Nominating Committees, which comprise only independent Directors.

Directors

Mr. C B Mouli and Mr. P S Raju, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend their reappointment.

Mr. Raju Vegesna was reappointed as the Managing Director and Chief Executive Officer of the Company for a further period of five years effective July 18, 2009 without any remuneration and the same was approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on December 29, 2009. The Company has received the approval of the Ministry of Corporate Affairs, Government of India for his reappointment.

Mr. Ananda Raju Vegesna was reappointed as the Executive Director of the Company for a further period of five years effective June 22, 2010 without any remuneration subject to the approval of the shareholders of the Company at the ensuing Fourteenth Annual General Meeting.

Audit Committee

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

Compensation Committee

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

Remuneration Committee

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

Nominating Committee

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

Directors' Responsibility Statement

Your Directors state:

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

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

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

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

Auditors

The Company has received a letter dated August 4, 2010 from M/s B S R & Co., Chartered Accountants, Chennai, the retiring Statutory Auditors, expressing their unwillingness to seek reappointment at the ensuing Annual General Meeting.

In terms of the provisions of Section 225 of the Companies Act, 1956, the Company has received a Special Notice under Section 190 of the Companies Act, 1956 from M/s Infinity Satcom Universal Private Limited, a member, proposing M/s C K S Associates, Chartered Accountants, Hyderabad, as the Statutory Auditors of the Company in the place of M/s B S R & Co., the retiring Statutory Auditors, for the financial year 2010-11 at the ensuing Annual General Meeting along with a deposit of Rs.500/-.

The Company also received a letter dated August 4, 2010 from M/s C K S Associates, Chartered Accountants, Hyderabad, confirming that their appointment as the Statutory Auditors of the Company, if made, at the ensuing Annual General Meeting, would be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

The Audit Committee and the Board of Directors have recommended to the shareholders the appointment of M/s C K S Associates, Chartered Accountants, Hyderabad, as the Statutory Auditors of the Company in the place of M/s B S R & Co., the retiring Statutory Auditors, for the financial year 2010-11 at the ensuing Annual General Meeting.

Fixed Deposits

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

Conservation of Energy and Technology Absorption

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

Foreign Exchange Earnings and Outgo

During the year, the Company earned foreign exchange of Rs. 1,784 million and the outgoings in foreign exchange were Rs.1,009 million.

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

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

Acknowledgement

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

For and on behalf of the Board

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

Chennai
September 1, 2010

AMENDED AUDITORS' REPORT TO THE MEMBERS OF SIFY TECHNOLOGIES LIMITED

1. We have audited the attached balance sheet of Sify Technologies Limited ('the Company') as at March 31, 2010 and the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto which are the amended version of the balance sheet, the profit and loss account and the cash flow statement approved by the Board of Directors of the Company earlier on April 23, 2010 and covered by our audit report dated April 23, 2010. Reference is invited to Notes B1 and B3 in the amended financial statements which explain the revision. These amended financial statements which have been approved by the Board of Directors on August 24, 2010 are the responsibility of the Company's management. Our responsibility is to express an opinion on these amended financial statements based on our audit.

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

3. This audit report is the amended version of our earlier audit report dated 23 April 2010 which stands superceded.

   Without qualifying our report, we draw attention to Note B1 and B3 in Schedule 22 to the amended financial statements, relating to certain trading transactions involving arrangements of purchases from suppliers for direct onward sales to customers relating to purchase and sale of hardware aggregating 303,519 (Rs. in '000) and 306,359 (Rs. in '000) respectively which have been recognised in the amended profit and loss account on net basis.

   In accordance with Standard on Auditing 560 Subsequent Events, our audit procedures relating to subsequent events for the matter stated in the paragraph above is performed until September 1, 2010 and for all other subsequent events were carried out until April 23, 2010.

4. As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure an amended statement on the matters specified in paragraphs 4 and 5 of the said Order.

5. Further to our comments in the Annexure referred to above, we report that

   - we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   - 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 the books;
   - in our opinion, the amended balance sheet, the amended profit and loss account and the amended cash flow statement dealt with by this report are in agreement with the books of account;
   - in our opinion, the amended balance sheet, the amended profit and loss account and the amended cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   - on the basis of written representations received from the directors, as at March 31, 2010 and taken on record by the board of directors, we report that none of the directors is disqualified as at March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
   - in our opinion and to the best of our information and according to the explanations given to us, the said amended financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
     - in the case of the amended balance sheet, of the state of affairs of the Company as at March 31, 2010;
     - in the case of the amended profit and loss account, of the profit of the Company for the year ended on that date; and
     - in the case of the amended cash flow statement, of the cash flows of the Company for the year ended on that date.

for **B S R & Co.**
Chartered Accountants
Firm registration No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

Mumbai
April 23, 2010 except as to impact of Note B1 and B3 in Schedule 22 to the amended financial statements which is as of September 1, 2010.

Annexure to the Amended Auditors' Report of Sify Technologies Limited as of and for the year ended March 31, 2010 (referred to in our amended report of even date)

(i) The Company has maintained records showing particulars, including quantitative details and situation of fixed assets. The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

Pursuant to the phased physical verification programme, during the year, the Company has performed a physical verification exercise in respect of certain assets and no material discrepancies were noticed on such verification. The Company is in the process of integrating the details of such assets into a full record of fixed assets.

Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.

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

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

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence the provisions of clause 4 (iii) of the Order are not applicable.

(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 fixed assets, inventories and for the sale of goods and services *except for purchase and sale of goods related to System Integration business of the Company, in respect of which controls needs to be strenghtened.* In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.

(v) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under section 301of the Companies Act, 1956.

(vi) The Company has not accepted any deposits from the public.

(vii) The Company has an internal audit system commensurate with the size of the Company and nature of its business *except in relation to coverage of System Integration business.*

(viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products sold/services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of investor education and protection fund and excise duty. There were no dues on account of cess under section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, Customs duty and other material statutory dues were in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the following dues of service tax have not been deposited by the Company on account of disputes:

Name of the Statute	Amount in Rs.000s	Period to which it relates	Forum where pending
Finance Act, 1994 (Service tax)	667	Apr 2005 - Sep 2005	Assistant Commissioner of Service Tax, Chennai
	3,983	July 2003 - Sep 2004	CESTAT, Chennai
	38,624	Oct 2005 - Mar 2006	Commissioner of Service Tax (LTU), Chennai
	93,459	Oct 2006 - Sep 2007	CESTAT, Chennai
	81,754	Oct 2007 - Mar 2008	CESTAT, Chennai
	11,000	Apr 2002 - Mar 2007	CESTAT, Chennai
	146,344	Apr 2005 - Sep 2006	CESTAT, Chennai
	11,107	Apr 2008 - May 2008	Additional Commissioner (LTU), Chennai
	4,845	Oct 2006 - Dec 2008	Commissioner of Service Tax (LTU), Chennai
Uttar Pradesh Value Added Tax Act, 2008	12,910*	2003-04 to 2005-06	At various levels including Joint Commissioner (Appeals), Commercial Tax Officer, etc.
Kerala Value Added Tax Act, 2003	34	2004-05	Commercial Tax Officer, Kerala
Central Sales Tax Act, 1956	578	2006-07	Commercial Tax Officer

* including sums paid amounting to Rs. 168 (thousands) under protest

Note: Excludes disputed income tax matters relating to carry forward losses which do not result in tax dues.

(x) The accumulated losses are not more than 50% of the Company's net worth at the end of the financial year. The Company does not have any cash losses in the financial year. However, the Company has incurred cash losses in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions or debenture holders during the year.

(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) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.

(xviii) During the year, the Company has not made any preferential allotment of shares to companies/firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

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

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

for **B S R & Co.**
Chartered Accountants
Firm registration No. 101248W

Natrajh Ramakrishna
Partner
Mumbai Membership No. 32815
April 23, 2010 except as to impact of Note B1 and B3 in Schedule 22 to the amended financial statements which is as of September 1, 2010.

Balance Sheet

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

	Schedule	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	546,331	441,018
Shares pending allotment	1A	-	105,300
Stock options outstanding account	2	22,694	32,487
Reserves and surplus	3	5,162,655	5,162,577
		5,731,680	5,741,382
LOAN FUNDS			
Secured loans	4	2,618,599	2,925,155
Unsecured loans	5	55,608	9,224
		8,405,887	8,675,761
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross Block		8,263,757	7,547,967
Less: Accumulated depreciation / amortisation and impairment		(4,706,882)	(4,367,185)
Net Block		3,556,875	3,180,782
Capital work-in-progress (including capital advances)		313,255	362,784
		3,870,130	3,543,566
INVESTMENTS	7	637,663	168,782
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	21,488	29,909
Sundry debtors	9	1,818,167	1,511,292
Cash and bank balances	10	858,345	1,710,344
Loans and advances	11	2,036,218	1,759,759
		4,734,218	5,011,304
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	2,387,713	1,950,675
Provisions	13	38,895	64,300
		2,426,608	2,014,975
NET CURRENT ASSETS		2,307,610	2,996,329
PROFIT AND LOSS ACCOUNT	14	1,590,484	1,967,084
		8,405,887	8,675,761
Significant accounting policies and notes to the financial statements	22		

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

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

for **B S R & Co.**
Chartered Accountants
Firm Registration No. 101248W

For and on behalf of the Board of Directors

Natrajh Ramakrishna
Partner
Membership No. 32815

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

Mumbai
September 1, 2010

Chennai
August 24, 2010

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Profit and Loss Account

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

	Schedule	For the year ended March 31, 2010	For the year ended March 31, 2009
INCOME			
Sales and services	15	6,543,139	6,162,161
Other income	16	217,000	221,859
		6,760,139	6,384,020
EXPENDITURE			
Cost of hardware and software sold	17	933,433	579,551
Personnel expenses	18	1,234,547	1,654,828
Other expenses	19	4,194,860	4,145,398
Depreciation / amortisation and impairment	6	697,772	508,000
Finance expenses	20	288,272	265,536
		7,348,884	7,153,313
Profit / (Loss) before exceptional items and taxation		(588,745)	(769,293)
Exceptional items	21	945,544	-
Profit / (Loss) before taxation		356,799	(769,293)
Profit / (Loss) from continuing operations before taxation		(883)	(786,393)
Provision for taxation:			
- Current tax		-	-
- Deferred tax		-	-
- Fringe benefit tax (net of credit relating to earlier years)		(3,501)	19,880
Profit / (Loss) from continuing operations after taxation (A)		2,618	(806,273)
Profit / (Loss) from discontinued operations before exceptional items and taxation [Refer to note C(9) of schedule 22]		(26,742)	17,100
Exceptional item			
Profit on sale of software business	21	384,424	-
Profit / (Loss) from discontinued operations before taxation		357,682	17,100
Provision for taxation:			
- Current tax		-	-
- Deferred tax		-	-
- Fringe benefit tax		-	-
Profit / (Loss) from discontinued operations after taxation (B)		357,682	17,100
Profit / (Loss) after taxation (A) + (B)		360,300	(789,173)
Profit / (Loss) brought forward from the previous year		(1,982,061)	(215,586)
Adjustments arising on amalgamation of erstwhile Sify Communications Limited [Refer to note C(1) of schedule 22]		-	(977,302)
BALANCE CARRIED TO THE BALANCE SHEET		(1,621,761)	(1,982,061)
Earnings per share (Rs.)			
Basic		6.75	(14.65)
Diluted		6.75	(14.65)
Earnings per share (Rs.) (continuing and discontined operations)			
Continuing:			
Basic		0.05	(14.96)
Diluted		0.05	(14.96)
Discontinued:			
Basic		6.70	0.31
Diluted		6.70	0.31
Weighted average number of equity shares (Nos.)			
Basic		53,350,249	53,880,320
Diluted		53,373,521	53,880,320
Nominal value of equity share (Rs.)		10.00	10.00
Significant accounting policies and notes to the financial statements	22		

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

for **B S R & Co.**
Chartered Accountants
Firm Registration No. 101248W

For and on behalf of the Board of Directors

Natrajh Ramakrishna
Partner
Membership No. 32815

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

Mumbai
September 1, 2010

Chennai
August 24, 2010

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Schedules forming part of the Balance Sheet

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

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
61,000,000 (March 31 2009: 61,000,000) equity shares of Rs. 10 each	610,000	610,000
Issued and Subscribed		
53,351,498 (March 31, 2009: 42,820,082) equity shares of Rs. 10 each [net of forfeited shares of 12,823,202 (March 31, 2009: 12,823,202) equity shares of Rs. 10 each]	533,514	428,201
	533,514	428,201
Paid-up		
53,351,498 (March 31, 2009: 42,820,082) equity shares of Rs. 10 each fully paid up	533,514	428,201
Add: Forfeited shares- amount originally paid up on 12,823,202 equity shares	12,817	12,817
	546,331	441,018

Notes:

1) Of the above, the Company has issued 11,482,551 (March 31, 2009: 952,551) equity shares of Rs. 10 each for consideration other than cash.
2) During the year ended March 31, 2010, the Company has issued 10,530,000 equity shares of Rs. 10 each to the erstwhile shareholders of Sify Communications Limited as per the Scheme of amalgamation. Further, during the current year, 1,416 (March 31, 2009: Nil) equity shares have been issued consequent to exercise of equity shares under associate stock options plan.

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 1A		
SHARES PENDING ALLOTMENT		
Nil (March 31, 2009: 10,530,000) equity shares of Rs. 10 each to be issued/allotted as fully paid up to the shareholders of Sify Communications Limited as per the Scheme of amalgamation [Refer to note C(1) of schedule 22]	-	105,300
	-	105,300

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

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 2		
STOCK OPTIONS OUTSTANDING ACCOUNT		
Opening balance	32,487	31,653
Add: Employee Stock Compensation cost for the year (net of reversals for forfeited options)	6,516	13,871
Less: Transfer to general reserve in respect of grants lapsed during the year	(16,300)	(13,037)
Less: Transfer to securities premium account in respect of exercised options	(9)	-
Closing balance	22,694	32,487

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 3		
RESERVES AND SURPLUS		
Securities premium		
Opening balance	5,162,577	4,546,007
Add: Reversal of provision for share issue expenses	-	6,570
Add: Balance in securities premium account of erstwhile Sify Communications Limited transferred pursuant to the scheme of amalgamation [refer to note C(1) of schedule 22]	-	610,000
Add: Transfer from stock options outstanding account	9	-
Add: Received during the year on exercise of associate stock options	69	-
Closing balance	5,162,655	5,162,577
General reserve		
Opening balance	14,977	1,940
Add: Transferred from stock options outstanding account	16,300	13,037
Less: As per contra in profit and loss account (refer to schedule 14)	(31,277)	(14,977)
Closing balance	-	-
	5,162,655	5,162,577

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 4		
SECURED LOANS		
Term loans from banks (refer to note a below)	541,940	533,333
Working capital facilities (refer to note b below)	1,060,284	1,707,139
LC discounted liabilities (refer to note c below)	697,165	540,825
Assets acquired under finance lease and on instalment basis (refer to note d below)	201,317	143,858
Loan from others (refer to note e below)	117,893	-
	2,618,599	2,925,155
Loans repayable within one year	238,153	198,057

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

Notes:

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

b. Working capital facilities include the following:

- Bank overdraft and cash credit facilities amounting to Rs. 753,318 are primarily secured by way of pari-passu first charge on the entire current assets of the Company. Further, these facilities are collaterally secured by way of equitable mortgage over the office premises and also by way of pari-passu charge on the unencumbered movable fixed assets of the Company.
- Other cash credit facilities are secured by pari-passu first charge on the current assets of the Company and pari-passu second charge on entire movable fixed assets of the Company, both present and future.

c. Letters of credit discounted (including buyers' credit) is secured by pari-passu charge on the current assets of the Company and pari-passu charge on movable assets of the Company, both present and future.

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

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

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

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 5		
UNSECURED LOANS		
Other loans and advances		
- from banks	-	-
- from others	55,608	9,224
	55,608	9,224
Loans repayable within one year	22,612	1,942

SCHEDULE 6

FIXED ASSETS

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

Particulars	Gross Block					Depreciation / Amortisation / Impairment					Net Block	
	As at April 1, 2009	Assets transferred on amalgamation	Additions	Deletions/ Adjustments	As at March 31, 2010	Upto April 1, 2009	Assets transferred on amalgamation	Depreciation/ amortisation / impairment for the year	Deletions/ Adjustments	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Tangible Assets												
Leasehold land	5,132	-	-	-	5,132	675	-	85	-	760	4,372	4,457
Buildings	485,156	-	3,256	-	488,412	150,041	-	18,447	-	168,488	319,924	335,115
Plant and machinery	5,145,123	-	753,555	276,555	5,622,123	3,139,725	-	465,959	272,115	3,333,569	2,288,554	2,005,398
Furniture and fittings	618,735	-	101,188	24,417	695,506	387,015	-	77,587	22,981	441,621	253,885	231,720
Office equipment	157,122	-	68,106	3,325	221,903	101,966	-	12,060	3,261	110,765	111,138	55,156
Assets acquired under lease												
Building	286,646	-	4,500	-	291,146	25,678	-	10,224	-	35,902	255,244	260,968
Motor vehicles	8,721	-	-	2,078	6,643	6,562	-	1,543	1,589	6,516	127	2,159
Plant and machinery	149,252	-	99,950	-	249,202	13,657	-	19,876	-	33,533	215,669	135,595
Intangible assets												
Systems software	325,214	-	51,468	7,128	369,554	262,073	-	41,124	5,399	297,798	71,756	63,141
Goodwill	36,200	-	-	-	36,200	22,146	-	14,054	-	36,200	-	14,054
Web publication rights	98,226	-	-	52,730	45,496	98,226	-	-	52,730	45,496	-	-
Customer and contract related intangibles	232,440	-	-	-	232,440	159,421	-	36,813	-	196,234	36,206	73,019
	7,547,967	-	1,082,023	366,233	8,263,757	4,367,185	-	697,772	358,075	4,706,882	3,556,875	3,180,782
Previous year	5,935,999	204,922	1,460,768	53,722	7,547,967	3,754,609	156,737	508,000	52,161	4,367,185	3,180,782	

Notes:

1. Buildings include assets capitalised pending transfer of title in favour of the Company amounting to Rs. Nil (March 31, 2009: Rs. 327,030). The transfer of title in favour of the Company took place on September 14, 2009.
2. Depreciation / amortisation / impairment for the year for intangible assets including goodwill includes impairment of Rs. 43,348 (March 31, 2009: Rs. 1,218) recognised (Also, refer to note C(23) of schedule 22).
3. Reclassifications between various categories of assets have been disclosed in deletions / adjustments column.

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

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

		As at March 31, 2010	As at March 31, 2009
SCHEDULE 7			
INVESTMENTS			
Trade - Long term (Unquoted - at cost)			
Subsidiaries			
Sify Technologies (Singapore) Pte. Limited [1 (March 31, 2009: Nil) equity share of S$1 each fully paid up]		-	-
		-	-
Sify International Inc. [100 (March 31, 2009: 100) shares of common stock of USD 0.0001 fully paid up]		357,603	357,603
Less: Decline, other than temporary, in value of investment		(357,603)	(357,603)
		-	-
Sify Software Limited (formerly Sify Networks Private Limited) [Also, refer to note C(9) of schedule 22] [4,581,820 (March 31, 2009: 81,820) equity shares of Rs. 10 each fully paid up]		482,755	32,755
Less: Decline, other than temporary, in value of investment		-	(32,755)
		482,755	-
	(A)	482,755	-
Non trade - Long term (Unquoted - at cost)			
Associate			
MF Global-Sify Securities India Private Limited [15,490,800 (March 31, 2009: 15,490,800) equity shares of Rs 10 each fully paid up]		154,908	154,908
	(B)	154,908	154,908
Non Trade - Current (Unquoted - at lower of cost and fair value)			
Mutual funds [Also, refer to note C(20) of schedule 22]			
Birla Sunlife 95 Fund - Nil (March 31, 2009: 44,379) units of Rs 10 each		-	6,923
HDFC Prudence Fund - Nil (March 31, 2009: 75,988) units of Rs 10 each		-	6,951
	(C)	-	13,874
	(A)+(B)+(C)	637,663	168,782
Aggregate cost of unquoted investments		995,266	565,581

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

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 8		
INVENTORIES		
Traded hardware and software (net)	21,488	29,909
	21,488	29,909
SCHEDULE 9		
SUNDRY DEBTORS		
Secured		
Outstanding for a period exceeding six months		
- considered good	4,717	12,910
Other debts		
- considered good	11,519	20,008
	16,236	32,918
Unsecured		
Outstanding for a period exceeding six months		
- considered good	301,672	174,238
- considered doubtful	116,499	113,878
Other debts		
- considered good	1,500,259	1,304,136
	1,918,430	1,592,252
Less: Provision for doubtful debts	(116,499)	(113,878)
	1,818,167	1,511,292
Dues from companies under the same management		
MF-Global Sify Securities India Private Limited	-	524
Server Engines India Private Limited	-	174

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

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 10		
CASH AND BANK BALANCES		
Cash on hand	606	636
Balances with scheduled banks:		
- in current accounts	321,397	301,441
- in deposit accounts [refer to note (b) below]	530,869	1,401,224
Balances with other than scheduled banks:		
- in current accounts	5,473	7,043
	858,345	1,710,344

Notes:

a) Balances with other than scheduled banks:		
Closing balance:		
Citibank N.A, New York	2,381	2,048
Citibank N.A, California	2,525	4,618
Cedar Rapids and Trust Bank, Cedar	567	377
Maximum amount outstanding at anytime during the year:		
Citibank N.A, New York	8,932	11,785
Citibank N.A, California	547,143	10,267
Cedar Rapids and Trust Bank, Cedar	2,611	2,835
b) Balances in deposit accounts are subject to lien in favour of banks for obtaining bank guarantees / against loans taken.	360,809	1,329,756

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

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

	As at March 31 2010	As at March 31 2009
SCHEDULE 11		
LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received		
- to subsidiaries*	56,555	-
- to others	707,326	532,166
Deposits	627,264	755,871
Advance tax and tax deducted at source	525,252	365,686
[net of provision for tax of Rs. 16,710 (March 31, 2009: Rs. 16,710)]		
Accrued Income	119,821	106,036
	2,036,218	1,759,759
Unsecured, considered doubtful		
Advances recoverable in cash or in kind or for value to be received		
- to subsidiaries *	192,191	194,909
- to others	28,998	20,167
Less:Provision for advances doubtful of recovery	(221,189)	(215,076)
	-	-
	2,036,218	1,759,759

* Also, refer to note C(7) of schedule 22

	As at March 31 2010	As at March 31 2009
SCHEDULE 12		
CURRENT LIABILITIES		
Sundry creditors		
- dues to micro and small enterprises [refer to note C(18) of schedule 22]	-	-
- dues to others [includes book overdraft of Rs. 54,284 (March 31, 2009: Rs. Nil)]	1,791,286	1,277,875
Interest accrued but not due	1,769	53,930
Unearned income	373,432	354,800
Deposits	118,494	134,116
Advances received	36,702	52,224
Other liabilities	66,030	77,730
	2,387,713	1,950,675
SCHEDULE 13		
PROVISIONS		
Provision for gratuity [Also, refer to note C(4) of schedule 22]	9,563	15,082
Provision for compensated absences	29,332	49,218
	38,895	64,300
SCHEDULE 14		
PROFIT AND LOSS ACCOUNT		
Debit balance in profit and loss account	1,621,761	1,982,061
Less: As per contra in general reserve (refer to schedule 3)	(31,277)	(14,977)
	1,590,484	1,967,084

Schedules forming part of the Profit and Loss Account

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

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
SCHEDULE 15		
SALES AND SERVICES		
Service income:		
- Domestic	3,858,972	4,430,308
- Export	1,647,309	1,091,024
Sales:		
- Domestic	1,036,858	640,829
	6,543,139	6,162,161
SCHEDULE 16		
OTHER INCOME		
Gain on foreign exchange fluctuation (net)	-	15,416
Interest income [Tax deducted at source Rs. 2,102 (March 31, 2009: Rs. 7,623)]		
- from banks	19,489	116,930
- on income tax refund	14,227	-
Duty credit entitlement under Served From India Scheme	71,908	79,278
Profit on sale of fixed assets (net)	2,414	828
Service charge from subsidiary company	27,015	-
Provision for doubtful advances, written back	11,349	-
Advances written off in earlier years, written back	7,093	-
Provision for decline in value of investments, written back	38,823	-
Miscellaneous income	24,682	9,407
	217,000	221,859
SCHEDULE 17		
COST OF HARDWARE AND SOFTWARE SOLD		
Opening inventory	29,909	35,020
Add: Acquired on amalgamation	-	2,731
Add: Purchases [net of capitalisation Rs.11,549 (March 31, 2009: Rs.7,363)]	925,012	571,709
Less: Closing inventory	(21,488)	(29,909)
	933,433	579,551
SCHEDULE 18		
PERSONNEL EXPENSES		
Salaries and wages	1,138,860	1,514,459
Contribution to provident and other funds	62,473	88,273
Staff welfare expenses	26,801	38,225
Employee stock compensation expense *	6,413	13,871
	1,234,547	1,654,828
* net of recoveries from the subsidiary company	103	-

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

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

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
SCHEDULE 19		
OTHER EXPENSES		
Networking costs	1,851,401	1,533,162
Other direct cost	411,999	319,346
Commission expenses	279,183	431,996
Communication expenses	56,614	62,481
Rent	323,029	338,618
Rates and taxes	20,404	18,409
Travelling expenses	122,057	135,128
Power and fuel expenses	344,598	216,685
Legal and professional charges [Also, refer to note C(14) of schedule 22]	165,035	247,824
Repairs and maintenance expenses		
- Plant and machinery	35,418	25,262
- Buildings	34,110	43,738
- Others	105,642	106,418
Insurance	41,146	27,095
Outsourced manpower costs	101,558	206,550
Advertisement, selling and marketing expenses	103,023	184,087
Loss on foreign exchange fluctuation (net)	6,315	-
Bad debts written off	65,776	62,546
Provision for doubtful debts, net of provision written back on bad debts provided in the previous years	22,937	28,730
Provision towards infrastructure costs	-	7,076
Decline in the value of current investments	-	4,805
Provision for advances to subsidiaries and others	10,386	3,225
Miscellaneous expenses	94,229	142,217
	4,194,860	4,145,398

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

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
SCHEDULE 20		
FINANCE EXPENSES		
Interest on:		
- term loans	67,151	28,459
- working capital loans	104,651	136,534
Finance charges on assets taken on finance lease	16,476	451
Bank charges (including letters of credit and bill discounting and buyers' credit charges)	99,994	100,092
	288,272	265,536
SCHEDULE 21		
EXCEPTIONAL ITEMS		
Profit on sale of software business (Refer to note C(9) of schedule 22)	384,424	-
Income from legal settlement (Refer to note C(22) of schedule 22)	561,120	-
	945,544	-

Schedules to the financial statements for the year ended March 31, 2010

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

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

A BACKGROUND

1. Description of business

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

B SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of amended financial statements

These financial statements represent the amended version of the financial statements adopted by the Board of Directors earlier on April 23, 2010. In the earlier Profit & Loss Account, certain trading transactions involving arrangements of purchases from suppliers for direct onward sales to customers relating to the System Integration business involving purchase and sale of hardware were recognized on gross basis. However, on a reconsideration of the matter based on the specific facts and circumstances in respect of such transactions, it has now been concluded that where the parameters supporting gross reporting were not met, the transactions should be reported on net basis. Accordingly, transactions related to purchases aggregating Rs. 303,519 and sales aggregating Rs. 306,359 have been netted off and the net effect of this transaction has been appropriately reflected in the amended Profit & Loss Account. Suitable clarification to the accounting policy in this regard has also been included. The consequential amendments to the disclosure relating to segment reporting (note 5), discontinued operations (note 9) and quantitative information (note 19) have also been made.

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

2. Use of estimates

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

3. Revenue recognition

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

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

Corporate network/data services

Corporate network service revenues primarily include connectivity services, voice services, hosting services, digital certificate based authentication services, application services and the revenues from the sale of hardware and software purchased from third party vendors and, to a lesser extent, revenue from installation of the links and other ancillary services such as e-mail and domain registration. Generally these elements are sold as a package consisting of all or some of the elements. In these cases it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction with different revenue allocations for each component. These multiple element arrangements are recognised as separable elements because each element constitutes a separate earnings process, each element has a fair value that is reliable, verifiable and objectively determinable, and the undelivered element is not essential to functionality of the delivered elements. The Company provides connectivity for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised rateably over the period of the contract. Trading transactions relating to standard hardware and software and involving arrangement of purchases from suppliers and sales to customers are reported on gross basis or on net basis, by carrying out a fact-specific evaluation of whether or not all significant risks and rewards of ownership or property in the goods are transferred. The revenue attributable to the installation of the link is recognised on completion of the installation work. All revenues are shown exclusive of sales tax and service tax and net of applicable discounts and allowances.

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

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

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

The Company provides NLD (National Long Distance) and ILD (International Long Distance) services through Company's network.

The Company carries voice traffic, both national and international, using the IP back-bone and delivers voice traffic to Direct Inter-connect Operators. Revenue is recognised based upon metered call units of voice traffic terminated on the Company's network.

Internet access services

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

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

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

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

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

Online portal services and content offerings

The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised rateably over the period of the contract based on actual impressions/click - throughs/leads delivered. Revenues from commissions earned on electronic commerce transactions are recognised when the transactions are completed. Revenues from value-added services that are rendered using Sify's mobile telephone short code - 54545 are recognised upon delivery of the content/ ring tones to the end subscriber and confirmation by the mobile phone service provider.

Revenue recognition from construction contracts

Revenue from construction contract represents revenue from construction of data centres to the specific needs and design of the customer. Such contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in 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 Profit & Loss Account.

Other services

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

4. Fixed assets and depreciation/amortisation

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

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

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

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

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

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

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

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

5. Investments

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

6. Inventories

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

7. Foreign currency transactions and balances

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Profit & Loss Account. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognised in the Profit & Loss Account.

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

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

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

In accordance with the announcement "Accounting for Derivatives" made by the Institute of Chartered Accountants of India on March 27, 2008, derivatives are marked to market and the losses are recognised in the Profit & Loss Account.

8. Employee Benefits

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

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

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

9. Earnings per share

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

10. Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period) and fringe benefit tax. The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty 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.

Provision for fringe benefit taxes has been recognised on the basis of harmonious contextual interpretation of the provisions of the Income Tax Act, 1961. As per the Finance Act, 2009, fringe benefit tax has been withdrawn with effect from April 1, 2009.

11. Impairment of assets

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

12. Export incentives

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

13. Provisions, contingent liabilities and contingent assets

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

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

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

14. Cash flow statement

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

15. Leases

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

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

16. Employees stock options

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

C NOTES TO ACCOUNTS

1. Amalgamation of Sify Communications Limited ('SCL' or the 'Transferor Company') with the Company (also referred to as the 'Transferee Company' in this context)

SCL was a 74% subsidiary of the Company and was primarily engaged in the IP/VPN business. Pursuant to the Scheme of arrangement ('the Scheme') for amalgamation as approved by the shareholders in the Court-convened meeting held on February 12, 2009 and subsequently sanctioned by the Honourable High Court of Madras on June 26, 2009, SCL was amalgamated with the Company with effect from April 1, 2008.

The key aspects of the Scheme are set out below:

a) With effect from the Appointed date (April 1, 2008), the Undertaking of the Transferor Company shall stand transferred to and vested in or deemed to have been transferred to or vested in the Transferee Company pursuant to sections 391 and 394 of the Companies Act, 1956; the Undertaking of SCL being all its assets including properties, debtors, cash and bank balances, other interests, rights, privileges, benefits, entitlements, registrations etc and all its liabilities including debts, duties and obligations.

b) The Transferee Company shall account for the merger in its books as per the "Pooling of Interest Method" of Accounting prescribed under the AS-14 such that -

   i) All assets and liabilities recorded in the books of the Transferor Company shall stand transferred to and vested in the Transferee Company pursuant to the Scheme and shall be recorded by the Transferee Company at their book values as appearing in the books of the Transferor Company;

   ii) All reserves of the Transferor Company shall be transferred to the identical reserves in the Transferee Company, i.e. the balance in the Profit & Loss Account of the Transferor Company will be transferred / adjusted to / against the Profit & Loss Account of the Transferee Company.

c) As on the appointed date and subject to any corrections and adjustments as may, in the opinion of the Board of Directors of the Transferee Company be required, the reserves of the Transferor Company will be merged with those of the Transferee Company in the same form as they appear in the financial statements of the Transferor Company.

d) In terms of the provisions of the AS-14, any surplus / deficit arising out of Amalgamation shall be adjusted in the General Reserve of the Transferee Company.

e) Further, in case of any differences in accounting policy between the companies, the impact of the same till the amalgamation will be quantified and adjusted in the Profit & Loss Account mentioned earlier to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policy.

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

f) Inter-company loans, deposits or balances as between the Transferor Company and the Transferee Company shall be eliminated.

g) Accounting policies of the Transferor Company will be harmonised with that of the Transferee Company following the amalgamation.

h) Upon the Scheme coming into effect, in consideration of the transfer of and vesting of the Undertaking of the Transferor Company in the Transferee Company in terms of this Scheme, the Transferee Company shall, issue and allot equity share(s) of the face value of Rs.10 each in the Transferee Company, credited as fully paid up, to the members of the Transferor Company in the following ratio:

9 (Nine) equity shares of Rs.10 (Rupees Ten) each of the Transferee Company for every 4 (Four) equity shares of Rs.10 (Rupees Ten) each of the Transferor Company.

i) The investments in the share capital of the Transferor Company appearing in the books of accounts of the Transferee Company will stand cancelled.

The details of the consideration in respect of the amalgamation, assets, liabilities, reserves and balances taken over together with the adjustments carried out in accordance with the Scheme are as follows:

Particulars	*Amount*	*Amount*
A. *Consideration in respect of amalgamation*		
Issue of equity share pending allotment (10,530,000 equity shares in the ratio of 2.26 equity shares of the Company for every one share held by the minority shareholders of the erstwhile SCL) Also, refer to note (a) below.		105,300
B. *Net assets transferred*		
Net book value of fixed assets other than goodwill		48,185
Current assets	727,145	
Less: Current liabilities and provisions (net of inter-company balance of Rs 150,200)	(302,532)	424,613
Goodwill of Rs. 406,768 (refer to note (b) below)		-
Deferred tax asset of Rs. 7,846 (net) (refer to note (d) below)		-
C. *Securities premium account of SCL*		(610,000)
D. *Profit & Loss account related*		
- Debit balance in the Profit & Loss Account of SCL	52,788	
- Other adjustments on account of amalgamation (refer to notes (b), (c) and (d) below)	924,514	977,302

Notes:

(a) Pending allotment as at March 31, 2009 the consideration amount of Rs. 105,300 has been shown under Shares pending allotment. Pursuant to the Scheme, the Company has allotted 10,530,000 equity shares of Rs. 10 each fully paid to the minority shareholders of Sify Communications Limited on July 16, 2009.

(b) The carrying value of goodwill amounting to Rs. 406,768 as at the appointed date and that arose in the books of the erstwhile SCL pursuant to the acquisition of IP/VPN business from the Company during the year ended March 31, 2007 and taken over by the Company pursuant to the Scheme, has been adjusted to the balance in the profit and loss account with effect from the appointed date.

(c) As per AS-14, the difference between amount of the share capital issued (Rs. 105,300) together with the value of the investment cancelled in the books of the Transferor Company (Rs. 584,600) and the amount of the share capital of the Transferor Company (Rs. 180,000) has been adjusted in the balance of Profit & Loss Account.

(d) Deferred tax assets (net) amounting to Rs. 7,846 taken over from SCL, being doubtful of realisation, has been adjusted to the balance in the Profit & Loss Account with effect from the appointed date as per the provisions of the AS-14.

2. Associates stock option plan (ASOP)

The Company had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. The Compensation Committee grants the options on the basis of performance, criticality and potential of the employees as identified by the management. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no options outstanding in respect of ASOP 1999, ASOP 2000, ASOP 2002 and ASOP 2005 as at March 31, 2010. The plan wise details are as follows:

(i) ASOP 2005

In fiscal 2005, the Company instituted 2005 plan. The shareholders and the Board of Directors of the Company approved the plan on October 25, 2005 which provides for the issue of 1,900,000 ADRs / shares to eligible associates at an exercise price which is not less than 90% of the market price as on the date of the grant. The Compensation Committee administers the plan.

The exercise price is payable in Indian Rupees. The options vest over a period of 3 years from the date of the grant and are exercisable after the vesting date but before the expiry date which is at the end of the fortieth month from the date of the grant. The Company has also cancelled any balance available for issue under previous plans. Accordingly, any unissued options available under previous plans or any options surrendered or lapsed stand cancelled.

The following table summarizes the transactions of stock options under ASOP 2005

No. of options granted, exercised and forfeited	*For the Year ended*	
	March 31, 2010	*March 31, 2009*
Options outstanding at the beginning of the year	-	326,093
Granted during the year	-	-
Forfeited during the year	-	(29,167)
Expired during the year	-	(296,926)
Exercised during the year	-	-
Outstanding at the end of the year	-	-
Vested and Exercisable at the end of the year	-	-
Weighted Average Exercise Price in Rs.	-	--
Remaining contractual year	-	-

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

(ii) ASOP 2007

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

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

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

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

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

No. of options granted, exercised and forfeited	*For the Year ended*	
	March 31, 2010	*March 31, 2009*
Outstanding at the beginning of the year	**1,211,900**	1,200,400
Granted during the year	**50,000**	142,500
Replaced during the year	**-**	-
Replacement options granted	**-**	-
Forfeited during the year	**(93,616)**	(131,000)
Expired during the year	**(88,068)**	-
Exercised during the year	**(1,416)**	-
Outstanding at the end of the year	***1,078,800***	*1,211,900*
Vested and Exercisable at the end of the year	**437,210**	185,167
Weighted Average Exercise Price in Rs.	**149.21**	152.51
Remaining contractual period	**1.81 - 3.83 years**	3.79 - 4.81 years

Modification

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

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

The incremental intrinsic value as a result of such modification in respect of vested and unvested options amounted to Rs. 4,072 (March 31, 2009: Rs. 2,040) and Rs. 5,090 (March 31, 2009: Rs. 8,816) respectively. In respect of modification that has occurred during the vesting period, the incremental intrinsic value is included in the measurement of the amount recognised, for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date intrinsic value of the original equity instruments, which is recognised over the remainder of the original vesting period. In respect of the modification that has occurred after vesting date, the incremental intrinsic value granted is recognised immediately or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

(iii) 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. 6,413 (net) and Rs. 13,871 (net) towards stock expense for the years ended March 31, 2010 and 2009 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, 2010*	*Year ended March 31, 2009*
Net profit / (loss) - as reported	**360,300**	(789,173)
Add: Stock based compensation expense included in reported net profit/(loss)	**6,413**	13,871
Less: Stock based compensation expense determined under fair value method	**(30,591)**	(61,381)
Proforma net profit / (loss)	**336,122**	(836,683)
Earnings per share		
Number of shares - Basic	**53,350,249**	53,880,320
Profit / (loss) per share - reported	**6.75**	(14.65)
Profit / (loss) per share - proforma	**6.30**	(15.53)
Number of shares - Diluted	**53,373,521**	53,880,320
Profit / (loss) per share - reported	**6.75**	(14.65)
Profit / (loss) per share - proforma	**6.30**	(15.53)

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

Particulars	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Dividend yield	**-**	-
Assumed volatility	**115.87%-136.77%**	53.50%-120%
Risk-free interest rate	**2.43%-2.69%**	1.64%-3.45%
Expected term	**18-54 months**	18-54 months

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

3. Financial and derivative instruments

The details of outstanding option / forward contracts as of March 31, 2010 and March 31, 2009 are given below:

Particulars	*Currency*	*As at March 31, 2010*	*As at March 31, 2009*
Options - Put	USD (thousands)	1,500	4,000
Options - Call	USD (thousands)	-	500
(Gain) / loss on mark to market in respect of option / forward contracts outstanding	INR (thousands)	(1,356)	(2,997)

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

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

The details of un-hedged foreign currency exposure as at March 31, 2009 are as follows:

Particulars	*As at March 31, 2009*		
	Foreign Currency	*Amount in foreign currency (in Thousands)*	*Amount in Indian Rupees (in Thousands)*
Amounts receivable in foreign currency on account of:			
Debtors	CAD	301	12,251
	CHF	161	7,207
	EUR	2	113
	GBP	91	6,600
	SGD	16	526
	USD	1,520	77,429
			104,126
Amounts payable in foreign currency on account of:			
Creditors	EUR	15	1,025
	GBP	14	1,053
	SGD	26	872
	USD	2,890	147,232
	HKD	6	42
			150,224

4. Employee benefits

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

Particulars	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Projected benefit obligation at the beginning of the year	43,390	27,332
Service cost	12,967	12,067
Interest cost	3,981	3,038
Actuarial (gain) / loss	(5,402)	3,663
Liabilities assumed on acquisition/ (settled on divestiture)	(9,980)	-
Benefits paid	(5,118)	(2,710)
Projected benefit obligation at the end of the year	39,838	43,390

Change in the fair value of assets

Particulars	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Fair value of plan assets at the beginning of the year	28,308	18,740
Expected return on plan assets	2,811	1,674
Actuarial loss	(450)	(684)
Employer contributions	8,857	11,288
Assets assumed on acquisition / (settled on divestiture)	(4,133)	-
Benefits paid	(5,118)	(2,710)
Fair value of plan assets at the end of the year	30,275	28,308

Amount recognised in the balance sheet

Present value of projected benefit obligation at the end of the year	39,838	43,390
Fair value of plan assets at the end of the year	30,275	28,308
Funded status amount of liability recognised in the balance sheet	9,563	15,082

Expense recognised in the profit and loss account

Service cost	12,967	12,067
Interest cost	3,981	3,038
Expected return on plan assets	(2,811)	(1,674)
Recognised net actuarial (gain)/ loss	(4,952)	4,347
Net gratuity costs	9,185	17,778
Actual return on plan assets	2,361	990

Summary of actuarial assumptions

Discount rate	8.15% p.a	7.95% 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	11.06 years	10.99 years

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

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

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

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

5. Segment reporting

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

The primary operating segments of the Company are:

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

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

Bandwidth costs, which form a significant part of the total expenses, are of three kinds - international, inter-city and last mile. These are allocated primarily between the corporate network/data services and internet access services businesses as described below:

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

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

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

Business segment

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

Particulars	*Corporate Network/ Data Services*	*Internet Access Services*	*Online Portal Services and Content Offerings*	*Subtotal*	*Others*	*Total*
	(A)	(B)	(C)	(D) = (B)+(C)	(E)	(F)=(A)+(D)+(E)
Revenues	5,273,623	713,930	130,842	844,772	424,744	6,543,139
Allocable expenses	(3,959,566)	(759,991)	(140,696)	(900,687)	(337,937)	(5,198,190)
Segment operating income / (loss)	1,314,057	(46,061)	(9,854)	(55,915)	86,807	1,344,949
Unallocable expenses						(1,197,249)
Operating income						147,700
Other income						197,511
Foreign exchange gain / (loss), net						(6,315)
Profit / (loss) before interest, depreciation, tax and exceptional items						338,896
Exceptional items						945,544
Interest income / (expenses), net						(229,869)
Depreciation, amortisation and impairment						(697,772)
Income taxes						3,501
Net profit after taxes						360,300

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

The Company's operating segment information for the year ended 31 March 2009 is presented below:

Particulars	*Corporate Network/ Data Services*	*Internet Access Services*	*Online Portal Services and Content Offerings*	*Subtotal*	*Others*	*Total*
	(A)	(B)	(C)	(D) = (B)+(C)	(E)	(F)=(A)+(D)+(E)
Revenues	4,305,214	1,128,182	177,324	1,305,506	551,441	6,162,161
Allocable expenses	(2,822,067)	(1,288,992)	(220,968)	(1,509,960)	(466,865)	(4,798,892)
Segment operating income / (loss)	1,483,147	(160,810)	(43,644)	(204,454)	84,576	1,363,269
Unallocable expenses						(1,647,352)
Operating loss						(284,083)
Other income						89,513
Foreign exchange gain / (loss), net						15,416
Profit / (loss) before interest, depreciation, tax and exceptional items						(179,154)
Interest income / (expenses), net						(82,139)
Depreciation/ amortisation and impairment						(508,000)
Income taxes						(19,880)
Net loss after taxes						**(789,173)**

Geographical segment

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

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

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

The Company's geographical segment information for the year ended March 31, 2009 is presented below:

Description	***India***	***Rest of the world***	***Total***
Sales- External revenue	5,071,137	1,091,024	6,162,161
Net carrying amount of segment fixed assets by location of assets	3,130,722	50,060	3,180,782
Net carrying amount of other segment assets by location of customers	4,907,178	104,126	5,011,304
Cost to acquire tangible and intangible assets by location of customers	1,460,768	-	1,460,768

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

6. Leases

a. The Company has taken vehicles and plant and machinery under finance lease. The future minimum lease payments under finance leases as at March 31, 2010 and as of March 31, 2009 are as follows:

Minimum lease payments	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Payable not later than one year	65,148	46,721
Payable later than one year and not later than five years	182,206	123,681
Total	247,354	170,402
Less: Amounts representing interest	46,037	26,544
Present value of minimum lease payments	201,317	143,858
Payable not later than one year	45,970	34,677
Payable later than one year and not later than five years	155,347	109,181

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

Minimum lease payments	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Payable not later than one year	119,871	135,165
Payable later than one year and not later than five years	521,520	585,564
Payable later than five years	967,118	1,080,748
Total	1,608,509	1,801,477

7. Related party transactions

(i) The related parties where control exists are the subsidiaries.

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

Subsidiaries	Sify International Inc. ; Sify Software Limited (formerly Sify Networks Private Limited); and Sify Technologies (Singapore) Pte. Limited
Associates	MF Global-Sify Securities India Private Limited;
Key management personnel (KMP) and relatives of key management personnel	Raju Vegesna, Chairman and Managing Director; and Ananda Raju Vegesna, Executive Director
Enterprises over which KMP have significant influence	Server Engines LLC, USA; Server Engines India Private Limited; VALS Developers Private Limited; and Infinity Satcom Universal Private Limited.

(ii) Particulars of related party transactions

The following is a summary of significant related party transactions:

Particulars	*Year ended March 31, 2010*	*Year ended March 31, 2009*
	Subsidiaries	
Sify Software Limited (formerly Sify Networks Private Limited)		
Transfer of software business	450,000	-
Investment in subsidiaries	450,000	-
Receipt of services	61,716	-
Service charge	27,015	
Reimbursement of expenses	48,401	-
Sify Technologies (Singapore) Pte. Limited		
Investments in shares	-	-
Advances given	294	-
Reimbursement of expenses	62	-
Sify International Inc.		
Reimbursement of expenses	258	2,261
	Associate	
MF Global - Sify Securities India Private Limited		
Sales	-	6,600
	Enterprises over which KMP have significant influence	
VALS Developers Private Limited		
Advance lease rentals and refundable deposit made	-	282,825
Infinity Satcom Universal Private Limited		
Issue of shares on merger of erstwhile Sify Communications Limited with Sify	105,300	-
Server Engines India Private Limited		
Sales	-	734

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

The following is the summary of outstanding balances as at March 31, 2010:

Particulars	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Sify Technologies (Singapore) Pte. Limited		
Advances receivable	**284**	-
Sify Software Limited (formerly Sify Networks Private Limited)		
Advances receivable	**56,271**	4,273
Advances provided	**-**	(4,273)
Investments	**482,755**	32,755
Sify International Inc.		
Advances receivable	**192,191**	190,636
Advances provided	**(192,191)**	(190,636)
MF Global - Sify Securities India Private Limited		
Debtors	**-**	524
VALS Developers Private Limited		
Advance lease rentals and deposit receivable	**282,825**	282,825
Server Engines India Private Limited		
Debtors	**-**	174

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

Transactions with VALS Developers Private Limited ('VALS')

a) During the previous year ended March 31, 2009, Sify entered into a memorandum of understanding (MoU) with VALS to take land and building on a long term lease.

b) VALS is owned and controlled by Raju Vegesna Infotech & Industries Private Limited, a Company in which Mr. Raju Vegesna, the Chairman and Managing Director of Sify is holding 94.66% equity in his personal capacity.

c) The proposed lease agreement is expected to have an initial non-cancellable term of 5 years, with an option to Sify for further renewal for a period up to 30 years. In connection with this lease, Sify has paid a security deposit of Rs. 125,700 and advance rental of Rs. 157,125 to VALS in the previous year ended March 31, 2009. The security deposit will be refunded at the end of lease term and the advance rental would be adjusted over a period of 15 months from the commencement of the lease.

8. Legal proceedings

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

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

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

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

from all defendants. Under the proposed settlement, the Issuer Defendants collectively would be responsible for $100 million, which would be paid by the Issuers' insurers, on behalf of the Issuer Defendants and their officers and directors.

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

b) Sify is party to additional legal actions arising in the ordinary course of business. Based on the available information, as at March 31, 2010, Sify believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect on Sify. However, in the event of adverse judgement in all these cases, the maximum financial exposure would be Rs 9,051 (March 31, 2009: Rs 9,200)

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

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

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

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

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

- Cash flow disclosure relating to discontinued operations:

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

The amounts are based on the management estimates.

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

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

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

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

- The following statement shows the revenue and expenses of continuing and discontinued operations for the year ended March 31, 2010 and March 31, 2009 respectively :-

Particulars	Year ended March 31, 2010			Year ended March 31, 2009		
	Continuing operations	Discontinued operations*	Total	Continuing operations	Discontinued operations	Total
Sales and services	6,371,166	171,973	6,543,139	5,635,659	526,502	6,162,161
Other income	205,571	11,429	217,000	191,577	30,282	221,859
Sub-total	6,576,737	183,402	6,760,139	5,827,236	556,784	6,384,020
Cost of hardware and software sold	933,433	-	933,433	579,551	-	579,551
Personnel expenses	1,150,865	83,682	1,234,547	1,496,280	158,548	1,654,828
Other expenses	4,068,512	126,348	4,194,860	3,764,262	381,136	4,145,398
Depreciation, amortisation and impairment	697,658	114	697,772	508,000	-	508,000
Finance expenses	288,272	-	288,272	265,536	-	265,536
Sub-total	7,138,740	210,144	7,348,884	6,613,629	539,684	7,153,313
Profit / (loss) before exceptional items and taxation	(562,003)	(26,742)	(588,745)	(786,393)	17,100	(769,293)
Exceptional items	561,120	384,424	945,544	-	-	-
Profit / (loss) before taxation	(883)	357,682	356,799	(786,393)	17,100	(769,293)
Tax expense / (benefit)	(3,501)	-	(3,501)	19,880	-	19,880
Profit / (loss) after taxation	2,618	357,682	360,300	(806,273)	17,100	(789,173)

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

10. 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, 2010.

11. IPO Listing

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

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

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

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

12. Commitment and contingencies

a. Contracts pending to be executed on capital account as at March 31, 2010 and not provided for amounted to Rs. 215,460 (net of advances: Rs. 283,060) [March 31, 2009: Rs. 322,607 (net of advances: Rs.177,183)].

b. Service tax claims against the Company not acknowledged as debts as at March 31, 2010 amount to Rs. 33,280 (March 31, 2009: Rs. 19,637)

c. In respect of contingencies arising on legal proceedings, refer to note C (8) of schedule 22.

13. Payments to directors

(other than Managing Director and Executive Director)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Sitting fees	1,240	1,220
Consultancy fees	240	240

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

14. Auditor s remuneration

(included under legal and professional charges)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Audit fees	3,060	2,310
Other charges		
- Taxation matters	-	-
- Audit of interim financial statements / Other matters	2,190	2,190
Reimbursement of out of pocket of expenses	177	500

15. Expenditure in foreign currency on cash basis

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Networking costs / communication expenses	220,163	295,615
Travelling expenses	18,642	17,897
Legal and professional charges	138,720	125,322
Personnel expenses	11,619	7,175
Other direct costs	103,726	78,976
Advertising, selling and marketing expenses	8,327	1,072
Others	192,714	198,639

16. Value of imports on CIF basis

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Software / hardware imported	160,927	83,680
Fixed assets	154,417	325,711

17. Earnings in Foreign currency on cash basis

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Service income	1,784,293	1,265,055

18. Dues to micro and small enterprises

Based on the information received and available, the management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of "Micro and Small Enterprises" as defined under Micro, Small and Medium Enterprises Development Act, 2006 ("the MSMED Act"). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2010 has been made in the financial statements based on the information received and available with the Company. There are no overdue amounts payable to such enterprises as at March 31, 2010.

19. Quantitative information

Particulars	Year ended March 31, 2010		Year ended March 31, 2009	
	Qty	Value	Qty	Value
Opening Stock				
- Hardware	6,005	25,646	8,737	32,953
- Software	620	4,263	37	2,067
Acquired on amalgamation				
- Hardware	-	-	6,295	2,731
Purchases				
- Hardware*	298,120	782,290	148,834	372,017
- Software*	7,808	154,271	15,735	207,055
Sales				
- Hardware*	297,823	768,989	157,322	410,779
- Software*	7,807	152,710	15,152	215,076
Captive consumption				
- Hardware	575	10,180	539	7,363
- Software	12	1,369	-	-
Closing stock				
- Hardware	5,727	19,827	6,005	25,646
- Software	609	1,661	620	4,263

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

* Quantity includes purchase and sale of hardware and software relating to certain transactions in Systems Integration business, which are accounted on a net basis. Refer note B(1).

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

20. Investments in mutual funds

The movement in mutual funds for the year ended March 31, 2010 and March 31, 2009 have been given below:

Nos. in Units

Particulars	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Birla Sunlife 95 Fund		
(Nominal value of Rs. 10 each)		
Opening balance	44,379	44,379
Additions during the year	-	-
Disposals during the year	(44,379)	-
Closing balance	-	44,379
HDFC Prudence Fund		
(Nominal value of Rs. 10 each)		
Opening balance	75,988	75,988
Additions during the year	-	-
Disposals during the year	(75,988)	-
Closing balance	-	75,988

21. Share transfer between shareholders

The share holding of Infinity Capital Ventures, LP, of 42% has been reduced to 26.06% consequent to

a. transfer of shares of 4.00 million shares on a private transaction to Infinity Satcom Universal Private Limited.

b. allotment of 10.53 million shares to Infinity Satcom Universal Private Limited as purchase consideration on the merger of Sify Communications Limited with Sify Technologies Limited, since Infinity Satcom was a minority share holder in Sify Communications Limited.

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

23. Impairment of Globe Travels business

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

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

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

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

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

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

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

Particulars	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Contract revenue recognised for the year ended March 31, 2010	86,214	-
Aggregate amounts of costs incurred and recognized profits (less recognised losses) upto the reporting date	86,214	-
Advances received	16,441	-
Gross amount due from customers for contract work presented as an asset	86,214	-

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

Particulars	*Year ended March 31, 2010*	*Year ended March 31, 2009*
Weighted average number of equity shares outstanding	53,350,249	53,880,320
Dilutive impact of associated stock options	23,272	-
Weighted average number of equity shares for diluted earnings per share	53,373,521	53,880,320
Net profit considered for computing dilutive EPS (in Rs. thousands)	360,300	(789,173)

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

26. Taxation

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

27. Liquidity

The difference between the Company's liquid assets and liquid liabilities is marginal. Based on the projected cash flow and available lines of credit the Company will have sufficient resources to meet capital expenditure needs and working capital requirements over the course of the next 12 months. Additionally, the Company is exploring the possibility of exiting a leased facility and recovering the related security deposit, and replacing certain short term loans with long term lines of credit.

28. Borrowing costs capitalised during the year aggregated to Rs. 24,553 (March 31, 2009: Rs. 5,621)

29. Prior year comparatives

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

For and on behalf of Board of Directors

C B Mouli Director	***Raju Vegesna*** Chairman & Managing Director	***Ananda Raju Vegesna*** Executive Director
Chennai August 24, 2010	***M P Vijay Kumar*** Chief Financial Officer	***V Ramasubramanian*** Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

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

		For the year ended March 31, 2010	For the year ended March 31, 2009
Cash flows from operating activities			
Profit / (Loss) before exceptional item and taxation		(588,745)	(769,293)
Adjustments for:			
Depreciation / amortisation and impairment		697,772	508,000
Finance expenses (considered separately)		249,358	199,069
Provision for decline in value of investments / (written back)		(38,823)	4,805
Provision for doubtful debts (including bad debts written off and provision written back) (net)		88,713	91,276
Provision for advances to subsidaries and others		10,386	3,225
Employee stock compensation expense		6,413	13,871
Advances written off in earlier years, written back		(7,093)	-
Provision towards doubtful advances, written back		(11,349)	-
Unrealised foreign exchange fluctuation loss/(gain), net		6,689	(455)
Duty credit entitlement		(71,908)	(79,278)
Interest income (considered separately)		(19,489)	(116,930)
(Profit) / loss on sale of fixed assets, net		(2,414)	(828)
Operating profit / (loss) before exceptional item and before working capital changes		*319,510*	*(146,538)*
Exceptional item - Income from legal settlement (Also, refer to schedule 21)		561,120	-
Operating profit / (loss) before working capital changes		880,630	(146,538)
Adjustment for:			
Decrease/(increase) in sundry debtors		(526,740)	(97,543)
Decrease/(increase) in inventories		8,421	(1,337)
Decrease/(increase) in loans and advances		(163,441)	(47,903)
Increase/(decrease) in current liabilities and provisions		628,031	(12,612)
Cash flows from / (used in) operating activities		*826,901*	*(305,933)*
Taxes paid		(156,065)	(111,725)
Net cash flows from / (used in) operating activities	*(A)*	*670,836*	*(417,658)*
Cash flows from investing activities			
Purchase of fixed assets and changes in capital work-in-progress		(961,574)	(1,345,551)
Sale proceeds of fixed assets		6,164	2,389
Interest income received		53,700	154,493
Sale of investment in mutual funds		19,942	-
Net cash used in investing activities	*(B)*	*(881,768)*	*(1,188,669)*
Cash flows from financing activities			
Proceeds from issuance of share capital		82	-
Loans (repaid)/availed (net of repayment) and including loans availed against fixed deposits		(364,622)	2,005,673
Interest paid		(273,614)	(195,073)
Net cash from / (used in) financing activities	*(C)*	*(638,154)*	*1,810,600*
Effect of exchange differences on translation of cash and cash equivalents	*(D)*	*(2,913)*	*(945)*
Net increase/(decrease) in cash and cash equivalents during the period	*(A)+(B)+(C)+(D)*	*(851,999)*	*203,328*
Cash and cash equivalents at the beginning of the period		1,710,344	1,347,175
Cash and cash equivalents taken over as per the scheme of amalgamation		-	159,841
Cash and cash equivalents at the end of the period *		*858,345*	*1,710,344*
* Cash and cash equivalents subject to lien		360,809	1,329,756

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

for **B S R & Co.**
Chartered Accountants
Firm Registration No. 101248W

For and on behalf of the Board of Directors

Natrajh Ramakrishna
Partner
Membership No. 32815

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

Mumbai
September 1, 2010

Chennai
August 24, 2010

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Balance Sheet Abstract and General Profile of the Company under Part IV to Schedule VI of the Companies Act, 1956

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

I. Registration details	
Registration no.	50809
State code	18
Balance Sheet date	March 31, 2010
II. Capital raised during the period (including premium)	
Public issue	-
Rights issue	-
Bonus issue	-
Private placement	84
III. Position of mobilization and deployment of funds	
Total liabilities	10,832,495
Total assets	10,832,495
Sources of Funds	
Paid up capital	546,331
Reserves and surplus	5,162,655
Secured loans	2,618,599
Unsecured loans	55,608
Application of Funds	
Net fixed assets	3,870,130
Investments	637,663
Net current asssets	2,307,610
Miscellaneous expenditure	-
Accumulated losses	1,590,484
IV. Performance of the Company	
Turnover	6,760,139
Total expenditure	7,348,884
Profit/(Loss) before tax	356,799
Profit/(Loss) after tax	360,300
Earnings per share in Rs.	6.75
Dividend %	-

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

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

For and on behalf of the Board of Directors

C B Mouli Director	*Ananda Raju Vegesna* Chairman & Managing Director	*Raju Vegesna* Executive Director
Chennai August 24, 2010	*M P Vijay Kumar* Chief Financial Officer	*V Ramasubramanian* Company Secretary

Sify Technologies Limited

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

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

Name of the Subsidiary Company	*Sify Software Limited*	*Sify International Inc.*	*Sify Technologies (Singapore) Pte. Limited*
Financial year of the subsidiary ended on	March 31, 2010	March 31, 2010	Marach 31, 2010
Shares of subsidiary company held on the above date and extent of holding			
i) Equity Shares	4,581,820 of Rs. 10/- each	100	1 of SGD 1
ii) Extent of holding (%)	100%	100%	100%
Net aggregate amount of profits / (losses) of the subsidiary for the above financial year so far as they concern members of Sify Technologies Limited			
i) Dealt with in the accounts of Sify Technologies Limited	Nil	Nil	Nil
ii) Not dealt in the accounts of Sify Technologies Limited	(51,412)	(950)	709
Net aggregate amount of profits / (losses) for previous financial years of the subsidiary as far as it concerns members of Sify Technologies Limited			
i) Dealt with in the accounts of Sify Technologies Limited	Nil	Nil	-
ii) Not dealt in the accounts of Sify Technologies Limited	(73,672)	(212,268)	-

Chennai Ausgust 24, 2010	***C B Mouli*** Director	***Ananda Raju Vegesna*** Executive Director	***Raju Vegesna*** Chairman & Managing Director	***M P Vijay Kumar*** Chief Financial Officer	***V Ramasubramanian*** Company Secretary